

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1901-01
Bill No.: HB 1096
Subject: Counties; Agriculture; Drugs and Controlled Substances
Type: Original
Date: March 26, 2019

Bill Summary: This proposal allows for the growing, cultivating, and harvesting of marijuana on land that is used for farming if approved by the vote of the people within the county.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
General Revenue	\$0	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue*	\$0	\$0	\$0	\$0

*Revenue and costs net to zero.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
General Revenue	0 FTE	0 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	0 FTE	0 FTE	2 FTE	2 FTE

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
Local Government	\$0	\$0	\$119,581	\$149,944

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Agriculture (AGR)** assume 10,000 to 100,000 marijuana licenses could be issued annually. Colorado has 114,000 people currently registered to use medical marijuana. The Colorado Department of Health reports 13.6% of residents over the age of 18 identify themselves as cannabis users. If 1% of Missourians were licensed under this proposal, it would amount to 61,126 licenses.

The proposal will require 2 FTEs: an Agriculture Manager and an Administrative Support Assistant.

Fees will be determined by the number of applications received. If 50,000 applications are received, and costs are estimated at approximately \$150,000, and half of all license fees go to counties, the fee would be \$6 per license:

$\$150,000 / 50,000 \text{ applicants} = \$3 \text{ per license needed to cover estimated program costs} \times 2 \text{ (}\frac{1}{2}\text{ of fees transferred to counties)} = \$6 \text{ per license fee}$

Since the bill does not provide authority for inspections, inspection costs were not included in the assumptions.

Oversight has no information to the contrary in regards to AGR's assumptions; therefore, Oversight will reflect AGR's costs on the fiscal note. Oversight will also range the fiscal impact of potential revenue from application fees using AGR's assumptions that fees will cover program costs in addition to half of the revenue from application fees being transferred to counties.

Oversight notes the proposal does not specify which fund will be used for expenses and deposits; therefore, Oversight will reflect the fiscal impact to the General Revenue Fund.

Oversight also notes AGR must begin to accept applications October 1, 2021; therefore, Oversight will reflect costs and revenue for 9 months in FY 2022, with the proposal being fully implemented in FY 2023.

Officials from the **Department of Public Safety - Missouri Highway Patrol** and **Department of Health and Senior Services** each assume the proposal will have no fiscal impact on their respective organizations.

ASSUMPTION (continued)

Oversight notes that the agencies mentioned above have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these 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 this fiscal note to the SOS for Administrative Rules is less than \$5,000. 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.

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 require additional resources.

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

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

FISCAL IMPACT -
State Government

	FY 2020	FY 2021	FY 2022 (9 Mo.)	Fully Implemented (FY 2023)
GENERAL REVENUE FUND				
Revenue - application fees up to the amount of program costs	\$0	\$0	\$119,581	\$149,944
Cost - AGR				
Personal Services	\$0	\$0	(\$68,185)	(\$91,822)
Fringe Benefits	\$0	\$0	(\$41,796)	(\$53,202)
Expense and Equipment	<u>\$0</u>	<u>\$0</u>	<u>(\$9,600)</u>	<u>(\$4,920)</u>
<u>Total Costs - AGR</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$119,581)</u>	<u>(\$149,944)</u>
Total FTE Change - AGR	0 FTE	0 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change to the General Revenue Fund	0 FTE	0 FTE	2 FTE	2 FTE

FISCAL IMPACT -
Local Government

	FY 2020	FY 2021	FY 2022 (9 Mo.)	Fully Implemented (FY 2023)
LOCAL POLITICAL SUBDIVISIONS				
Counties - 50% of application fees collected by AGR §261.317(2)	<u>\$0</u>	<u>\$0</u>	<u>\$119,581</u>	<u>\$149,944</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$119,581</u>	<u>\$149,944</u>

FISCAL IMPACT - Small Business

Small businesses that want to cultivate marijuana could be impacted by this proposal.

FISCAL DESCRIPTION

This bill specifies that it will not be unlawful to grow, cultivate, or harvest marijuana on land used for farming if a person is authorized to do so by the county and the person obtains a license to do so. The bill also specifies that any county may, with voter approval, authorize the growing, cultivating, or harvesting. Before July 1, 2021, the Department of Agriculture must adopt rules and regulations necessary to implement these provisions, as specified in the bill. Each application for an annual license to grow, cultivate, or harvest marijuana must be filed with the department. The department will begin accepting and processing applications on October 1, 2021, and the bill specifies policies and procedures for issuances of licenses and denials of applications.


The bill also excepts marijuana farming from the offense of manufacture of a controlled substance.

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

Kyle Rieman
Director
March 26, 2019



Ross Strobe
Assistant Director
March 26, 2019