

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6165-05
Bill No.: HCS for HB 2054
Subject: Drugs and Controlled Substances; Crimes and Punishment
Type: Original
Date: April 28, 2014

Bill Summary: This proposal exempts industrial hemp from the list of controlled substances and specifies that it is legal for anyone who has not been convicted of a drug-related crime to cultivate such hemp.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Up to \$329,422)	(Up to \$279,143)	(Up to \$284,072)
Total Estimated Net Effect on General Revenue Fund	(Up to \$329,422)	(Up to \$279,143)	(Up to \$284,072)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Criminal Records	Under \$100,000	Under \$100,000	Under \$100,000
Total Estimated Net Effect on <u>Other</u> State Funds	Under \$100,000	Under \$100,000	Under \$100,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	3	3	3

☐ 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).

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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Agriculture (AGR)** state this is new legislation and is tied to newly created language in the Federal Agriculture Act 2014. Registration and certification would require a fee to cover the MDA costs. Due to the regulated nature of Cannibus, site inspections will be required in addition to random sampling of the plants to ensure the THC level is at the allowable level. A program coordinator will be needed to develop the program processes and procedures and an inspector would be needed monitoring and sampling registered sites of growers and handlers.

AGR requests 1 FTE Program Coordinator with an annual salary of \$44,712, 1 FTE Senior Office Support Assistant with an annual salary of \$28,620, and 1 FTE Plant Protection Specialist at an annual salary of \$38,544. AGR assumes a total cost of the 3 FTE of approximately \$275,000 per year.

AGR assumes they would not be able to collect enough fee revenue as stated in Section 195.603.11 to cover their expenses, and would need additional funding from the General Revenue Fund.

For the purpose of the fiscal note **Oversight** will show the additional salary and expense cost to General Revenue for the additional FTE requested by AGR.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** state the Missouri Department of Agriculture was not able to determine the number of industrial hemp growers and handlers that would require a background check upon the passage of this legislation. The cost 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.

However, since the total number of growers and handlers is not known, the potential revenue received from the background checks into the Criminal Records Fund is not able to be determined.

Oversight assumes the additional revenue into the Criminal Records Fund would be under \$100,000.

ASSUMPTION (continued)

For Section 195.603.5, the **MHP** would develop an interface between the Patrol and the Department of Agriculture to receive this information and then development of a database to store and retrieve the information. The work will be completed by the state's computerized criminal history vendor, Computer Projects of Illinois (CPI), because the systems affected are components of a commercial system bought by the Patrol. CPI estimates a total of 600 (80 + 120 + 70 + 100 + 90 + 80 + 60) hours of combined work @ \$100 per hour for a total price of \$60,000 (600 x \$100) based on the following projections:

- 80 hours - Discovery and design
- 120 hours - Database modifications
- 70 hours - Store procedure codes
- 100 hours - Forms creation and redesign
- 90 hours - Switch routing and transactions
- 80 hours - Testing
- 60 hours - Project management

In addition, the Patrol estimates an annual maintenance cost of \$5,200, all to the General Revenue Fund.

Officials from the **Department of Corrections (DOC)** state in this bill, there are no blanket exceptions to the production, possession, or commerce therein of industrial hemp for persons in the custody or under the supervision of DOC. Similarly, there is no prohibition for public employees (but it would violate restrictions on the use of public facilities and public policy/) This could make it more difficult for the Board of Probation and Parole to carry out its supervisory functions, and may require modifications to the terms of probation, parole or conditional release. At least 9 states currently have industrial hemp laws on the books, so comparison with those states would help determine what will be the true effects on DOC if this bill passes. The fiscal impact for the DOC due to passage of this proposal is Unknown per each fiscal year.

Officials from the **Department of Health and Senior Services, Office of the State Public Defender, Office of the State Courts Administrator, and Office of Prosecution Services** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Office of the Secretary of State (SOS)**, assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for

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ASSUMPTION (continued)

this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

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

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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GENERAL REVENUE FUND

<u>Revenue</u> - AGR is allowed to charge reasonable fees to growers and handlers to help cover the costs of implementing this program (195.603.11)	Less than \$269,422	Less than \$273,813	Less than \$278,609
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Costs - AGR - growth, production, and distribution of hemp extract

Personal Service	(\$93,230)	(\$112,995)	(\$114,125)
Fringe Benefits	(\$47,552)	(\$57,633)	(\$58,209)
Expense and Equipment	(\$45,307)	(\$185)	(\$185)
Laboratory Services	<u>(\$83,333)</u>	<u>(\$103,000)</u>	<u>(\$106,090)</u>
Total Costs - AGR\	(\$269,422)	(\$273,813)	(\$278,609)
FTE Change - AGR	3.0 FTE	3.0 FTE	3.0 FTE

<u>Costs</u> - MHP - development and annual maintenance costs for system interface and storage (195.603.5)	<u>(\$60,000)</u>	<u>(\$5,330)</u>	<u>(\$5,463)</u>
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ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(Up to \$329,422)</u>	<u>(Up to \$279,143)</u>	<u>(Up to \$284,072)</u>
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Estimated Net FTE Change for the General Revenue Fund	3.0 FTE	3.0 FTE	3.0 FTE
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CRIMINAL RECORDS FUND

<u>Income</u> - Missouri Highway Patrol - background checks for hemp licensees	Unknown- <u>under \$100,000</u>	Unknown - <u>under \$100,000</u>	Unknown - <u>under \$100,000</u>
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ESTIMATED NET EFFECT TO THE CRIMINAL RECORDS FUND	<u>Unknown- under \$100,000</u>	<u>Unknown - under \$100,000</u>	<u>Unknown - under \$100,000</u>
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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.

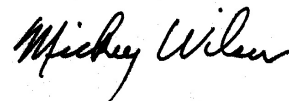
FISCAL DESCRIPTION

This proposal exempts industrial hemp from the list of controlled substances and specifies that it is legal for anyone who has not been convicted of a drug-related crime to cultivate such hemp.

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

Department of Public Safety - Missouri Highway Patrol
Office of Prosecution Services
Office of the State Public Defender
Department of Corrections
Office of the State Courts Administrator
Department of Health and Senior Services
Department of Agriculture
Office of the Secretary of State
Joint Committee on Administrative Rules



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