

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0738H.02I  
Bill No.: HB 393  
Subject: Drugs and Controlled Substances; Department of Health and Senior Services;  
Licenses - Miscellaneous; Business and Commerce  
Type: Original  
Date: February 24, 2025

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Bill Summary: This proposal creates provisions relating to the regulation of hemp-derived consumable products.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>  |                  |                    |                    |
|--|------------------|--------------------|--------------------|
| FUND AFFECTED  | FY 2026          | FY 2027            | FY 2028            |
| General*   | \$852,493        | \$1,136,657        | \$1,136,657        |
|  |                  |                    |                    |
| <b>Total Estimated Net Effect on General Revenue</b> | <b>\$852,493</b> | <b>\$1,136,657</b> | <b>\$1,136,657</b> |

\***Oversight** notes funds from the 2% Tax levy shall be used exclusively for the funding of veterans' programs, drug abuse prevention and education programs, and first responder programs.

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>              |                                       |                                       |                                       |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| FUND AFFECTED   | FY 2026                               | FY 2027                               | FY 2028                               |
| Hemp Business Fund*   | (\$19,844,204 to \$20,471,965)        | (\$21,116,873 to \$21,331,873)        | (\$21,651,694 to \$21,866,694)        |
|   |                                       |                                       |                                       |
| <b>Total Estimated Net Effect on <u>Other</u> State Funds</b> | <b>(\$19,844,204 to \$20,471,965)</b> | <b>(\$21,116,873 to \$21,331,873)</b> | <b>(\$21,651,694 to \$21,866,694)</b> |

\*Collection of licensing fees and DPS-ATC and DHSS costs to administer.

Numbers within parentheses: () indicate costs or losses.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2026</b> | <b>FY 2027</b> | <b>FY 2028</b> |
|   |                |                |                |
|   |                |                |                |
| <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> |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2026</b> | <b>FY 2027</b> | <b>FY 2028</b> |
| Hemp Business Fund  | 138            | 138            | 138            |
|   |                |                |                |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>138</b>     | <b>138</b>     | <b>138</b>     |

- ☒ 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.

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2026</b>        | <b>FY 2027</b>        | <b>FY 2028</b>        |
|  |                       |                       |                       |
|  |                       |                       |                       |
| <b>Local Government*</b>                   | <b>\$0 to Unknown</b> | <b>\$0 to Unknown</b> | <b>\$0 to Unknown</b> |

\***Oversight** notes the violations of § 195.2555 and § 195.2560 could result in fines or penalties that would go to local school districts.

## FISCAL ANALYSIS

### ASSUMPTION

#### § 144.028 and § 195.2615 – Taxes on hemp-derived consumable products

Officials from the **Department of Revenue (DOR)** state this proposal attempts to distinguish between hemp-derived consumable products and marijuana. The Missouri Constitution says that all hemp that is not “industrial hemp” is considered marijuana for the purposes of regulation and taxation under Article XIV. Since this proposal clearly defines these hemp-derived consumable products as being a compound found in hemp, they would **already** be subject to the regulations and taxation of Article XIV.

Since this proposal also says that these products are not made from industrial hemp, which is exempt under Article XIV, then these products would **already** owe the marijuana licensing fees and should be collecting the marijuana excise tax and sales tax since December 8, 2022, when Article XIV was adopted.

DOR notes this proposal attempts to assess an excise tax at a rate of 2% on the retail purchase price of the hemp-derived consumable products in § 144.028. DOR notes that chapter 144 is the state sales and use tax. Sales and use tax is assessed on the purchase price of an item. Therefore, this proposal’s newly created tax would be a sales tax. DOR notes that sales tax is applied to the final purchase price of an item which includes all other taxes including excise taxes.

Since sellers of marijuana products and therefore these hemp-derived consumable products are **already** required to remit an excise tax and a sales tax, this would be an **additional** sales tax that would be assessed after the current excise tax and prior to the state sales tax. This proposal states that this newly created tax would be deposited for the use of funding veteran’s programs, drug abuse prevention and education programs and first responder programs.

DOR notes that some businesses may not have been remitting the required taxes. DOR notes that Missouri makes up 2.05% of the total U.S. market share of all hemp-derived cannabinoids. In 2023, that was \$56,832,841 of the \$2,774,925,672 in U.S. sales.

This newly created sales tax at 2% would generate \$1,136,657 in revenue.

**Oversight** does not have information to the contrary. Oversight notes the fiscal impact for sales taxes for FY2026 is lesser because FY2026 is a partial year (9 months). Therefore, Oversight will reflect the estimates as provided by the DOR as \$852,493 in FY 26 and \$1,136,657 in FY 27 and ongoing.

Officials from the **Department of Health and Senior Services (DHSS)** state § 144.028.2 of the proposed legislation states for all tax years beginning on or after January 1, 2026, an excise tax is hereby levied and imposed upon the retail sale of hemp-derived consumable products to

consumers within this state. The rate of tax shall be two percent of the retail purchase price paid or charged and shall be in addition to any tax imposed under any other provision of federal, state, or local law. Additionally, § 144.028.3 of the proposed legislation states the revenue derived from the two percent rate levied under this section shall be used exclusively for the funding of veterans' programs, drug abuse prevention and education programs, and first responder programs.

The legislation is unclear as to the destination fund for the two percent levy. While it could be assumed that the intended fund is the hemp business fund established by the bill, the language does not clearly establish that intention. Further, the Department is not aware of any data measuring or tracking the amount of revenue generated in Missouri from hemp-derived cannabinoids, so it does not have an estimate of the base amount of revenue on which a 2 percent tax would apply. The result would be an unknown amount of revenue generated to an unknown fund.

For fiscal note purposes, **Oversight** is presenting the 2% tax levy estimates as provided by DOR.

Officials from the **Department of Public Safety (DPS), Division of Alcohol and Tobacco Control (ATC)** state § 144.028 establishes a 2% excise tax on the retail sale of hemp-derived consumable products. It does not specify who is responsible for collecting the excise tax generated from retail sales, but it is assumed that since it is a retail sales tax the Department of Revenue will collect it. Therefore, the division has not estimated the collection of taxes.

As **Oversight** is presenting the 2% tax levy estimates as provided by DOR, Oversight will not be showing a fiscal impact of potential tax collection for DPS, ATC.

§§ 195.2555 to 195.2565 – Fines and licensing fees for certain hemp-derived consumables

**Oversight** notes § 195.2555 and § 195.2560 detail the manner in which certain hemp-derived consumable beverage must be displayed as merchandise in a retail establishment, including an indication that such consumables are for sale only to persons 21 years of age or older. Any person in violation of these provisions will be fined not more than \$200, with subsequent violations classified as a class D misdemeanor.

The Department of Public Safety (DPS), Division of Alcohol and Tobacco Control (ATC) must issue licenses for the manufacture and sale of hemp-derived consumables, and any entity or person engaged in the business of manufacturing or selling of such products that does not have a valid license will be fined not more than \$250.

Officials from the **DPS, ATC** state new subsection 195.2555.4 creates a fine not to exceed \$250 for the first violation of this section, and any second or subsequent violation shall be a class D misdemeanor. The division cannot quantify how many individuals or businesses will violate the laws in this subsection, so **the revenues from such have not been estimated**. Any fines collected under this subsection will be deposited into the state school moneys fund.

New subsection 195.2555.5 requires the division to conduct inspections at locations where such products are sold or distributed. This will require the division to increase staffing to be able to conduct and track these inspections.

New subsection 195.2560.2 creates a fine not to exceed \$250 for any person or entity engaging in the manufacturing or selling of hemp-derived consumable products in Missouri without a valid license. The division cannot quantify how many unlicensed persons or entities will manufacture or sell these products, so **the revenues from such have not been estimated**. Unlike subsection 195.2555.4, this subsection does not identify where fines collected under this subsection will be deposited.

New subdivision 195.2560.4(2) provides for a license fee of \$500 for a new manufacturer or distributor license, and a license fee of \$250 for a new retailer license for a maximum of \$2,500 for an entity with multiple locations (maximum of 10 locations pay license fee). Manufacturers and distributors are only required under subsection 195.2560.3 to obtain one license, no matter how many locations they operate out of. Current manufacturers are estimated at 150 in Missouri ([Missouri cannabis manufacturing rises, hemp struggles | Cannabis | missouribusinessalert.com](#)). This could include some of the 407 licensed alcohol manufacturers in Missouri.

ATC estimates that there could be as many hemp-derived consumable product manufacturers as liquor manufacturers, while also keeping in mind that roughly 10% of liquor manufacturers have separate licenses for multiple locations, which will not be required under this section. It is estimated that there will be 366 new hemp-derived consumable product manufacturer licenses ( $407 * 0.90$ ) for a total collection of \$183,000 ( $366 * \$500$ ). There was no estimate found for current distributors. There are 274 alcohol distributors in Missouri which ATC estimates will be the same number of hemp-derived consumable product distributors, while also keeping in mind that roughly 12% of liquor distributors have separate licenses for multiple locations, which will not be required under this section. It is estimated that there will be 241 new hemp-derived consumable product distributor licenses ( $274 * 0.88$ ) for a total collection of \$120,500 ( $241 * \$500$ ).

Current hemp retailers are estimated at 9,000 in Missouri ([‘Hemp sales are back on’ in Missouri after regulators limit governor's ban on THC products | STLPR](#)). There are 13,423 alcohol retailers licensed in Missouri, so ATC estimates there could be just as many hemp-derived consumable product retailer licenses. This section provides that a retailer with multiple locations cannot be charged for more than 10 licenses. This will drastically impact collections for retail licensing. One example would be Casey’s General Stores which holds 360 individual alcohol retailer licenses. If Casey’s is a licensed hemp product retailer, they will only have to pay for 10 of their 360 licenses (meaning 350 would be processed at no cost, with a net loss of \$87,500 in licensing fees ( $350 \text{ no-cost licenses} * \$250 \text{ uncharged fee} = \$87,500 \text{ net loss for one retailer}$ )).

There are 67 alcohol retailers with more than 10 locations, ranging from 11 to 557 locations (five with 120+ locations), and ATC believes it will be the case with hemp product retailers, which

ATC estimates could reduce the license count on which fees can be collected by 18.84%. ATC estimates there will be 10,894 new hemp-derived consumable product retailer licenses ( $13,423 * 0.8116$ ) that will pay a license fee for a total collection of \$2,723,500 ( $10,894 * \$250$ ), and an estimated 2,529 licenses that will be processed and issued with no fee. This will be very challenging for the division to manage what retail licenses get charged a fee and when to stop charging a fee. The total estimated collections for new manufacturer, distributor, and retailer hemp licenses are:

\$183,000 from hemp-derived consumable product manufacturer licenses  
\$120,500 from hemp-derived consumable product distributor licenses  
+ \$2,723,500 from hemp-derived consumable product retail licenses  
**\$3,027,000 total estimated collections from additional licensing**

New subsection 195.2560.5 provides for an annual license renewal fee of \$250 for a manufacturer or distributor license, and a license renewal fee of \$100 for a retailer license for a maximum of \$2,500 for an entity with multiple locations (maximum of 25 locations pay license fee). The renewal fee for manufacturers and distributors is half the initial license fee, so the estimated renewal fee collections for manufacturers and distributors are \$151,750 ( $(366 * \$250) + (241 * \$250)$ ). The renewal fee for retailers is 40% of the initial license fee.

Additionally, entities with multiple locations will pay renewal fees on up to 25 locations as opposed to the 10 locations that pay the initial license fee. Again, this will be challenging for the division to manage what licenses get charged a fee and when to stop charging a fee, especially since the initial license count with a fee will be different than the renewal license count with a fee. There are 30 alcohol retailers with more than 25 locations, which using the same estimations for initial retail licenses would increase the retail license renewal count from 10,894 to 11,574 that will pay a renewal fee for a total collection of \$1,157,400 ( $11,574 * \$100$ ), and an estimated 1,849 licenses that will be processed and renewed with no fee. Total estimated collections for manufacturer, distributor, and retail license renewals are:

\$91,500 renewals from hemp-derived consumable product manufacturer licenses  
\$60,250 renewals from hemp-derived consumable product distributor licenses  
+ \$1,157,400 renewals hemp-derived consumable product retail licenses  
**\$1,309,150 total estimated collections from additional licensing**

New subsection 195.2560.6 provides that the division may deny or revoke a license for violations of §§ 195.2550 to 195.2635, or the rules promulgated thereunder. There are no options available for the division to warn, probate, fine, or suspend a license for violations. Denials and revocations would directly impact the businesses who have their license denied or revoked, as they would not be able to manufacture or sell hemp-derived consumable products. This would also impact the Attorney General's Office as those that are denied or revoked would likely appeal the decision to the Administrative Hearing Commission.

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DPS, ATC.

Officials from the **Department of Revenue (DOR)** state this proposal attempts to regulate the hemp-derived consumable product industry. This proposal defines a hemp-derived consumable product as a finished good that is intended for human ingestion and contains at least one hemp-derived cannabinoid. A hemp-derived cannabinoid is defined as a compound found in hemp.

This proposal establishes rules for the licensing and selling of these hemp-derived consumable products and beverages. The regulation is to be done by the Department of Health and Senior Services (DHSS). Section 195.2560.9 requires that all fees collected by DHSS be transferred to DOR for deposit. Most fees collected by DHSS are handled in this manner and therefore, this can be done with existing resources by DOR.

**Oversight** does not have any information to the contrary. Oversight notes this proposal requires DPS, ATC to collect and remit fees to DOR. Therefore, Oversight will reflect a zero impact in the fiscal note for DOR for this section.

**Oversight** notes that violations of § 195.2555 and § 195.2560 could result in fines or penalties. Oversight also notes per Article IX Section 7 of the Missouri Constitution fines and penalties collected by counties are distributed to school districts. Fines vary widely from year to year and are distributed to the school district where the violation occurred. Oversight will reflect a positive fiscal impact of \$0 to Unknown to local school districts. For simplicity, Oversight will not reflect the possibility that fine revenue paid to school districts may act as a subtraction in the foundation formula. Due to a lack of information, Oversight assumes revenue from fines to be less than \$250,000 annually.

§§ 195.2570, 195.2590, 195.2605 and 195.2607– Testing of hemp-derived consumable products

Officials from the **Department of Health and Senior Services (DHSS)** state the department referenced its current organizational structure for staffing needs specific to compliance and enforcement of regulated marijuana testing facilities, which is currently a 5-to-1 facility per staff ratio. In accordance with Article XIV, these responsibilities include ensuring compliance and enforcement of regulation entities pursuant to 19 CSR 100-1. According to the USDA, currently there are approximately one hundred and one (101) Hemp Analytical Testing Laboratories registered with the DEA. According to A2LA, ANAB, and Perry Johnson accrediting bodies, there are approximately one hundred and ten (110) ISO 17025 accredited hemp testing laboratories in the United States. The Department of Health and Senior Services' (DHSS) Division of Cannabis Regulation (DCR) did not review all accrediting bodies for ISO 17025 hemp testing facilities and is assuming a 50 percent increase to the number. DCR assumes it will need to oversee testing at approximately two hundred and fifty (250) testing laboratory facilities.

Section 195.2570.1 of the proposed legislation requires the Department to oversee all testing of hemp-derived consumable products.

Sections 195.2570.2(1) and (2) of the proposed legislation requires the Department to accept, review and issue lab certifications and maintain a public registry and results.

Section 195.2570.3 of the proposed legislation requires the Department to ensure hemp-derived consumable manufacturers and/or distributors test final marijuana product prior to distribution.

The statute will require the Department to develop and implement a new program area, hire and train new staff, develop processes and procedures for staff, and develop industry assistance for compliances purposes. The Department will be required to quickly implement this program and will need to hire subject matter experts to assist in these specific areas. The Department estimates **\$750,000 in contractual cost in fiscal year 2026 and \$400,000 for fiscal year 2027 and 2028.**

DCR will require an application and track and trace system to conduct these processes. The system must allow for:

- acceptance, review and issuance of lab certifications and maintenance of a public registry;
- track and trace of hemp-derived consumable products from manufacturers and distributors to licensed laboratories and retailers; as well as
- upload of certificate of analysis and maintenance of a database of test results and statuses per hemp-derived consumable product batch.

DCR estimates track and trace of hemp-derived consumable products, testing and results will cost \$1,697,368. DCR used their current marijuana application/track and trace system costs to estimate the system cost at 100 percent of current cost due to tracking and tracing results from manufacturers, distributors, and labs nationwide. DCR will not track product at cultivation facilities or retail licensees.

Based on these projections, and in consideration of the difference in responsibilities for compliance and enforcement as required in Article XIV, the Department will require an additional section to fulfill these requirements.

#### Bureau of Testing Licensee Compliance

- Fifty (50.00 FTE) Compliance Inspectors with an annual salary of \$75,936 will be needed to maintain a workload of 5-to-1 testing facility per staff ratio. Compliance Inspectors are responsible for ensuring testing of all hemp-derived product in accordance with Section 195.2570. The Compliance Inspectors are assumed to be telecommuter staff with extensive travel to testing facilities nationwide.
- Ten (10.00 FTE) Compliance Inspector Supervisors with an annual salary of \$75,936; supervision of no more than five (5) Compliance Inspectors per Compliance Inspector Supervisor. The Compliance Inspector Supervisors are assumed to be telecommuter staff with moderate travel to meetings, training or testing facilities nationwide.



- Five (5.00 FTE) Compliance Inspector Managers with an annual salary of \$97,464; supervision of no more than five (5) Compliance Inspector Supervisors per Compliance Inspector Supervisor. The Compliance Inspector Supervisors are assumed to be in office staff with minimal travel to meetings, training or testing facilities nationwide.
- One (1.00 FTE) Regulatory Compliance Manager with an annual salary of \$89,712; supervision of no more than five (5) Compliance Inspector Supervisors per Regulatory Compliance Manager. The Regulatory Compliance Manager is assumed to be in office staff with minimal travel to meetings, training or testing facilities nationwide.

#### Bureau of Testing License Application and Reporting Services

- Ten (10.00 FTE) Regulatory Auditors with an annual salary of \$59,112 will be needed to maintain a workload of approximately twenty-five (25) licensees per auditor. Regulatory Auditors are responsible for accepting, reviewing and issuing of lab certifications and maintaining the public registry. The Regulatory Auditors are assumed to be telecommuter staff with minimal travel to meetings or training.
- Two (2.00 FTE) Regulatory Auditor Supervisors with an annual salary of \$75,936; supervision of no more than five (5) Regulatory Auditors per Regulatory Auditor Supervisor. The Regulatory Auditor Supervisor is assumed to be in office staff with minimal travel to meetings or training.
- One (1.00 FTE) Regulatory Auditor Supervisor with an annual salary of \$75,936 who will supervise the two (2) aforelisted Regulatory Auditor Supervisors and serve as the manager of the unit. The Regulatory Auditor Supervisor is assumed to be in office staff with minimal travel to meetings or training.

#### Section for Hemp-Derived Consumable Product Testing and Compliance

- One (1.00 FTE) Regulatory Compliance Manager / Deputy Section Administrator with an annual salary of \$104,326; supervision of no more than five (5) Regulatory Auditor Supervisors or Regulatory Compliance Managers per Regulatory Auditor Supervisor. The Regulatory Compliance Manager is assumed to be in office with minimal travel to meetings or training.
- One (1.00 FTE) Regulatory Compliance Manager/ Section Administrator with an annual salary of \$113,300; supervision of no more than five (5) Regulatory Compliance Managers per Regulatory Compliance Manager. The Regulatory Compliance Manager is assumed to be in office with minimal travel to meetings or training.

#### Legal

- Three (3.00 FTE) Legal Counsels with an annual salary of \$85,000 will be needed for hemp-derived consumable product litigation.
- One (1.00 FTE) Paralegal with an annual salary of \$60,408 will be needed to assist with pending claims and litigation matters.

Three (3.00 FTE) Lead Administrative Assistants with an annual salary of \$46,152 will be needed to assist with administrative functions. The Lead Administrative Assistant is assumed to be telecommuters staff with minimal travel to meetings or training.

DHSS' State Public Health Lab (SPHL) projects this legislation will result in an increase in testing of 130 percent over what is included in the constitutional amendment.

In order to meet this need, the SPHL will need to purchase an incubator and analyzers, as well as the maintenance agreement for these items. Reagents and consumables are requested for performing the tests. In addition, the SPHL will need the following staff:

- Two (2.00 FTE) Senior Laboratory Scientists;
- Three (3.00 FTE) additional Laboratory Scientists;
- Two (2.00 FTE) Laboratory Support Technician for accessioning and testing samples and reporting results;
- One (1.00 FTE) Laboratory Supervisor; and
- One (1.00 FTE) Accountant.

SPHL estimates the following other expense and equipment costs:

- Laboratory Testing Equipment: \$1,287,239 to \$1,700,000 in FY 2026
- Laboratory Supplies/Reagents: \$1,800,000 to \$2,000,000 in FY 2026; \$2,000,000 to \$2,200,000 in FY 2027; and \$2,200,000 to \$2,400,000 in FY 2028
- Courier to transport samples to the lab: \$15,000 to \$20,000 in FY 2026; \$20,000 to \$25,000 in FY 2027; \$25,000 to \$30,000 in FY 2028
- Laboratory equipment maintenance: \$128,730 to \$138,730 in FY 2026; \$138,730 to \$148,730 in FY 2027; and \$148,730 to \$158,730 in FY 2028

The Division of Administration will require eight (8.00) FTE in order to provide support for the Bureau of Testing Licensee Compliance within the DCR. These positions will provide support in human resources, procurement, budget and accounts payable and receivable.

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DHSS.

#### § 195.2600 and § 195.2607 – Registration and inspections

**DPS, ATC** states § 195.2600 requires all brands distributed or available for distribution in the state to be registered with the division. In addition to licensing configuration, functionality will need to be incorporated into the alcohol brand registration system, which is estimated to cost approximately \$250,000. Additional staff will also be required to manage the processing of all brand registrations.

ATC has several licensing and brand registration reports available on the ATC website from data.mo.gov that allows cities and counties to see who has an active liquor license, helps licensees know that they are transacting with active licensees, and shows all registered products

in the state. They anticipate the need to have similar reports available for hemp-derived consumable product licensees. The division would work with the licensing vendor to create these reports but would also need ITSD to interface these reports into data.mo.gov and make them available on the ATC website. They estimate that building these reports could be as much as \$12,000.

Following is the specific breakdown of the additional staff that will be needed:

- 16 - Special Agents – Total salary of \$960,000 ( $\$60,000 * 16$ ) - Special Agents will be the key contact people for licensees to direct their questions and application problems. Agents will review all license applications, investigate violations, and enforce all statutes and regulations as authorized by this bill. This would equate to approximately 839 licensees per agent. Four agents will be located in each district office in Jefferson City, Kansas City, St. Louis, and Springfield.
- 4 - District Supervisors – Total salary of \$280,000 ( $\$70,000 * 4$ ) - The District Supervisor will supervise the licensing and enforcement in their district. There will be one located in each district office.
- 5 - Administrative Support Assistants – Total salary of \$207,500 ( $\$41,500 * 5$ ) - Two Administrative Support Assistants will be assisting in the large amount of clerical work related to the implementation and ongoing licensing of hemp product businesses, to include processing licenses, data entry, tracking statistics, and facilitating the composition of reports. Three Administrative Support Assistants will be responsible for processing all brand registration applications and changes. All five will be located in the Jefferson City central office.
- 3 - Administrative Support Professional – Total salary of \$132,000 ( $\$44,000 * 3$ ) - One Administrative Support Professionals will be the lead for brand registration and will ensure all requirements are adhered to. One Administrative Support Professional will handle all financials and purchasing for the hemp program, as well as processing payroll. One Administrative Support Professional will be working with the administrative disciplinary section to schedule and manage all disciplinary conferences and actions. All three Administrative Support Professionals will be located in the Jefferson City central office.
- 1 - Licensing and Compliance Supervisor – Salary of \$66,000 - The Licensing and Compliance Supervisor will assist in the review and approval of license applications and manage brand registration. They will be located in the Jefferson City central office.
- 1 - Chief of Enforcement – Hemp – Salary of \$90,000 – The Chief of Enforcement will approve license applications, manage enforcement activities, and lead the administrative disciplinary process of the hemp program. They will be located in the Jefferson City central office.

1 - Deputy Chief of Enforcement - Hemp – Salary of \$80,500 – The Deputy Chief of Enforcement will assist in the review of license applications, review violation reports, and be involved in the administrative disciplinary process of the hemp program. They will be located in the Jefferson City central office.

1 - Administrative and Fiscal Manager - Hemp – Salary of \$86,000 – The Administrative and Fiscal Manager will be responsible for all budgetary, fiscal, administrative, and legislative aspects of the hemp program. They will be located in the Jefferson City central office.

1 - Legal Counsel - Hemp – Salary of \$85,000 - The Legal Counsel will be responsible for interpreting the statutes and assisting with the promulgation of rules to regulate the hemp program, as well as ongoing legal counsel regarding the administrative disciplinary process. They will be located in the Jefferson City central office.

Current ATC staff that will need to dedicate time to the start-up of this program:

State Supervisor - \$44,204 - 40% of time dedicated to overseeing hemp product program and developing/maintaining regulations. These duties will be on-going, beyond start-up.

Chief of Enforcement - \$8,875 - 10% of time dedicated to the hemp product program performing disciplinary duties and developing/maintaining regulations. These duties will be on-going, beyond start-up.

Deputy Chief of Enforcement - \$7,747 - 10% of time dedicated to the hemp product program performing disciplinary duties and developing regulations.

Director of Finance and Compliance - \$8,603 - 10% of time dedicated to the hemp product program managing financials, budget, legislation, and developing regulations.

Legal Counsel - \$8,000 - 10% of time dedicated to the hemp product program providing legal counsel and developing regulations.

Expense and Equipment – Total equipment and expense is \$3,221,086 for the first year with \$2,166,499 being one-time costs - Includes basic office equipment and law enforcement equipment, which includes firearms, ammunition, ballistic vest, vehicles, travel expenses, etc. See below:

Equipment:

Computer Equipment – \$52,041

Motorized Equipment – \$1,166,000

Office Equipment – \$296,355

Other Equipment – \$224,950

Expense:

Travel – \$66,000  
Supplies – \$149,347  
Professional Development – \$26,400  
Communication Services and Supply – \$135,978  
Professional Services – \$262,000 (Brand registration and ITSD costs)  
Maintenance & Repair – \$476,808  
Miscellaneous – \$4,950  
Leasing Expense - \$210,256  
Capital Improvement Expense - \$150,000

This bill establishes the requirements for hemp-derived consumable product licensing, operations, enforcement, etc., which will require additional staff, additional space, equipment, and expenses. The division's executive staff and two others will also be involved in some functions for the start-up of this bill such as establishing regulations, disciplinary actions, financials, and budget. The state supervisor will have an on-going role in the hemp program.

The bill also establishes the license fees for the hemp beverage licenses, which are to be deposited into the hemp business fund and used solely for the administration of these sections. With two agencies being responsible for different sections in this bill, it is assumed that a portion of the fees will be appropriated to DHSS and a portion to ATC. Whatever that portion would be for each agency, even if 100% of the estimated funds gets appropriated to ATC, it is not enough to cover the estimated annual expenses for the division.

The alcohol and tobacco control fund is comprised solely from 70% of liquor license fees and may only be used for the administration of chapter 311 and §§ 407.925 to 407.934, and any duties under such chapter and sections relating to licensing, training, technical assistance, and regulations (see 311.735, RSMo), and therefore could not be used for the administration of these sections. Even if the alcohol and tobacco control fund could be used, it could not support the hemp beverage program on a long-term basis. The division will have to request funding from the general revenue fund in order to fully administer this bill.

**Oversight** does not have information to the contrary. Oversight notes that **current DPS, ATC staff will be utilized to implement portions** of this proposal at a cost of \$156,186 in FY 2026, \$189,593 in FY 2027, and \$111,247 in FY 2028 and on-going for salary and fringe. Because DPS, ATC is already funded for these positions, **Oversight assumes costs for additional job duties assigned to existing DPS, ATC staff are absorbable.** Oversight will reflect the estimates for new staff, expenses and equipment, etc. as provided by DPS, ATC.

#### Responses regarding the proposed legislation as a whole

Officials from the **Department of Public Safety, Missouri Veterans Commission (MVC)** state this bill explains no details of what amount or how much or percentage of funds collected would go to Veterans' benefit and does not mention MVC at all. There could be a possible positive fiscal impact to MVC which would be speculative and small in nature.

**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 Public Safety, Director's Office** defer to the Department of Public Safety, Division of Alcohol and Tobacco Control for the potential fiscal impact of this proposal.

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

**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 **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 – Missouri Highway Patrol, the Department of Social Services, the Missouri Department of Transportation, the MoDOT & Patrol Employees' Retirement System, the Missouri Department of Agriculture, the Office of Administration, the Office of the State Public Defender, the Office of the State Treasurer, the State Tax Commission, the City of Kansas City, the City of O'Fallon, the Kansas City Police Department, the Newton County Health Department, the Phelps County Sheriff's Department, the County Employees Retirement Fund, the Kansas City Civilian Police Employees' Retirement, the Kansas City Police Retirement System, the Kansas City Public School Retirement System, the Metro St. Louis Sewer District Employees Pension Plan, the Public Education Employees' Retirement System, 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.

Officials from the **Office of Administration - Budget and Planning, Missouri Office of Prosecution Services** and the **Office of the State Courts Administrator** did not respond to **Oversight's** request for fiscal impact for this proposal.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other cities, county commissioners, local public health agencies, nursing homes, county clerks, sheriffs' departments, police departments, ambulance districts, schools, hospitals and colleges were requested to respond to this proposed legislation but did not. A listing of political

subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

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 2026<br>(10 Mo.)     | FY 2027                   | FY 2028                   |
|--|-------------------------|---------------------------|---------------------------|
| <b>GENERAL REVENUE FUND</b>  |                         |                           |                           |
| Income – DOR (§ 144.028 and § 195.2617) 2% Tax levy p. 3   | <u>\$852,493</u>        | <u>\$1,136,657</u>        | <u>\$1,136,657</u>        |
| <b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND*</b>   | <b><u>\$852,493</u></b> | <b><u>\$1,136,657</u></b> | <b><u>\$1,136,657</u></b> |
| * <b>Oversight</b> notes funds from the 2% Tax levy shall be used exclusively for the funding of veterans' programs, drug abuse prevention and education programs, and first responder programs. |                         |                           |                           |
|  |                         |                           |                           |
| <b>HEMP BUSINESS FUND</b>  |                         |                           |                           |
| Income – DPS, ATC (§§ 195.2560) licensing fees p. 5-7  | \$3,027,000             | \$1,309,150               | \$1,309,150               |
|  |                         |                           |                           |
|  |                         |                           |                           |

| <u>FISCAL IMPACT – State Government</u>   | FY 2026<br>(10 Mo.)          | FY 2027                      | FY 2028                      |
|---|------------------------------|------------------------------|------------------------------|
|   |                              |                              |                              |
| <u>Costs – DHSS, DCR (§§ 195.2550 - 195.2635) p. 8-10</u>                                     |                              |                              |                              |
| Personal service  | (\$5,519,675)                | (\$6,756,082)                | (\$6,891,204)                |
| Fringe benefits   | (\$3,370,366)                | (\$4,097,534)                | (\$4,151,691)                |
| Equipment and expense   | (\$1,314,486)                | (\$1,008,200)                | (\$1,028,364)                |
| Consultant to Assist in Rule Promulgation, etc. p. 8  | (\$750,000)                  | (\$400,000)                  | (\$400,000)                  |
| Application Track and Trace System p. 8   | (\$1,697,000)                | (\$1,697,000)                | (\$1,697,000)                |
| <u>Total Costs - DHSS, DCR</u>  | (\$12,651,527)               | (\$13,958,816)               | (\$14,168,259)               |
| FTE Changes   | 88                           | 88                           | 88                           |
|   |                              |                              |                              |
| <u>Costs – DPS, ATC (§§ 195.2555, 195.2600 and 195.2607) p. 11-12</u>                         |                              |                              |                              |
| Personal service  | (\$1,655,833)                | (\$2,026,740)                | (\$2,067,275)                |
| Fringe benefits   | (\$1,097,938)                | (\$1,333,453)                | (\$1,349,700)                |
| Equipment and expense   | (\$891,479)                  | (\$1,091,169)                | (\$1,112,992)                |
| Motorized equipment p. 13   | (\$1,166,000)                | \$0                          | \$0                          |
| Capital Improvement p. 13   | (\$150,000)                  | \$0                          | \$0                          |
| Licensing and brand registration software p. 11   | (\$250,000)                  | \$0                          | \$0                          |
| <u>Total Costs – DPS, ATC</u>   | (\$5,211,250)                | (\$4,451,362)                | (\$4,529,967)                |
| FTE Changes   | 33                           | 33                           | 33                           |
|   |                              |                              |                              |
| <u>Costs – OA, ITSD/ATC (§§ 195.2555 to 195.2565) To add reports to the ATC website p. 11</u> | (\$12,000)                   | \$0                          | \$0                          |
|   |                              |                              |                              |
| <u>Costs – DHSS, SPHL (§ 195.2570) p. 10</u>  |                              |                              |                              |
| Personal service  | (\$450,040)                  | (\$550,849)                  | (\$561,866)                  |
| Fringe benefits   | (\$298,816)                  | (\$362,908)                  | (\$367,324)                  |
| Equipment and expense   | (\$179,803)                  | (\$67,672)                   | (\$69,025)                   |
| Laboratory supplies, equipment, maintenance, etc. p. 10                                       | (\$3,230,969 to \$3,858,730) | (\$2,158,730 to \$2,373,730) | (\$2,373,730 to \$2,588,730) |
| <u>Total Costs - DHSS, SPHL</u>   | (\$4,159,628 to \$4,787,389) | (\$3,140,159 to \$3,355,159) | (\$3,371,945 to \$3,586,945) |
| FTE Changes   | 9                            | 9                            | 9                            |
|   |                              |                              |                              |



| <u>FISCAL IMPACT – State Government</u>                                       | FY 2026<br>(10 Mo.)                              | FY 2027  | FY 2028  |
|---|--|--|--|
| Costs – DHSS, Division of<br>Administration (§§ 195.2550 -<br>195.2635) p. 10 |  |  |  |
| Personal service  | (\$405,060)                                      | (\$495,793)                                      | (\$505,709)                                      |
| Fringe benefits   | (\$267,628)                                      | (\$325,050)                                      | (\$329,024)                                      |
| Equipment and expense   | (\$164,111)                                      | (\$54,843)                                       | (\$55,940)                                       |
| Total Costs - DHSS, Division of<br>Administration                             | (\$836,799)                                      | (\$875,687)                                      | (\$890,674)                                      |
| FTE Changes   | 8  | 8  | 8  |
| <b>ESTIMATED NET EFFECT ON<br/>THE HEMP BUSINESS FUND</b>                     | <b><u>(\$19,844,204 to<br/>\$20,471,965)</u></b> | <b><u>(\$21,116,873 to<br/>\$21,331,873)</u></b> | <b><u>(\$21,651,694 to<br/>\$21,866,694)</u></b> |
| Estimated Net FTE Change on the<br>Hemp Business Fund                         | 138  | 138  | 138  |

| <u>FISCAL IMPACT – Local Government</u>                     | FY 2026<br>(10 Mo.)              | FY 2027                          | FY 2028                          |
|---|----------------------------------|----------------------------------|----------------------------------|
| <b>LOCAL SCHOOL DISTRICTS</b>                               |                                  |                                  |                                  |
| <u>Income</u> – (§ 195.2555 and § 195.2560)<br>– Fines p. 7 | <u>\$0 to Unknown</u>            | <u>\$0 to Unknown</u>            | <u>\$0 to Unknown</u>            |
| <b>ESTIMATED NET EFFECT ON<br/>LOCAL SCHOOL DISTRICTS</b>   | <b><u>\$0 to<br/>Unknown</u></b> | <b><u>\$0 to<br/>Unknown</u></b> | <b><u>\$0 to<br/>Unknown</u></b> |

### FISCAL IMPACT – Small Business

Small businesses in the hemp industry may be impacted by the fee requirements, but may also see increased profit once regulated.

### FISCAL DESCRIPTION

### TAXATION

This bill specifies that an excise tax of 2% on retail sales of hemp-derived consumable products will be imposed for all tax years beginning on or after January 1, 2026. Revenue derived from this tax will fund veterans' programs, drug abuse prevention and education programs, and first responder programs. (§ 144.028)

## AGE RESTRICTIONS

The bill restricts the sale or distribution of hemp-derived consumable products to persons under 21, as well as the sale and distribution of hemp-derived consumable products in a public setting. A retailer must keep all hemp-derived consumables, besides hemp-derived consumable beverage products, in a restricted area that cannot be easily accessed by persons under 21. Any hemp-derived consumable beverage products for sale must be merchandised in a manner indicating the products contain hemp-derived cannabinoids, as defined in the bill, and are not for sale to individuals under 21. Any person who violates this provision will be subject to penalties, as listed in the bill, that will be enforced by the Division of Alcohol and Tobacco Control within the Department of Public Safety. (§ 195.2555)

## LICENSING

This bill specifies that any person that is in the business of hemp-derived consumable products in this State must obtain a license from the Division. Any license granted to a retailer will be location specific; any license granted to a manufacturer or distributor will not be location specific. The bill lists the steps necessary to obtain and maintain a license for a retailer, distributor, and manufacturer, as well as the amount of time a license is valid and fees associated with license renewal. Beginning on the effective date of this Section, no new retail establishment offering hemp-derived consumables will be within a certain proximity of schools. Any retail establishments that were within the listed proximity of a school prior to the effective date of this Section will be allowed to continue to operate. (§ 195.2560)

## "HEMP BUSINESS FUND"

The bill creates the "Hemp Business Fund". All fees collected relating to the licensure of manufacturers, distributor, and retailers of hemp-derived consumable products as described above will be deposited into this Fund. Administration of moneys from this Fund will be used solely for the purposes of Sections 195.2550 to 195.2635. (§ 195.2563)

## TESTING

The Department of Health and Senior Services will oversee all testing of the final form of hemp-derived consumable products. A website containing a registry of independent testing laboratories will be maintained by the Department. Independent testing laboratories wishing to test hemp-derived consumable products will register with the Department. A manufacturer must ensure its product is tested prior to distribution to a distributor or retailer. A distributor will not be required to test the product if the product is packaged in a way that may be sold to the consumer and the

distributor does not open the packaging. The testing required in Section 195.2570 will determine the presence and amounts of any of the substances listed in Section 195.2570. If any product contains an excessive amount of any listed substance, that product will not be sold. Each product tested in accordance with Section 195.2570 will receive a certificate of analysis (COA) issued by the testing laboratory demonstrating that the product has successfully undergone testing as well as a best-by date on the labeling of the product. (§ 195.2570)

## SERVING SIZE AND PACKAGING

Any hempderived consumable product sold in violation of the requirements established in Sections 195.2550 to 195.2635 is subject to seizure and forfeiture. (§ 195.2580)

## HEMP-BASED CONSUMABLE PRODUCT RELATED OFFENSES

This bill specifies if a person under the influence of a hempderived consumable product operates certain listed vehicles, they will be subject to penalties listed under Section 577.010. A person who operates a motor vehicle while consuming a hemp-based beverage product or operates a motor vehicle with an open container of hemp-based beverage product in the motor vehicle will be subject to penalties listed in Section 195.2590. (§ 195.2590)

## REGISTRATION

The bill specifies that every hemp-derived consumable product distributed or available for distribution in this State must be registered with the Division through an application that includes identifying information about the product and applicant, and a COA from an independent testing laboratory. The Division may deny incomplete applications and may require a new registration if updated information is needed for a product. (§ 195.2600)

## INSPECTIONS

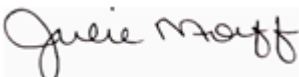
The Division will conduct randomized inspections of hemp-derived consumable products distributed within the State to ensure compliance with the requirements listed in this bill. (§ 195.2607)

This legislation is not federally mandated and would not duplicate any other program. It would require additional capital improvements and 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 Mental Health  
Department of Natural Resources  
Department of Labor and Industrial Relations  
Department of Revenue  
Department of Public Safety  
    Office of the Director  
        Division of Alcohol and Tobacco Control  
        Missouri Highway Patrol  
        Missouri Veterans Commission  
Department of Social Services  
Joint Committee on Administrative Rules  
Missouri Department of Agriculture  
Missouri Department of Transportation  
MoDOT & Patrol Employees' Retirement System  
Office of Administration  
Office of the Secretary of State  
Office of the State Public Defender  
Office of the State Treasurer  
State Tax Commission  
City of Kansas City  
City of O'Fallon  
Newton County Health Department  
Phelps County Sheriff's Department  
Kansas City Police Department  
St. Louis County Police Department  
County Employees Retirement Fund  
Kansas City Civilian Police Employees' Retirement  
Kansas City Police Retirement System  
Kansas City Public School Retirement System  
Metro St. Louis Sewer District Employees Pension Plan  
Public Education Employees' Retirement System  
Sheriff's Retirement System  
Northwest Missouri State University  
University Of Central Missouri



Julie Morff  
Director  
February 24, 2025



Jessica Harris  
Assistant Director  
February 24, 2025