

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4161H.011
 Bill No.: HB 1781
 Subject: Department of Health and Senior Services; Department of Public Safety; Drugs and Controlled Substances
 Type: Original
 Date: January 11, 2024

Bill Summary: This proposal creates provisions relating to intoxicating cannabinoids.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Veterans Health And Care Fund (0606)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Veterans Health Community Reinvestment Fund (0608)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

*The Department of Health and Senior Services (DHSS) states, per Article XIV, DHSS regulates cannabis and has associated rules in place to provide a regulatory framework. DHSS could receive additional revenues as the unregulated hemp-derived intoxicating cannabinoids market would likely transition to the regulated cannabis market. Oversight assumes, increased revenues to DHSS could be over \$250,000 annually.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§ 195.814 – Intoxicating cannabinoids

Officials from the **Department of Health and Senior Services (DHSS)** state §195.814.2(5)(b) of proposed legislation, amends Chapter 195 by placing regulation of hemp-derived intoxicating cannabinoids under the Department of Health and Senior Services' (DHSS) authority within the framework of Article XIV and defines intoxicating cannabinoids as marijuana and not industrial hemp. Per Article XIV, the department regulates cannabis and has associated rules in place to provide a regulatory framework.

Section 195.814 subsection 3 of proposed legislation, states that these products will be regulated by the Department in the same manner as it regulates marijuana under Article XIV of the Missouri Constitution. Hemp-derived intoxicating cannabinoids cannot be created or sold under the Department's Article XIV regulatory framework. Therefore, the Department will incur no additional costs under this proposal.

Since the department's Article XIV regulatory framework does not allow the production or use of hemp-derived intoxicating cannabinoids, it is assumed the Department can absorb the costs of this bill with current resources. However, if the workload in ensuring hemp-derived cannabinoids are not produced or sold significantly increases or other legislation becomes enacted, additional resources would be requested through the appropriation process.

The department could receive additional revenues in the Veterans Health and Care Fund and the Veterans Health Community Reinvestment Fund as the unregulated hemp-derived intoxicating cannabinoids market would likely transition to the regulated cannabis market.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect "\$0 to Unknown" income to the Veterans Health and Care Fund and the Veterans Health Community Reinvestment Fund for this agency.

Oversight notes the following activity for the two funds:

	<u>Balance at 12/31/23</u>	<u>Receipts in FY 23</u>
Veterans Health and Care Fund (0606)	\$18,411,175	\$26,155,980
Veterans Health Comm. Reiv. Fund (0608)	\$44,292,156	\$22,251,348

Officials from the **Department of Public Safety - Missouri Veterans Commission (MVC)** state, DHSS reported during MVCs October 2023 Commission meeting they have 152 individuals employed in the newly created marijuana regulation division. Adding additional regulation requirements to DHSS for "intoxicating cannabinoids" will result in an increase in

DHSS administrative expenses, possibly resulting in fewer dollars making their way to the Veterans Reinvestment Fund. MVC does not have a way to calculate what that Fiscal Impact might be. MVC defers to DHSS for that calculation.

Officials from the **Office of Administration - Budget and Planning (B&P)** defer to the Department of Health and Senior Services for the potential fiscal impact of this proposal.

Oversight notes DPS/MVC's and B&P's deferral to DHSS for a statement of fiscal impact; for fiscal note purposes, Oversight assumes no fiscal impact for DPS/MVC or B&P.

Officials from the **Office of Attorney General (AGO)** assume any additional litigation costs arising from this proposal can be absorbed with existing personnel and resources. However, the AGO may seek additional appropriations if there is a significant increase in litigation.

Oversight does not have any information to the contrary. Therefore, Oversight assumes the AGO will be able to perform any additional duties required by this proposal with current staff and resources and will reflect no fiscal impact to the AGO for fiscal note purposes.

Officials from the **University of Missouri System (UM)** state they project no annual significant fiscal impact.

Officials from the **Public Schools and Education Employee Retirement Systems (PSRS/PEERS)** state this bill has no substantial fiscal or operational impact on PSRS or PEERS of Missouri. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Officials from the **Department of Commerce and Insurance, the Department of Corrections, the Department of Elementary and Secondary Education, the Department of Labor and Industrial Relations, the Department of Mental Health, the Department of Natural Resources, the Department of Public Safety – Director's Office and Missouri Highway Patrol, the Department of Revenue, the Department of Social Services, the Missouri Department of Transportation, the MoDOT & Patrol Employees' Retirement System, the Missouri Department of Agriculture, the Missouri Office of Prosecution Services, the Office of Administration, the Office of the State Courts Administrator, the Office of the State Public Defender, the Office of the State Treasurer, the City of Kansas City, the Kansas City Employees' Retirement System, the Kansas City Firefighter's Pension System, the Kansas City Police Department, the Newton County Health Department, the Phelps County Sheriff's Department, the County Employees Retirement Fund, the Kansas City Public School Retirement System, the Metro St. Louis Sewer District Employees Pension Plan, the Rock Community Fire Protection District Retirement Plan, the Sheriff's Retirement System, the St. Louis County Police Department, Northwest Missouri State University and the University Of Central Missouri,** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Rule Promulgation

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

Officials from the **Office of the Secretary of State (SOS)** note 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 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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
VETERANS HEALTH AND CARE FUND (0606)			
<u>Income</u> – DHSS (§ 195.814) – creation of hemp-derived intoxicating cannabinoids program p. 3	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT ON THE VETERANS HEALTH AND CARE FUND	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

VETERANS HEALTH COMMUNITY REINVESTMENT FUND (0608)			
<u>Income</u> – DHSS (§ 195.814) – creation of hemp-derived intoxicating cannabinoids program p. 3	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT ON THE VETERANS HEALTH COMMUNITY REINVESTMENT FUND	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

The proposed legislation places hemp-derived intoxicating cannabinoids under framework of Article XIV and associated rules. Any small businesses currently producing or selling these products outside of the regulatory framework would no longer be able to do so. (§ 195.814)

FISCAL DESCRIPTION

This bill establishes the "Intoxicating Cannabinoid Control Act".

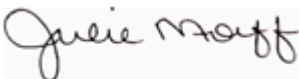
This bill specifies that any intoxicating cannabinoid, in any form and from any source, is subject to the regulations promulgated by the Department of Health and Senior Services under Article XIV of the Constitution of Missouri and treated as marijuana under such regulations and sold only at dispensaries licensed by the Department. (§ 195.814)

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

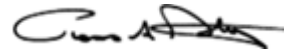
SOURCES OF INFORMATION

Attorney General’s Office
 Department of Commerce and Insurance
 Department of Corrections

Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Labor and Industrial Relations
Department of Mental Health
Department of Natural Resources
Department of Public Safety
Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules
Missouri Department of Agriculture
Missouri Department of Transportation
MoDOT & Patrol Employees' Retirement System
Missouri Office of Prosecution Services
Office of Administration - Budget and Planning
Office of the Secretary of State
Office of the State Courts Administrator
Office of the State Public Defender
Office of the State Treasurer
City of Kansas City
University of Missouri System
Newton County Health Department
Phelps County Sheriff's Department
Kansas City Police Department
St. Louis County Police Department
Kansas City Employees' Retirement System
Kansas City Firefighter's Pension System
Kansas City Public School Retirement System
Metro St. Louis Sewer District Employees Pension Plan
Public Education Employees' Retirement System
Rock Community Fire Protection District Retirement Plan
Sheriff's Retirement System
Northwest Missouri State University
University Of Central Missouri



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