

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1695H.011
 Bill No.: HB 593
 Subject: Department of Health and Senior Services; Department of Public Safety; Drugs and Controlled Substances
 Type: Original
 Date: January 28, 2025

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Veterans Health And Care Fund (0606)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Veterans Health Community Reinvestment Fund (0608)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

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

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§ 195.900 – Intoxicating cannabinoids

Officials from the **Department of Health and Senior Services (DHSS)** state § 195.900 of proposed legislation amends Chapter 195 by placing regulation of all intoxicating cannabinoids under the Department of Health and Senior Services' authority within the framework of Article XIV, explicitly defining intoxicating cannabinoids as marijuana and not industrial hemp. The proposal states that these products will be regulated by the Department in the same manner as it regulates marijuana under Article XIV of the Missouri Constitution.

All or nearly all intoxicating cannabinoids in the unregulated market are produced using chemical conversion of other cannabinoids. Intoxicating cannabinoids produced using such chemical conversion cannot be created or sold under the Department's Article XIV regulatory framework. Since the Department's Article XIV regulatory framework does not allow the production or use of the intoxicating cannabinoids created through chemical conversion, it is assumed there will be no change to the types of products, processes or businesses the Department oversees under Article XIV. Therefore, the Department can absorb the costs of this bill with current resources. However, if the workload in ensuring such cannabinoids are not produced or sold significantly increases or other legislation becomes enacted, additional resources would be requested through the appropriation process. The department could receive additional revenues in the Veterans Health and Care Fund and the Veterans Health Community Reinvestment Fund if some portion of the demand for intoxicating cannabinoids that is currently met by the unregulated market transitions to the regulated cannabinoid market. However, there is no data available on which to estimate that potential increase in revenue.

In order to calculate such an increase, it would be important to know the current demand and revenue associated with unregulated intoxicating cannabinoids in Missouri, which has not been tracked over the years that market has been growing in Missouri. If that data was available, it would then be important to consider what demand and associated revenue for unregulated cannabinoid products may transfer to the regulated market vs transferring to non-intoxicating product markets, to no market at all, or to illicit market products. There is no good data regarding those market choices, either, at this time. It is therefore assumed that **the impact on revenue arising from the move from the unregulated market to the regulated market is unknown.**

Additional revenues could flow to the Veterans Health and Care Fund and the Veterans Health Community Reinvestment Fund if some portion of the demand for intoxicating cannabinoids that is currently met by the unregulated market transitions to the regulated cannabinoid market. It is assumed that **the impact on revenue arising from the move from the unregulated market to the regulated market is unknown.**

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

Oversight notes the following activity for the two funds:

	<u>Balance at 12/31/24</u>	<u>Receipts in FY 24</u>
Veterans Health and Care Fund (0606)	\$16,212,250	\$738,483
Veterans Health Comm. Reiv. Fund (0608)	\$77,362,733	\$8,294,559

Officials from the **Department of Revenue (DOR)** state this proposal declares its intent to incorporate cannabinoids into the legal framework contained in Article XIV of the Missouri Constitution. Article XIV is the regulations and taxation provisions governing the sale of marijuana.

This proposal specifically states in Section 195.900.6 that “all intoxicating cannabinoids products are marijuana” and subject to the same Constitutional provisions under Article XIV. Since the intoxicating cannabinoids are not industrial hemp and are to be considered marijuana, they are subject to the regulations and taxation provisions of Article XIV.

DHSS administers the Article XIV provisions of the Constitution and therefore this will not fiscally impact DOR. DOR defers to DHSS for any impact of this provision.

In response to similar legislation from the 2024 Session, (HCS for HB 1781), officials from the **Office of Administration - Budget and Planning (B&P)** deferred to the Department of Health and Senior Services for the potential fiscal impact of this proposal.

Oversight notes the deferrals by DOR, DPS-MVC and B&P to DHSS for a statement of fiscal impact; for fiscal note purposes, Oversight assumes no fiscal impact for DOR, DPS-MVC and B&P.

Officials from the **University of Missouri Health Care (MUHC)** have reviewed the proposed legislation and determined that as written it should not create expenses in excess of \$100,000 annually.

Oversight assumes the costs incurred by the MUHC related to this proposal can be absorbed within current resource levels.

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

Officials from the **Department of Commerce and Insurance, the Department of Corrections, the Department of Elementary and Secondary Education, the Department of Labor and Industrial Relations, the Department of Mental Health, the Department of Natural Resources, the Department of Public Safety – Director’s Office, Missouri Highway Patrol and Missouri Veterans Commission, the Department of Social Services, the Missouri Department of Transportation, the MoDOT & Patrol Employees’ Retirement System, the Missouri Department of Agriculture, the Missouri Office of Prosecution Services, the Office of Administration, the Office of the State Public Defender, the Office of the State Treasurer, the City of Kansas City, the Kansas City Police Department, the St. Louis County 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 Sheriff’s Retirement System, the Concordia R-2 School District, the St. Louis County Police Department, the University of Missouri 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 the State Courts Administrator** did not respond to **Oversight’s** request for fiscal impact for this proposal.

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
VETERANS HEALTH AND CARE FUND (0606)			
<u>Income</u> – DHSS (§ 195.814) – creation of hemp-derived intoxicating cannabinoids program p. 3	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT ON THE VETERANS HEALTH AND CARE FUND	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
VETERANS HEALTH COMMUNITY REINVESTMENT FUND (0608)			
<u>Income</u> – DHSS (§ 195.814) – creation of hemp-derived intoxicating cannabinoids program p. 3	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT ON THE VETERANS HEALTH COMMUNITY REINVESTMENT FUND	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

The proposed legislation places hemp-derived intoxicating cannabinoids under framework of Article XIV and associated rules. Any small businesses currently producing or selling these products outside of the regulatory framework would no longer be able to do so. (§ 195.900)

FISCAL DESCRIPTION

This bill establishes the "Intoxicating Cannabinoid Control Act".

The bill specifies that hemp, industrial hemp, and hemp-derived products that do not contain intoxicating cannabinoids will not be considered marijuana and must not be subject to the legal framework contained in the Missouri Constitution.

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

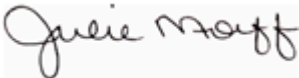
No person or entity, aside from a comprehensive marijuana dispensary facility, medical marijuana dispensary facility, or microbusiness dispensary facility licensed under the provisions of the Constitution, will conduct business or carry on, under a name that contains as part of the name the word "dispensary" or any similar word. (§ 195.900)

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

SOURCES OF INFORMATION

Attorney General's Office
Budget and Planning
Department of Commerce and Insurance
Department of Corrections
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Labor and Industrial Relations
Department of Mental Health
Department of Natural Resources
Department of Public Safety
 Director's Office
 Missouri Highway Patrol
 Missouri Veterans Commission
Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules

Missouri Department of Agriculture
Missouri Department of Transportation
MoDOT & Patrol Employees' Retirement System
Missouri Office of Prosecution Services
Office of Administration
Office of the Secretary of State
Office of the State Courts Administrator
Office of the State Public Defender
Office of the State Treasurer
University of Missouri System
City of Kansas City
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
Concordia R-2 School District
Northwest Missouri State University
University Of Central Missouri



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