

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4036-01  
Bill No.: HB 1324  
Subject: Drugs and Controlled Substances; Medical Procedures and Personnel; Health Care  
Type: Original  
Date: April 11, 2014

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Bill Summary: This proposal establishes a pilot program for the medical use of marijuana.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
General Revenue	(Unknown, greater than \$9,968,200)	(Unknown, greater than \$166,714)	(Unknown, greater than \$94,536)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown, greater than \$9,968,200)</b>	<b>(Unknown, greater than \$166,714)</b>	<b>(Unknown, greater than \$94,536)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Compassionate Use of Medical Cannabis	\$26,395,200	Less than \$30,125,625	Less than \$32,708,159
Criminal Records	\$3,670,521	\$78,188	\$78,188
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$30,065,721</b>	<b>Less than \$30,203,813</b>	<b>Less than \$32,786,347</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 20 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	41	2	1
Compassionate Use of Medical Cannabis	0	39	39
Criminal Records	5	0	0
<b>Total Estimated Net Effect on FTE</b>	<b>46</b>	<b>41</b>	<b>40</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **§§ 195.700 - 195.799 - Medical Marijuana Pilot Project**

Officials from the **Department of Health and Senior Services (DHSS)** provide the following information and assumptions:

#### **DHSS, Division of Regulation and Licensure (DRL)**

The state of Oregon has a medical marijuana program in place that seems to be similar to the proposed language. For purposes of this fiscal note, the State of Oregon's program will be benchmarked by DHSS in many of its assumptions. The Oregon program was initiated in May 1999. Information from the Oregon Medical Marijuana Program (OMMP) indicates the following as of January 1, 2014:

Number of OMMP patients	60,516
Number of current OMMP caregivers	30,638

Allowable medical conditions for patients to participate in OMMP include: Malignant neoplasms; glaucoma; positive HIV/AIDS status; agitation related to Alzheimer's disease; and other conditions or treatments for a condition that produces one or more of the following -- cachexia, severe pain, severe nausea, seizures (including but not limited to seizures caused by epilepsy), and persistent muscle spasms (including but not limited to spasms caused by multiple sclerosis).

#### **Applications**

For the purposes of fiscal note computations, DHSS assumes that the number of patients registered in Oregon (OR) will remain at 60,516. Since the diagnoses accepted are broader under the proposed Missouri program, DHSS is also assuming 25 percent more applicants in Missouri.

2012 Population of Oregon – 3,899,353 (Source -- US Census)

2012 Population of Missouri – 6,021,988 (Source -- US Census)

#### **Calculation of applications:**

- Oregon - 60,516 patients + 30,638 caregivers = 91,154 annual applications.
- 6,021,988 Missouri population / 3,899,353 Oregon population = 1.544 factor.
- Applying the 1.544 factor to Oregon's 91,154 registrants = 140,774 estimated Missouri registrants [(60,516 OR patients X 1.544 factor = 93,458 MO patients) + (30,638 OR caregivers X 1.544 factor = 47,316 MO caregivers); 93,458 MO patients + 47,316 caregivers = 140,774 applicants].

ASSUMPTION (continued)

- 140,774 Missouri registrants X 1.25 (adjustment for additional diagnoses in Missouri) = 175,968 total Missouri registrants [(93,458 MO patients X 1.25 adjustment for additional diagnoses = 116,823 patients) + (47,316 MO caregivers X 1.25 adjustment for additional diagnoses = 59,145 caregivers.); 116,823 patients + 59,145 caregivers = 175,968 MO registrants]. DHSS assumes total registrants will increase two percent in both FY16 and FY17.

For purposes of this fiscal note analysis, it is assumed Missouri will charge a \$200 annual fee for initial and renewal applications for both patients and caregivers. This fee is the same as is charged by the Oregon Medical Marijuana Program (OMMP). It is further assumed that the first fees would be collected in March 2015. It is assumed that only 75 percent of applicants will apply in FY15.

	FY 2015	FY 2016	FY 2017
Applications & Renewals	131,976	178,607	182,179
Application Fees	\$26,395,200	\$35,721,400	\$36,435,800

Section 195.733.4 requires DHSS to conduct a fingerprint-based background check of each prospective qualifying patient and designated caregiver. At present, this check costs \$44.80. It is assumed that each qualifying patient and designated caregiver will be checked upon their initial application, not on renewals. The following checks would be conducted and paid for by DHSS:

	FY 2015	FY 2016	FY 2017
Background Checks	131,976	46,631	3,572
Background Check Fees (Paid by DHSS)	\$5,912,525	\$2,089,069	\$160,032

Section 195.781.2 requires the establishment of a computerized database or verification system. As a result, DHSS-DRL anticipates the need to hire the following staff beginning on August 28, 2014 (FY15 - 10 months) to begin development of the system:

- One Program Manager Broad Band 2 (\$76,412 annually) – duties will include involvement in rule promulgation, program policies and procedures, information system development, and initial program set-up;
- One Program Manager Broad Band 1 (\$64,712 annually) – duties will include involvement in rule promulgation, program policies and procedures, information system development, and initial program set-up;

ASSUMPTION (continued)

- One Investigative Manager (\$64,712 annually) – duties will include managing complaints/reviewing investigative reports and be involved in rule promulgation, program policies and procedures, information system development, and initial program set-up;
- Two Administrative Office Support Assistants (\$26,960 annually, each) - duties will include background check processing;

The following staff will be hired effective March 1, 2015 (FY15 - 4 months) upon completion of the system development and implementation of the program:

- Five Investigator IIs (\$37,172 annually, each) – duties will include complaint investigation and inspections;
- Eight Senior Office Support Assistants (\$25,568 annually, each) – duties will include processing applications/assist with questions online and paper applications;
- Fifteen Registered Nurse IV (\$49,284 annually, each) – duties will include medical chart and information review;
- Four Physicians (\$94,460 annually, each) – duties will include review recommendations from physicians and after chart review performed by nursing staff.

The program will not receive fees until it is operational, so there will be no funds in the Compassionate Use of Medical Cannabis Fund during the development phase. It is assumed General Revenue funds will be expended from August 2014 through June 2015. Beginning July 2015, it is assumed that adequate cash for personnel and standard expense and equipment will be available in the Compassionate Use of Medical Cannabis Fund. It is further assumed that funds will be appropriated from the fund and expenses related to program operations will be paid from the fund in FY16 and FY17.

Section 195.736.3 requires DHSS to send a notification to a registered qualifying patient or registered designated caregiver ninety days prior to the expiration of the registered qualifying patient's or registered designated caregiver's identification card.

Printing

DHSS will print each patient and caregiver his/her card. DRL assumed that each patient and caregiver will renew each year and renewal cards will also need to be printed for each patient and caregiver annually. DRL will purchase two card printers for \$8,179 each and two magnetic strip encoders for \$695 each. The supplies (including ribbon, te-transfer set, etc.) for the printers and encoders averages \$0.63 per card.

FY15

131,976 cards (\$96 per 500) = 264 X \$96	\$25,344
131,976 cards x \$0.63 per card)	<u>\$83,145</u>
Total printing for FY 15	<u>\$108,489</u>

ASSUMPTION (continued)

FY16

178,607 cards (\$96 per 500) = 358 X \$96	\$34,368
178,607 cards x \$0.63 per card)	<u>\$112,522</u>
Total printing for FY16	<u>\$146,890</u>

FY17

182,179 cards (\$96.per 500) = 365 X \$96	\$35,404
182,179 cards x \$0.63 per card)	<u>\$114,773</u>
Total printing for FY17	<u>\$150,177</u>

	FY 2015	FY 2016	FY 2017
Cards mailed to new applicants	131,976	46,631	3,572
Renewal cards mailed		131,976	178,607
Total Cards	131,976	178,607	182,179

Mailing costs

Each patient and caregiver will receive his/her card in the mail and will be mailed a renewal notice at least ninety days prior to the expiration of the identification card. It is assumed that each patient and caregiver will renew each year. Renewal cards will also be mailed to each patient and caregiver annually.

Projected mailings are as follows:

	FY 2015	FY 2016	FY 2017
Cards mailed to new applicants	131,976	46,631	3,572
Renewal notices mailed		131,976	178,607
Renewal cards mailed		131,976	178,607
Total mailings	131,976	310,583	360,786

ASSUMPTION (continued)

FY15

131,976 envelopes (\$41 per 1,000) = 132 X \$41	\$5,412
Postage (131,976 x \$0.36/postage rate)	<u>\$47,511</u>
Total postage for FY 15	<u><u>\$52,923</u></u>

FY16

310,583 envelopes (\$41 per 1,000) = 311 X \$41	\$12,751
Postage (310,583 x \$0.36/postage rate)	<u>\$111,810</u>
Total postage for FY16	<u><u>\$124,561</u></u>

FY17

360,786 envelopes (\$41 per 1,000) = 361 X \$41	\$14,801
Postage (360,786 x \$0.36/postage rate)	<u>\$129,883</u>
Total postage for FY17	<u><u>\$144,684</u></u>

**DHSS, Division of Community and Public Health (DCPH)**

Section 195.703.1(2) and Section 197.784.2 would require the development of pamphlets used for educational purposes at a cost of \$6,000 annually (100,000 brochures x \$0.06/brochure printing costs). DHSS assumes 50,000 pamphlets would be distributed at exhibitions and conferences and 50,000 would be mailed at a postage rate of \$0.36 (50,000 X \$0.36 = \$18,000).

Section 195.721 would require DCPH to acquire a Public Health Consultant Nurse (\$52,596 annually). This position would be dedicated to researching medical conditions and providing clinical consultation to the review body designated by DHSS to review all requests for adding conditions or treatments to the list of debilitating medical conditions, and participate in the hearings associated with this determination. This position would also assist DRL in the review of applications to register a qualified patient within the timelines specified in the legislation. Due to the popularity of medical marijuana in states such as California, Oregon, and Colorado, it is anticipated that DHSS will receive a high number of patient applications and requests for adding conditions.

Section 195.742.2 and Section 195.742.3 would require DCPH to acquire an Environmental Public Health Specialist V (\$44,712 annually). This position would be dedicated to the development of rules and policies governing the manufacture of medical cannabis-infused products and to the inspection of up to nine cultivating centers and sixty dispensing organizations. Unlike most other products, DCPH would receive no guidance from the U.S. Food and Drug Administration on the oversight of cannabis food or drug products because the

ASSUMPTION (continued)

proposal conflicts with federal law. As such, it may be necessary for DHSS rules to include a process for laboratory analyses of medical cannabis-infused products to ensure marijuana component does not exceed safe level parameters outlined in the legislation. It is unknown if those analyses would be conducted by public or private laboratories within the state and the costs of such analyses is unknown.

**Office of Administration, Information Technology Services Division (OA-ITSD)**

DHSS defers to OA-ITSD to estimate the fiscal impact for information technology related costs for this proposed legislation.

Officials from the **Office of Administration (OA) - Information Technology Services Division (ITSD)/DHSS** state support from ITSD will be needed to develop/purchase a “verification system”. The system is to be internet-based and available to the Department of Agriculture, the Department of Insurance, Financial Institutions and Professional Registration, law enforcement personnel, and registered medical cannabis dispensing organization agents on a twenty-four hour basis for the verification of registry identification cards, the tracking of delivery of medical cannabis to medical cannabis dispensing organizations, and the tracking of the date of sale, amount, and price of medical cannabis purchased by a registered qualifying patient.

It is assumed this software application will need to be developed/purchased and functional at the time the Department of Health and Senior Services (DHSS) promulgates rules governing the manner in which it will consider applications for registry identification cards, and for renewing registry identification cards, for qualifying patients and primary caregivers. Development or purchase of a system to support the requirements of the “Compassionate Use of Medical Cannabis Pilot Program Act” is unknown, but estimated to be greater than \$2,000,000.

ITSD assumes a new data system application will reside on servers at ITSD. Ongoing maintenance and support will be required by ITSD. Two FTE Information Technology Specialists I (\$51,605 each, annually) and 0.5 FTE Technology Specialist II (\$61,651 annually) would provide business analysis, programming and support of the application. It is anticipated that during FY17, support could be reduced to half after the system is implemented.

ITSD estimates FY 15 costs to the General Revenue Fund to be unknown, but exceeding \$2,184,843; FY16 costs of \$224,321; and FY17 costs of \$140,833.

**Oversight** assumes the 0.5 FTE Technology Specialist II duties could be absorbed by existing staff until the new FTE Technology Specialists I could be trained to perform those duties.



ASSUMPTION (continued)

**Oversight** has, for fiscal note purposes only, changed the starting salary for the 2 FTE Information Technology Specialist I to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials from the **Department of Public Safety (DPS) - Missouri State Highway Patrol (MHP)** provide that Section 195.733 requires the Department of Health and Senior Services (DHSS) to conduct a state and federal fingerprint based criminal record check on prospective qualifying patients and designated caregivers. DHSS indicated that 175,968 fingerprint based background checks on qualifying patients and designated caregivers would be required initially. Additionally, DHSS estimates that 3,519 ( $175,968 \times 2\%$  growth factor) background checks for qualifying patients and designated caregivers would be required for the second and subsequent years.

Section 195.748 requires the Department of Agriculture to conduct a state and federal fingerprint based criminal record check on prospective cultivation center agents. The Department of Agriculture is responsible for conducting the fingerprint based background checks on the cultivation center agents. The cultivation centers are limited to one center per geographic troop equaling a total of nine possible cultivation centers. Criminal Justice Information Services (CJIS) was unable to obtain any figures from the Department of Agriculture. However, based on an estimate of five applicants per geographic location, it is estimated that 45 ( $9 \times 5$ ) state and federal fingerprint based background checks will be submitted to the central repository for processing. CJIS estimates that approximately five ( $45 \times 10\% = 4.5$ ) background checks for new applicants would be required for the second and subsequent years.

Section 195.760 requires the Department of Insurance, Financial Institutions and Professional Registration to conduct a state and federal fingerprint based criminal record check on prospective dispensing organization agents. The Division of Professional Registration is responsible for conducting the fingerprint background checks on the up to 60 dispensing organizations. CJIS was unable to obtain any figures from the Division of Professional Registration. However, based on an estimate of five applicants per dispensing organization, it is estimated that 300 ( $60 \times 5$ ) state and federal fingerprint based background checks will be submitted to the central repository for processing. CJIS estimates that approximately 30 ( $300 \times 10\%$ ) background checks for new applicants would be required for the second and subsequent years.

The charge for each background check processed is \$44.80; twenty dollars for the state fingerprint check, \$16.50 for the federal check, and an \$8.30 charge for the electronic fingerprint option used through a third-party vendor ( $\$20 + 16.50 + 8.30 = \$44.80$ ). Of this amount, the state retains the \$20 fee and \$2 of the federal charge of \$16.50 for a pass-thru fee. The \$8.30 charge is paid directly to the vendor at the time of application.

ASSUMPTION (continued)

Estimated FY15 Impact

Fingerprinting revenues 176,313 x \$36.50 (state/federal background check)	\$6,435,425
Fingerprinting expenses 176,313 x \$14.50 (federal background check charge)	<u>\$2,556,539</u>
Additional revenue	<u>\$3,878,886</u>

Estimated FY16 Impact and beyond

Fingerprinting revenues 3,554 x \$36.50 (state/federal background check)	\$129,721
Fingerprinting expenses 3,554 x \$14.50 (federal background check charge)	<u>\$51,533</u>
Additional revenue	<u>\$ 78,188</u>

CJIS would be directly affected by this proposal. In 2012, approximately 120,000 applicants were registered through the Missouri Automated Criminal History System (MACHS) for fingerprinting. The estimated combined totals for fingerprint-based background checks required under this proposal would total over 176,000 requests, which would increase the total number of fingerprint based criminal record checks by 146%.

If this change were to occur, CJIS would need to employ, conservatively, at least five additional full time employees to manage the increased work load. The intention would be to hire five FTE to get the Patrol through the initial onslaught of applications. Once those applications have been processed, the plan would be to then not replace the first five people that leave through attrition. Due to the required training requirements and increased work load, the requirements of this proposal would place an immense processing burden on CJIS and, ultimately, lead to increased processing times on criminal history background checks for positions of public trust.

Currently, fingerprint-based background check requests are processed by a Criminal History Technician. The additional FTE's would process all fingerprint-based criminal record check requests, including the Automated Fingerprint Identification System (AFIS) and Computerized Criminal History (CCH) processing, review criminal history records for accuracy and completeness, and contact agencies to locate or update dispositions.

The additional FTE will most likely be 2nd and 3rd shift employees so they would not require any additional equipment. However, there would be recurring costs of \$650 per year per FTE for office supplies and phone charges. If any FTE were placed on the 1st shift, standard equipment would be required at a one-time cost of \$3,566 per FTE.

The DPS-MHP estimates the net fiscal impact of this proposal for FY15 to be \$3,670,521 to the Criminal Records Fund; \$78,188 for FY16; and \$78,188 for FY 17.

ASSUMPTION (continued)

Bill as a Whole

Officials from the **Department of Corrections (DOC)** state while the intent of this legislation appears to attempt to protect the safety and security of DOC's institutions, contradictory language still exists within the legislation which may lead to alternative interpretations. Therefore, this legislation has the potential to have a significant operational impact on Division of Adult Institutions (DAI).

The Probation and Parole Board (P&P) has the potential for complications arising for those being supervised who are registered patients with DHSS for the use of medical marijuana, but are still subject to drug testing for marijuana as part of their supervision and/or have as a condition of release a prohibition on drug use.

The fiscal impact for the DOC is unknown per each fiscal year.

Officials from the **Department of Mental Health (DMH)** state the proposed legislation appears to place no direct obligation or requirement on the DMH that would result in a fiscal impact. However, the demand for substance use disorder treatment may increase causing an unknown fiscal impact.

**Oversight** assumes since the DMH states the “demand for substance use disorder treatment may increase”, that costs are speculative. Oversight assumes DMH will request additional funding through the appropriations process for any significant increase in disorder treatment costs.

Officials from the **City of Kansas City (City)** state the City may receive tax revenues from cultivation centers but it is not possible to estimate any amount at this time.

**Oversight** assumes the potential increase in tax revenues for the City of Kansas City to be speculative as it is not known where cultivation centers would choose to locate. Potential unknown tax revenues will not be included in the fiscal note.

Officials at the **Office of State Public Defender (SPD)** state the proposed legislation would establish a pilot program for the medical use of marijuana. This could have some impact on the SPD system. In FY13, the SPD provided representation in an estimated 3,315 marijuana cases. If a percentage of these cases were for the proposed appropriate medical use, this number could/would be reduced. It is not possible or feasible to estimate a number that would have been for a “legal” use. Removing these cases would assist public defenders by reducing their caseloads, but is not expected to result in significant savings.

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** anticipate that the proposal, in its current form (with the limit of 60 licensees), the Board of Pharmacy could manage the requirements of the proposal within existing appropriations and FTE. However, the proposal does not give the legal authority for licensing and rules to the Board of Pharmacy. Without specifying the authority to the Board of Pharmacy (an autonomous board), the board's legal authority could be questioned to issue a registration or promulgate rules that are statutorily placed in the proposal under the jurisdiction of "the department."

If the intent of the proposal is to place the requirement at the department level vs. the Board of Pharmacy, the DIFP would need an unknown number of FTE and expenses, which would be requested through the appropriations process.

Officials from the **Department of Elementary and Secondary Education (DESE)** state there is no anticipated state cost to the foundation formula associated with this proposal. To the extent fine revenues exceed 2004-2005 collections, any increase in this money distributed to school districts increases the deduction in the foundation formula the following year. Therefore, the affected districts will see an equal decrease in the amount of funding received through the formula the following year unless the affected districts are hold-harmless, in which case the districts will not see a decrease in the amount of funding received through the formula (any increase in fine money distributed to the hold-harmless districts will simply be additional money). An increase in the deduction (all other factors remaining constant) reduces the cost to the state of funding the formula.

**Oversight** assumes any increase or decrease in fine or penalty revenues generated cannot be determined. Therefore, the fiscal note does not reflect any fine or penalty revenues for the local school districts.

Officials from the **Department of Social Services (DSS) - Family Support Division (FSD)** state for sections 195.700 through 195.799 that there is no fiscal impact to the FSD. The FSD is required by Section 208.027, RSMo, to screen and test Temporary Assistance (TA) recipients for the illegal use of controlled substances. Marijuana use for medical purposes conducted as allowed under these sections would be considered a legal use of a controlled substance.

Officials from the **DSS - Children's Division (CD)** state the proposed legislation would not fiscally impact the CD, but would require policy to be developed to address the use and/or possession of marijuana for medical purposes as it relates to foster care should this proposed legislation become law.

ASSUMPTION (continued)

The Early Childhood Unit does not expect any fiscal impact as a result of this proposed legislation should it become law, but anticipates needing to update policy as it relates to the use and/or possession of marijuana for licensed child care providers.

Officials from the **DSS - MO HealthNet Division (MHD)** state the proposed legislation would have no fiscal impact on the MHD. Cannabis has not been approved by the Federal Drug Administration, is not rebatable and is not on the drug formulary. Therefore, it would not be covered under MO HealthNet.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

Officials from the **Department of Agriculture**, the **Office of State Courts Administrator**, the **Department of Higher Education**, the **Department of Natural Resources**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **DSS - Division of Legal Services**, the **Missouri Department of Transportation**, the **DPS - Division of Fire Safety**, the **Missouri Consolidated Health Care Plan**, the **Missouri Department of Conservation**, the **OA - Division of Accounting**, the **Office of Prosecution Services**, the **Office of State Treasurer**, **St. Louis County**, the **City of Columbia**, the **City of Jefferson City**, the **City of Springfield**, **Francis Howell School District**, **Linn State Technical College**, **Metropolitan Community College**, **Missouri Southern State University**, **Missouri State University**, **Missouri Western State University**, **Northwest Missouri State University**, and the **University of Central Missouri** each assume the proposal would not fiscally impact their respective agencies.

ASSUMPTION (continued)

Officials from the following **counties**: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for a statement of fiscal impact.

Officials from the following **cities**: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for statement of fiscal impact.

Officials from the following **schools**: Blue Springs Public Schools, Branson Public Schools, Carondelet Leadership Academy, Charleston R-I Schools, Cole R-I Schools, Columbia Public Schools, Fair Grove Schools, Fulton Public School, Independence Public Schools, Jefferson City Public Schools, Kirksville Public Schools, Kirbyville R-VI Schools, Lee Summit Public Schools, Malden R-I Schools, Malta Bend Schools, Mexico Public Schools, Monroe City R-I Schools, Nixa Public Schools, Parkway Public Schools, Pattonville Schools, Raymore-Peculiar R-III Schools, Raytown School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, Special School District of St. Louis County, Spickard School District, St Joseph School District, St Louis Public Schools, St. Charles Public Schools, Sullivan Public Schools and Warren County R-III School District did not respond to **Oversight's** request for fiscal impact.

Officials from the following **colleges**: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Lincoln University, Moberly Area Community College, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis Community College, Three Rivers Community College, Truman State University, and the University of Missouri did not respond to **Oversight's** request for fiscal impact.

Officials from the following **hospitals**: Barton County Memorial Hospital, Bates County Memorial Hospital, Cedar County Memorial Hospital, Cooper County Hospital, Excelsior Springs Medical Center, Putnam County Memorial Hospital, and Washington County Memorial Hospital did not respond to **Oversight's** request for fiscal impact.

ASSUMPTION (continued)

Officials from the following **law enforcement agencies**: Boone County Sheriff, Buchanan County Sheriff, Clark County Sheriff, Cole County Sheriff, Columbia Police, Eureka, Independence Police, Jackson County Sheriff, Jefferson City Police, Platte County Sheriff, Springfield Police, St. Joseph Police, St. Louis County Department of Police, and St. Louis Metro Police did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE FUND</b>			
<u>Costs - DOC</u>			
Increase in incarceration, probation and parole costs	(Unknown)	(Unknown)	(Unknown)
<u>Costs - OA-ITSD/DHSS</u>			
Personal service	(\$80,220)	(\$97,227)	(\$49,099)
Fringe benefits	(\$40,916)	(\$49,591)	(\$25,043)
Equipment and expense	(Greater than \$2,016,176)	(\$19,896)	(\$20,394)
Total <u>Costs</u> - OA-ITSD	(Greater than \$2,137,312)	(\$166,714)	(\$94,536)
FTE Change - OA-ITSD	2 FTE	2 FTE	1 FTE
<u>Costs - DHSS (\$§195.700 - 195.799)</u>			
Personal service	(\$800,046)	\$0	\$0
Fringe benefits	(\$408,063)	\$0	\$0
Equipment and expense	(Greater than \$6,622,779)	\$0	\$0
Total <u>Costs</u> - DHSS	(Greater than \$7,830,888)	\$0	\$0
FTE Change - DHSS	39 FTE	\$0	\$0
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>			
	<u>(Unknown, greater than \$9,968,200)</u>	<u>(Unknown, greater than \$166,714)</u>	<u>(Unknown, greater than \$94,536)</u>
Estimated Net FTE Change on the General Revenue Fund	41 FTE	2 FTE	FTE

FISCAL IMPACT - State Government

FY 2015  
(10 Mo.)

FY 2016

FY 2017

**COMPASSIONATE USE OF  
MEDICAL CANNABIS FUND**

Income - AGR (§195.790)

Medical cannabis cultivation privilege  
tax

Unknown

Unknown

Unknown

Income - DHSS (§§195.700 - 195.799)

Application fees

\$26,395,200

\$35,721,450

\$36,435,750

Costs - DHSS (§§195.700 - 195.799)

Personal service

\$0

(\$1,883,204)

(\$1,902,036)

Fringe benefits

\$0

(\$960,528)

(\$970,133)

Equipment and expense

\$0

(Greater than  
\$2,752,093)

(Greater than  
\$855,422)

Total Costs - DHSS

\$0

(Greater than  
\$5,595,825)

(Greater than  
\$3,727,591)

FTE Change DHSS

\$0

39 FTE

39 FTE

**ESTIMATED NET EFFECT ON THE  
COMPASSIONATE USE OF  
MEDICAL CANNABIS FUND**

**\$26,395,200**

**Less than  
\$30,125,625**

**Less than  
\$32,708,159**

Net FTE Change on the Medical  
Cannabis Fund

0 FTE

39 FTE

39 FTE

**CRIMINAL RECORDS FUND**

Income - DPS-MHP (§195.733)

Increased fingerprint revenue

\$6,435,425

\$129,721

\$129,721

Costs - DPS-MHP

Personal service

(\$112,350)

\$0

\$0

Fringe benefits

(\$93,307)

\$0

\$0

Equipment and expense

(\$2,559,247)

(\$51,533)

(\$51,533)

Total Costs - DPS-MHP

(\$2,764,904)

(\$51,533)

(\$51,533)

FTE Change - DPS-MHP

5 FTE

0 FTE

0 FTE

**ESTIMATED NET EFFECT ON THE  
CRIMINAL RECORDS FUND**

**\$3,670,521**

**\$78,188**

**\$78,188**

Net FTE Change on the Criminal Records  
Fund

5 FTE

0 FTE

0 FTE



FISCAL IMPACT - Local Government

FY 2015  
(10 Mo.)

FY 2016

FY 2017

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal creates the Compassionate Use of Medical Cannabis Pilot Program Act. In its main provisions, the proposal: (1) Authorizes the Department of Health and Senior Services to enforce patient related provisions under the Act unless otherwise provided (Section 195.703). These provisions include: (a) Establishing and maintaining a confidential registry of patients; (b) Distributing educational materials about health risks associated with the abuse of cannabis and prescription drugs; (c) Adopting rules to administer the patient and caregiver registration program; and (d) Adopting rules establishing food handling requirements for cannabis-infused products prepared for human consumption; (2) Authorizes the Department of Agriculture to enforce provisions relating to the registration and oversight of cultivation centers unless otherwise provided (Section 195.703); (3) Authorizes the Department of Insurance, Financial Institutions and Professional Registration to enforce provisions relating to the registration and oversight of dispensing organizations unless otherwise provided (Section 195.703); (4) Creates the Compassionate Use of Medical Cannabis Fund (Section 195.706), the fund will be for administration of Sections 195.700 to 195.799 and will be deposited with the State Treasurer; (5) Defines who will be considered a qualified patient and designated caregiver and how they will be recognized; (6) Specifies that criminal, civil, and other penalties may apply to those undertaking any task under the influence of cannabis, when doing so would be considered negligence, professional malpractice, or professional misconduct; (7) Specifies that criminal, civil, and other penalties may apply to those who possess or use cannabis in a school bus; preschool, primary, or secondary school grounds; any correctional facility; in a vehicle, unless in a medical cannabis container and inaccessible while the vehicle is moving; in a private residence that is used at any time as a licensed child care or similar service; (8) Specifies that criminal, civil and other penalties may apply to those who use cannabis in a public place, close proximity to someone who is underage, a health care facility, or where smoking is prohibited under state law (Section 195.712); (9) Specifies a person misrepresenting a medical condition to a physician or fraudulently providing material misinformation to a physician in order to obtain written classification is guilty of a class A misdemeanor (Section 195.712); (10) Specifies that government medical assistance programs nor private health insurers will be required to reimburse a person for costs associated with medical use of cannabis; (11) Specifies a mechanism in which

FISCAL DESCRIPTION (continued)

a citizen may request that the Department of Health and Senior Services add a debilitating condition or treatment to the list of debilitating medical conditions listed in Section 195.700; (12) Specifies how the Department of Health and Senior Services will issue registry cards; (13) Requires a registered qualifying patient and designated caregiver to keep his or her registry identification card in his or her possession at all times when engaging in the medical use of cannabis; (14) Specifies the information required on a registry identification card; (15) Specifies a person who maintains a valid registration card to submit annually, at least 45 days prior to the expiration date, a renewal application, fee, and any other documentation required by the department; (16) Requires the Department of Health and Senior Services to adopt rules for the manufacture of medical cannabis-infused products (Section 195.742); (17) Authorizes the Department of Health and Senior Services to enter any building, room, basement, enclosure, or premises occupied or used or suspected of being occupied or used for the production, preparation, manufacture for sale, storage, sale, distribution or transportation of edible medical cannabis-infused products, to inspect the premises and all utensils, fixtures, furniture, and machinery used for the preparation of the products (Section 195.742); (18) Specifies the information required in the application for a cultivation center registration; (19) Authorizes the Department of Agriculture to conduct a background check of a prospective cultivation center agent and specifies what procedures to follow during the process; (20) Authorizes the Department of Agriculture to suspend or revoke a registration subject to judicial review (Section 195.757); (21) Authorizes the Department of Insurance, Financial Institutions and Professional Registration to issue up to 60 dispensing organization registrations for operation (Section 195.760); (22) Specifies the minimum application requirements for a dispensing organization registration; (23) Requires the department to destroy all fingerprints after criminal records checks are complete; (24) Requires the Department of Insurance, Financial Institutions and Professional Registration to verify information contained in an application for renewal, approve or deny the application and issue a dispensing organization agent identification card to a qualifying agent within 15 business days, enter the registry identification number where the agent works, and allow for an electronic process; (25) Specifies the elements to be on a dispensing organization agent identification card; (26) Requires that written notice be sent to a registered dispensing organization 90 days prior to the registration expiration; (27) Requires a dispensing organization to cease operation if it expires until the renewal process has been completed; (28) Authorizes local governments to enact reasonable zoning ordinances; (29) Requires the Department of Health and Senior Services to maintain a confidential list of the persons to whom the department has issued a registry identification card; (30) Specifies that a breach of confidentiality by the departments is a class A misdemeanor; (31) Requires the departments to establish a computerized database or verification system within 180 days of the effective date; (32) Requires the Department of Health and Senior Services to submit a report to the General Assembly by September 30 of each year that does not disclose any identifying information, but includes other certain elements detailed in the proposal; (33) Requires the departments to adopt rules, subject to Chapter 536, pertaining to the Act no later than 120 days after the effective date; and (34) Requires that all cannabis byproduct, scrap, and harvested cannabis not intended for distribution be destroyed and disposed of in accordance with state law.

## FISCAL DESCRIPTION (continued)

### MEDICAL CANNABIS CULTIVATION PRIVILEGE TAX LAW

The proposal creates the Medical Cannabis Cultivation Privilege Tax Law which will go into effect on January 1, 2015. A surcharge, in addition to all other occupation or privilege surcharges and taxes imposed by the state will be imposed upon the privilege of cultivating cannabis at a rate of 7% of the sales price per ounce. Every cultivation center subject to the surcharge is required to file a return with the Department of Agriculture on or before the 20th day of each month and establishes penalties for failure to sign the return. Any medical cannabis cultivation center, medical cannabis dispensary organization, or political action committee created by them are prohibited from making contributions to any campaign or political committee established to promote a candidate public official.

### CRIMINAL LAW

The proposal prohibits a medical cannabis cardholder from using medical cannabis in the passenger area of any motor vehicle on a highway in this state or possessing medical cannabis within any motor vehicle unless it is in a medical cannabis container. Violating these provisions is a class A misdemeanor and the violator is subject to a possible two-year revocation of his or her medical cannabis card or status as a medical cannabis caregiver, medical cannabis cultivation center agent, or medical cannabis dispensing organization agent. The proposal does not prohibit law enforcement from conducting a chemical analysis or test to determine the presence of alcohol or other drugs as authorized by law.

### SUNSET PROVISION

The provisions of this proposal will expire six years after the effective date of the proposal.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

## SOURCES OF INFORMATION

Office of Attorney General  
Department of Agriculture  
Office of Administration -  
    Information Technology Services Division  
Office of State Courts Administrator  
Department of Elementary and Secondary Education  
Department of Higher Education  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Mental Health  
Department of Natural Resources  
Department of Corrections  
Department of Health and Senior Services  
Department of Labor and Industrial Relations

SOURCES OF INFORMATION (continued)

Department of Revenue  
Department of Social Services  
Missouri Department of Transportation  
Department of Public Safety -  
    Division of Fire Safety  
    Missouri State Highway Patrol  
Missouri Consolidated Health Care Plan  
Joint Commission on Administrative Rules  
Office of Prosecution Services  
Office of Secretary of State  
Office of State Public Defender  
Office of State Treasurer  
St. Louis County  
City of Columbia  
City of Jefferson City  
City of Kansas City  
City of Springfield  
Francis Howell School District  
Linn State Technical College  
Metropolitan Community College  
Missouri Southern State University  
Missouri State University  
Missouri Western State University  
University of Central Missouri



Mickey Wilson, CPA  
Director  
April 11, 2014

Ross Strobe  
Assistant Director  
April 11, 2014