

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1319H.011  
 Bill No.: HB 696  
 Subject: Drugs and Controlled Substances; Department of Health and Senior Services;  
 Department of Public Safety; Licenses - Miscellaneous; Business and Commerce  
 Type: Original  
 Date: February 10, 2025

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 Revenue	Up to \$144,071	Up to \$192,095	Up to \$192,095
<b>Total Estimated Net Effect on General Revenue</b>	<b>Up to \$144,071</b>	<b>Up to \$192,095</b>	<b>Up to \$192,095</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Hemp Business Fund	Could exceed (\$95,341,834)	Could exceed (\$94,935,914)	Could exceed (\$95,472,702)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Could exceed (\$95,341,834)</b>	<b>Could exceed (\$94,935,914)</b>	<b>Could exceed (\$95,472,702)</b>

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	139 FTE	139 FTE	139 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>139 FTE</b>	<b>139 FTE</b>	<b>139 FTE</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>Could exceed \$152,085</b>	<b>Could exceed \$202,780</b>	<b>Could exceed \$202,780</b>

\***Oversight** notes the fiscal impact for sales taxes for FY2026 is lesser because FY2026 is a partial year (9 months). Revenue from fines for violations of the provisions of this act is paid to school districts. Oversight assumes annual revenue from fines will be under \$250,000.

## FISCAL ANALYSIS

### ASSUMPTION

#### §§ 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 195.2560.3 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. As with subsection 195.2555.4, the division cannot quantify how many persons or entities will violate the laws in this subsection, 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 maximum license fee of \$250 for a new manufacturer or distributor license, and a maximum license fee of \$100 for a new retailer license. Current hemp 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. With an estimated 407 new hemp-derived consumable product

manufacturer licenses, the estimated total collections (using maximum license fee) are \$101,750 (407 \* \$250). There was no estimate found for current hemp distributors. There are 274 alcohol distributors in Missouri which ATC estimates will be the same number of hemp-derived consumable product distributors. With an estimated 274 new hemp-derived consumable product distributor licenses, the estimated total collections (using maximum license fee) are \$68,500 (274 \* \$250).

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. With an estimated 13,423 new hemp-derived consumable product retail licenses, the estimated total collections (using maximum license fee) are \$1,342,300 (13,423 \* \$100). The total estimated collections for new manufacturer, distributor, and retailer hemp-derived consumable product licenses are:

\$101,750 from hemp-derived consumable product manufacturer licenses  
\$68,500 from hemp-derived consumable product distributor licenses  
+ \$1,342,300 from hemp-derived consumable product retail licenses  
**\$1,512,550 total estimated collections from additional licensing**

Licenses must be renewed annually, so the estimated collections will be ongoing. In order to be able to receive and process all applications and renewals, the functionality will need to be incorporated into the alcohol licensing system, which is **estimated to cost approximately \$250,000**. Additional staff will also be required to manage the processing of all applications and issuance of licenses.

New subdivision 195.2565.1(4) requires the division to specify procedures for denial or revocation of licenses for violations of §§ 195.2550 to 195.2635, including administrative appeals of such decisions. 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 DHSS. Section 195.2560.8 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. Therefore, Oversight will reflect a zero impact in the fiscal note for DOR for these sections.

**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.

§§ 195.2570, 195.2590, 195.2605 and 195.2607 - Compliance and enforcement of regulated marijuana testing facilities

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 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.

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

Section 195.2570.3 of proposed legislation requires the Department to ensure hemp-derived consumable manufactures 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 years 2027 and 2028.

Section 195.2607.4 of the proposed legislation requires the Department to procure hemp derived product for sampling to oversee testing per sections 195.2570 and 195.2590.5. DCR referenced its current sampling structure used to oversee marijuana testing, which is approximately 30-to-1 samples per testing facility ratio. DCR assumes it will test 90,000 samples annually to oversee testing.

This will ensure batch/lot testing per section 195.2570.8 and final form testing per section 195.2605.1.

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

- accept, review and issue of lab certifications and maintain 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 to maintain 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 \$1,697,000. 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. The proposed legislation does not specify any licenses have to be located in Missouri. Nationwide participation is assumed.

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) 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, including collection of samples. The Compliance Inspectors are assumed to be telecommuter staff with extensive travel to testing facilities nationwide.
- Ten (10) 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) Compliance Inspector Managers with an annual salary of \$97,464; supervision of no more than five (5) Compliance Inspector Supervisors per Compliance Inspector Manager. The Compliance Inspector Managers are assumed to be in

office staff with minimal travel to meetings, training or testing facilities nationwide.

- One (1) 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) 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) Regulatory Auditor Supervisor s 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) 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) Regulatory Compliance Manager with an annual salary of \$113,300; supervision of no more than five (5) Regulatory Auditor Supervisors or Regulatory Compliance Managers per Regulatory Compliance Manager. The Regulatory Compliance Manager is assumed to be in office with minimal travel to meetings or training and will serve as the Section Administrator of this new section.
- One (1) Regulatory Compliance Manager with an annual salary of \$104,326; 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 and will serve as the Assistant Section Administrator of this new section.

#### Legal

- Three (3) Legal Councils with an annual salary of \$85,000 will be needed for hemp-derived consumable product litigation.
- One (1) Paralegal with an annual salary of \$60,408 will be needed to assist with pending claims and litigation matters.

One (1) Accountant with annual salary of \$64,824 will be needed to process payments and handle the contracts for the contractors doing the testing.

Three (3) 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 telecommuter staff with minimal travel to meetings or training.

It is assumed the State Public Health Laboratory (SPHL) will be unable to complete 7,200 samples per month. This is the number that will need to be outsourced to a third party. A review of hemp testing pricing sheets determined that a “full panel” would cost approximately \$855.42 per test. The total cost would be \$6,159,024 per month or \$73,908,288 per year.

**Therefore, DCR third party sampling is expected to cost \$6,159,024 per month or \$73,908,288 per year.**

SPHL projects this legislation will result in an increase in testing of 2,500 percent per month. The budget below accounts for costs associated with the current Laboratory testing capacity. Any samples that exceed that capacity will have to be outsourced. The Laboratory does not have space to do any testing over 130 percent.

In order to meet the 130 percent increase, 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 8 FTE in order to provide support for the Bureau of Testing Licensee Compliance within the DCR and SPHL. These positions will provide support in human resources, procurement, budget and accounts payable and receivable.

The fees associated with this legislation are administered and determined by the Division of Alcohol and Tobacco control of the Department of Public Safety (DPS) and are unknown to



DHSS. Therefore, **DHSS defers Total State Revenue amounts that are directly affected by the proposed legislation to DPS.**

**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 – ATC to periodically sample and test hemp-derived consumable products distributed within the state

**DPS, ATC** states § 195.2600 requires all brands distributed in the state to be registered with the division. Functionality will need to be incorporated into the alcohol brand registration system. Additional staff will also be required to manage the processing of all brand registrations.

New section 195.2607 requires the division to periodically sample and test hemp-derived consumable products distributed within the state. This testing would require the use of a certified testing lab. It is unknown what the cost would be for this periodic testing, but there would be a cost. This section also requires appropriate compensation be given to licensees by the department or division prior to them releasing goods for testing. “Appropriate compensation” is ambiguous, but it is assumed that DHSS or ATC would have to pay the licensee’s cost of any products taken for sampling, which could be a significant annual cost for either agency.

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  
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 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 product 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 product 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 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 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. Given the marijuana excise tax is allowed at 6% (\$3,409,970) the sellers of these products should be remitting this revenue to the state.

DOR notes that sales tax is applied to the final purchase price of an item which includes all other taxes. Assuming the excise tax above, this could result in up to \$192,095 in state sales tax revenue as well as local sales tax (4.46%) funds of \$202,780 annually.

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

Officials from the **Office of Attorney General (AGO)** assume any potential litigation costs arising from this proposal can be absorbed with existing resources. 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 **Missouri Office of Prosecution Services (MOPS)** state there no measurable fiscal impact to their agency. The enactment of a new crime [§ 195.2555.4] creates additional responsibilities for county prosecutors and the circuit attorney which may in turn result in additional costs which are difficult to determine.

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

Officials from the **Department of Commerce and Insurance, the Department of Economic Development, 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 and Missouri Veterans Commission), the Department of Social Services, the Missouri Department of Agriculture, the Missouri Department of Transportation, the MoDOT & Patrol Employees' Retirement System, the Office of Administration, the Office of the State Public Defender, the Office of the State Treasurer, the City of Kansas City, the City of O'Fallon, the Newton County Health Department, the Phelps County Sheriff's Department, the Kansas City Police Department, the St. Louis County Police 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 Schools and Education Employee Retirement Systems, the Sheriff's Retirement System, 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** 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 (10 Mo.)	FY 2027	FY 2028
<b>GENERAL REVENUE FUND</b>			
Revenue Increase – (§§195.2550 to 195.2635) Sales tax p. 12	<u>Up to \$144,071</u>	<u>Up to \$192,095</u>	<u>Up to \$192,095</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>Up to \$144,071</u></b>	<b><u>Up to \$192,095</u></b>	<b><u>Up to \$192,095</u></b>
<b>HEMP BUSINESS FUND</b>			
<u>Income</u> – DPS, ATC (§§ 195.2555 to 195.2565) licensing fees p. 3-4	\$1,512,550	\$1,512,550	\$1,512,550
<u>Costs</u> – DHSS, DCR (§§ 195.2570, 195.2590, 195.2605 and 195.2607) p. 5-8			
Personal service	(\$5,573,695)	(\$6,822,203)	(\$6,958,647)
Fringe benefits	(\$3,405,177)	(\$4,139,827)	(\$4,194,514)
Equipment and expense	(\$1,300,547)	(\$1,013,939)	(\$1,034,218)
Consultant to Assist in Rule Promulgation, etc. p. 6	(\$750,000)	(\$400,000)	(\$400,000)

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
Application Track and Trace System p. 6	(\$1,697,000)	(\$1,697,000)	(\$1,697,000)
DCR third party sampling	(\$73,908,288)	(\$73,908,288)	(\$73,908,288)
<u>Total Costs</u> - DHSS, DCR	(\$86,634,707)	(\$87,981,257)	(\$88,192,667)
FTE Changes	89	89	89
<u>Costs – DHSS, SPHL (§§ 195.2570, 195.2590, 195.2605 and 195.2607) p.8</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. 8	(\$3,230,969 to \$3,858,730)	(\$2,158,730 to \$2,373,730)	(\$2,373,730 to \$2,588,730)
<u>Total Costs</u> - DHSS, SPHL	(\$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>Costs – DHSS, Division of Administration (§§ 195.2570, 195.2590, 195.2605 and 195.2607) p.8</u>			
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)
<u>Total Costs</u> - DHSS, Division of Administration	(\$836,799)	(\$875,686)	(\$890,673)
FTE Changes	8	8	8
<u>Costs – DPS, ATC (§§ 195.2555, 195.2600 and 195.2607) p. 9-12</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	(\$1,166,000)	\$0	\$0
Capital Improvement	(\$150,000)	\$0	\$0
Licensing and brand registration software p. 9	(\$250,000)	\$0	\$0
<u>Total Costs</u> – DPS, ATC	(\$5,211,250)	(\$4,451,362)	(\$4,529,967)
FTE Changes	33	33	33

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<u>Costs</u> – OA, ITSD/ATC (§§ 195.2555 to 195.2565) To add reports to the ATC website p. 9	<u>(\$12,000)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON THE HEMP BUSINESS FUND</b>	<b><u>Could exceed (\$95,341,834)</u></b>	<b><u>Could exceed (\$94,935,914)</u></b>	<b><u>Could exceed (\$95,472,702)</u></b>
Estimated Net FTE Change on the Hemp Business Fund	139 FTE	139 FTE	139 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>LOCAL GOVERNMENT</b>			
<u>Income</u> – School Districts (§ 195.2555 and § 195.2560) – Civil penalties p. 5	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Income</u> – (§§ 195.2550 to 195.2635) Increase in local sales tax collected p.12	<u>Up to \$152,085</u>	<u>Up to \$202,780</u>	<u>Up to \$202,780</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENT</b>	<b><u>Could exceed \$152,085</u></b>	<b><u>Could exceed \$202,780</u></b>	<b><u>Could exceed \$202,780</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

The bill details 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 Division of Alcohol and Tobacco Control (DATC) 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. (§§ 195.2555 to 195.2565)

All testing of hemp-derived consumable products shall be overseen by the Department of Health and Senior Services (DHSS). The DHSS must maintain a registry of independent testing laboratories qualified to test manufactured material and finished products. The application process for qualified testing laboratories is listed in the bill. A manufacturer must ensure that hemp used in its products undergoes full-panel testing. If the hemp has valid full-panel test results, the hemp-derived consumable product will be required to undergo only potency testing. A distributor must ensure its hemp-derived consumable product is tested for potency prior to distribution to a retailer. (§§ 195.2570, 195.2590, 195.2605 and 195.2607)

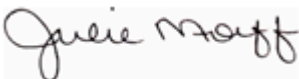
The Division of Alcohol and Tobacco Control shall periodically sample, analyze, and test hemp-derived consumable products distributed within this state for compliance with registration and labeling requirements and the certificates of analysis. The division shall conduct randomized full-panel and potency testing using the high-performance liquid chromatography (HPLC) method or the gas chromatography-mass spectrometry (GC-MS) method, as appropriate for the product being tested, in a manner that ensures that the testing does not alter the chemical composition of the cannabinoids. (§§ 195.2555, 195.2600 and 195.2607)

This legislation is not federally mandated, 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 Economic Development  
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 –  
    Director's Office  
    Division of Alcohol and Tobacco Control  
    Missouri Highway Patrol  
Missouri Veterans Commission  
Department of Revenue  
Department of Social Services  
Missouri Department of Agriculture  
Missouri Department of Transportation

MoDOT & Patrol Employees' Retirement System  
Missouri Office of Prosecution Services  
Office of Administration  
Office of the Secretary of State  
Office of the State Public Defender  
Office of the State Treasurer  
Joint Committee on Administrative Rules  
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 Schools and Education Employee Retirement Systems  
Sheriff's Retirement System  
Northwest Missouri State University  
University Of Central Missouri



Julie Morff  
Director  
February 10, 2025



Jessica Harris  
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February 10, 2025