

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6436-07  
Bill No.: SCS for HCS for HB 2238  
Subject: Drugs and Controlled Substances; Crimes and Punishment; Criminal Procedure  
Type: Original  
Date: April 30, 2014

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Bill Summary: This proposal allows the use of hemp extract for the treatment of intractable epilepsy and creates licensing and registration procedures for the use, manufacture, and distribution of hemp.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$225,088)	(\$122,266)	(\$123,697)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$225,088)</b>	<b>(\$122,266)</b>	<b>(\$123,697)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 9 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	3.5 FTE	3.5 FTE	3.5 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>3.5 FTE</b>	<b>3.5 FTE</b>	<b>3.5 FTE</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**

#### **§§ 192.945, 195.207, and 261.265 - Hemp Extract:**

Officials from the **Department of Agriculture (AGR)** assume this proposal is related to the Federal Agriculture Act of 2014.

AGR assumes the director of the department will have to solicit demand from institutions of higher education within the state.

AGR assumes rules will be developed for site registration and certification. Registration and certification would require a fee to cover the MDA costs.

AGR assumes, due to the regulated nature of Cannabis, site inspections will be required in addition to random sampling of the plants to ensure the THC level is at the allowable level.

AGR assumes a program coordinator will be needed to develop program processes, procedures, monitoring, and sampling registered sites

AGR requests 1 FTE for a Program Coordinator with an annual salary of \$44,712 and 1 FTE for a Senior Office Support Assistant with an annual salary of \$28,620.

AGR assumes new equipment for the additional 2 FTE will cost of \$13,820 in FY15.

AGR assumes expenses costs for the additional 2 FTE will cost \$8,433 in FY 15, \$10,424 in FY16, and \$10,736 in FY17.

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.

**Oversight** assumes the new equipment costs can be absorbed by AGR.

ASSUMPTION (continued)

In response to the previous version of this proposal, officials from the **Department of Health and Senior Services (DHSS)** assumed this proposal will require the department employ one Health Program Representative III (HPR) to administer the program, including developing and maintaining the Access database into which applicant data will be entered, scanning and retrieving applicant data, and for working with the physician to identify card holders no longer eligible for the program. The HPR will also be responsible for the printing and mailing of the identification cards and for the generation of applicant and renewal reports.

DHSS assumed the proposal will require the department to employ 0.5 FTE Physician to review statements from neurologists to ensure applicants have the qualifying diagnosis of intractable epilepsy.

DHSS assumed in calendar year 2012 data indicated that approximately 313 inpatient and Emergency Room diagnoses for intractable epilepsy were made. For purposes of this fiscal note, DHSS assumed the 100 cards would be issued in FY 2015 and assumes that 400 applications will be issued annually each year after that.

DHSS further assumed that these applicants will be mailed a registration card both initially and with each annual renewal.

DHSS assumed the department would purchase a printer to print the identification cards which recent price quotes received for this type of equipment indicate a purchase price for the equipment needed to be \$12,447. DHSS estimated that the 400 cards will cost \$4 each and a new card will be mailed upon renewal. For fiscal note purposes, DHSS assumed the 100 cards would be issued in FY 2015. Postage for mailing of the cards will be \$0.381 each.

DHSS assumed applications will be received in paper form by the program and all items will be scanned and entered into Content Manager. License fees and maintenance for 1.5 FTE to use Content Manager will be \$675 in FY 2015, \$473 in FY 2016 and \$135 in FY 2017.

DHSS assumed that applicant and renewal fees will be assessed at a level sufficient to cover program expenses in FY 2016 and FY 2017.

**Oversight** assumes this proposal allows DHSS to administer a hemp registration process for individuals with "intractable epilepsy" to lawfully possess and use hemp extract.

**Oversight** assumes DHSS will establish fees that are no greater than the amount necessary to cover the cost for the provisions of this proposal beginning in FY16.

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ASSUMPTION (continued)

**Oversight** assumes fee income will lag behind the initial startup costs of the new DHSS hemp extract registration program. Initial one time start up expenses for this proposal will be shown in FY15, the first year of the program.

In response to the previous version of this proposal, officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed this proposal authorizes the Department of Agriculture (AGR) to produce, manufacture, and distribute hemp extract through the growth or cultivation of industrial hemp. The Department of Health and Senior Services (DHSS) is authorized to administer a hemp registration process for individuals with "intractable epilepsy" to lawfully possess and use hemp extract.

BAP assumed DHSS is explicitly authorized to charge a fee to administer the registration program. This provision will increase total state revenue and the Article X, Section 18(e) calculation by an unknown amount.

BAP assumed the proposal does not explicitly authorize AGR to charge fees to recoup costs associated with the growth, production, and distribution of hemp extract.

In response to the previous version of this proposal, officials from the **University of Missouri (MU)** assumed the fiscal impact of this proposal should not exceed \$100,000.

**Oversight** assumes any costs to MU from this proposal would be absorbed by the University.

In response to the previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** stated 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 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, the SOS also recognizes 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 with the 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.

ASSUMPTION (continued)

**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.

In response to the previous version of this proposal, officials from the **Department of Revenue**, the **Department of Corrections**, the **Department of Public Safety - Missouri State Highway Patrol**, the **Department of Higher Education**, **Joint Committee on Administrative Rules**, **Missouri State University**, **Linn State Technical College**, and **Northwestern Missouri State University** each assumed the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2015	FY 2016	FY 2017
<b>GENERAL REVENUE FUND</b>			
<u>Income - DHSS</u>			
§§ 192.945, 195.207 - Fees from hemp registration for individuals with intractable epilepsy	\$38,300	\$153,172	\$154,606
<u>Costs - DHSS</u>			
§§ 192.945, 195.207 - Administration of hemp extract program			
Personal Service	(\$85,770)	(\$86,628)	(\$87,494)
Fringe Benefits	(\$43,747)	(\$44,185)	(\$44,626)
Expense and Equipment	(\$33,160)	(\$22,359)	(\$22,486)
<u>Total Costs - DHSS</u>	<u>(\$162,676)</u>	<u>(\$153,172)</u>	<u>(\$154,606)</u>
FTE Change - DHSS	1.5 FTE	1.5 FTE	1.5 FTE
<u>Costs - AGR</u>			
§§ 261.265, 261.267 - growth, production, and distribution of hemp extract			
Personal Service	(\$61,110)	(\$74,065)	(\$74,806)
Fringe Benefits	(\$31,169)	(\$37,777)	(\$38,155)
Expense and Equipment	(\$8,433)	(\$10,424)	(\$10,736)
<u>Total Costs - AGR</u>	<u>(\$100,712)</u>	<u>(\$122,266)</u>	<u>(\$123,697)</u>
FTE Change - AGR	2.0 FTE	2.0 FTE	2.0 FTE
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$225,088)</u></b>	<b><u>(\$122,266)</u></b>	<b><u>(\$123,697)</u></b>
Estimated Net FTE Change for the General Revenue Fund	3.5 FTE	3.5 FTE	3.5 FTE
<u>FISCAL IMPACT - Local Government</u>			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### FISCAL IMPACT - Small Business

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

### FISCAL DESCRIPTION

#### §§ 192.945, 195.207, and 261.265 - Hemp Extract:

This proposal allows the Department of Health and Senior Services (DHSS) to issue a hemp extract registration card to a Missouri resident who is 18 years of age or older, or a parent or legal guardian of a minor, who has intractable epilepsy as determined by a neurologist.

This proposal gives DHSS rulemaking authority to implement the provisions of the act, regulate the distribution of hemp extract, and allow clinical trials involving hemp extract.

DHSS must establish fees that are no greater than the amount necessary to cover the costs the department incurs. The registration cards issued under this section are valid for one year.

This proposal requires the Department of Agriculture (AGR) to license up to two nonprofit entities to produce and distribute hemp extract for the treatment of intractable epilepsy. The proposal provides auditing and inspection provisions for the licensees.

Each licensee can have up to three cannabidiol oil care centers in which the licensee is authorized to distribute processed hemp extract to registrants.

AGR must promulgate regulations regarding the manufacture, storage, and transportation of hemp extract and for application requirements for licensing, security requirements, hemp monitoring systems, and other procedures for internal control.

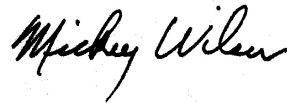
This proposal contains an emergency clause.

§§ 192.945 and 261.265 are considered nonseverable.

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 Health and Senior Services  
Department of Agriculture  
Office of Administration - Division of Budget and Planning  
Department of Revenue  
Department of Public Safety - Missouri State Highway Patrol  
Department of Higher Education  
Department of Corrections  
Office of Secretary of State  
Joint Committee on Administrative Rules  
University of Missouri  
Missouri State University  
Northwest Missouri State University  
Linn State Technical College



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