

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1695H.03C
 Bill No.: HCS for HB 593
 Subject: Drugs and Controlled Substances; Department of Health and Senior Services;
 Licenses - Miscellaneous; Business and Commerce
 Type: Original
 Date: February 13, 2025

Bill Summary: This proposal creates provisions relating to cannabinoids.

FISCAL SUMMARY

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

***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.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Hemp Business Fund*	(\$2,231,083)	(\$2,363,511)	(\$2,415,985)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$2,231,083)	(\$2,363,511)	(\$2,415,985)

*Collection of licensing fees and DPS-ATC and DHSS FTE costs to administer.
 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
Hemp Business Fund	25	25	25
Total Estimated Net Effect on FTE	25	25	25

- 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 to Unknown	\$0 to Unknown	\$0 to Unknown

*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 § 195.2617– 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 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 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.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these sections for DPS, ATC.

§ 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. It creates an exception for hemp-derived consumable beverage products. The proposal states that intoxicating cannabinoids 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 currently sold in the unregulated market, it is assumed 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 versus transferring to non-intoxicating product markets, to the hemp-derived consumable beverage market established in this same bill, 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.**

For reference, the following are the current rules that would prohibit all or nearly all of the unregulated intoxicating cannabinoid products currently selling in Missouri.

- 19 CSR 100-1.170(2) Manufacturing licensee requirements. In addition to this chapter’s requirements for licensed facilities and licensees, manufacturing licensees shall also comply with the following:
 - o (E) Any tetrahydrocannabinol, such as THC-A, Delta- 8, or Delta-10, in a marijuana product manufactured by a manufacturing licensee shall only be derived from marijuana cultivated in Missouri by a licensed cultivator; and
 - o (F) Manufactured product may not contain chemical modification, conversion, or synthetic derivation of cannabinoids to produce intoxicating cannabinoid isomers, including those created by heat or other process during use by a patient or consumer, and all cannabinoids acquired from entities other than marijuana facilities for purpose of inclusion in marijuana product must be accompanied by a Certificate of Analysis at time of acquisition that identifies the testing lab that tested the product and lists the product’s ingredients.

Oversight does not have any information to the contrary. However, Oversight notes § 144.028.3 states as follows:

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.

Although **DHSS** indicates they expect “\$0 to Unknown” income to the Veterans Health and Care Fund and the Veterans Health Community Reinvestment Fund, as these funds are not specifically mentioned in the proposal and funds will also be diverted to other programs, **Oversight** will not show income into these two funds for this agency for fiscal note purposes.

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

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

In response to a previous version, 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.

In response to a previous version, 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.

In response to a previous version, officials from the **Office of Administration**, the **Office of the State Treasurer**, the **Metro St. Louis Sewer District Employees Pension Plan**, the **Sheriff's Retirement System**, the **Concordia R-2 School District**, the **University of Missouri System**, **Northwest Missouri State University** and 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.

§§ 195.2555 and 195.2560 – 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. With limited escalation in fine and/or criminal penalty attached, there is little deterrent to selling without a license. **The division cannot quantify how many individuals or businesses will violate the laws in this section, 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 half the number of hemp beverage manufacturers as liquor manufacturers. It is estimated there will be 204 new hemp beverage manufacturer locations ($407 * 0.5$). Around 10% of alcohol manufacturers hold multiple licenses for multiple locations, and hemp beverage manufacturers will not be required to hold separate licenses, so the total license count for manufacturers is estimated at 184 ($204 * 0.9$) for a total collection of \$92,000 ($184 * \500).

There was no estimate found for current distributors. There are 274 alcohol distributors in Missouri which they estimate will be half the number of hemp beverage distributors. It is estimated that there will be 137 new hemp beverage distributor locations ($274 * 0.5$). Around 12% of alcohol distributors hold multiple licenses for multiple locations, and hemp beverage distributors will not be required to hold separate licenses, so the total license count for distributors is estimated at 121 ($137 * 0.88$) for a total collection of \$60,500 ($121 * \500).

Current hemp retailers (not necessarily hemp beverages) are estimated at 9,000 in Missouri ([‘Hemp sales are back on’ in Missouri after regulators limit governor's ban on THC products | STLPR](#)). It is unknown how many of these businesses sell/intend to sell hemp beverages. Since it is unknown, ATC estimates that half of the licensed alcohol retailers will obtain a hemp beverage retail license. There are 13,423 alcohol retailers licensed in Missouri, so ATC estimates there will be 6,712 new hemp beverage retailer licenses ($13,423 * 0.5$ - roughly 75% of the estimated 9,000 hemp retailers in Missouri). 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 beverage retailers, which ATC estimates could reduce the license count on which fees can be collected by 18.84%. ATC estimates that there will be 5,448 new hemp beverage retailer licenses ($6,712 * 0.8116$) that will

pay a license fee for a total collection of \$1,362,000 (5,448 * \$250), and an estimated 1,264 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 beverage licenses are:

\$92,000 from hemp beverage manufacturer licenses
\$60,500 from hemp beverage distributor licenses
+ \$1,362,000 from hemp beverage retail licenses
\$1,514,500 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 \$76,250 ((184 * \$250) + (121 * \$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 5,448 to 5,787 that will pay a renewal fee for a total collection of \$578,700 (5,787 * \$100), and an estimated 925 licenses that will be processed and renewed with no fee. Total estimated collections for manufacturer, distributor, and retail license renewals are: \$654,950 (\$76,250 + \$578,700)

\$46,000 renewals from manufacturer licenses
\$30,250 renewals from distributor licenses
+ \$578,700 renewals from retail licenses
\$654,950 total estimated collections from renewals

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 beverage 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.

Officials from the **Missouri Office of Prosecution Services (MOPS)** state there is no measurable fiscal impact to OPS. 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.

§ 195.2565 – Rule promulgation and testing of hemp-derived consumable products

Officials from the **Department of Health and Senior Services (DHSS)** state Section 195.2565.2 of the proposed legislation states that before April 1, 2026, the department shall promulgate rules on the testing of hemp-derived consumable beverage products.

DHSS will require the following to fulfill these requirements:

- Two (2) Compliance Inspectors (Research Scientist) with an annual salary of \$75,936 will be needed to research, write, promulgate and maintain standards and rules for intoxicating hemp-derived consumable beverages in accordance with section 195.2565.2. Additionally, these staff will be researching novel discoveries within the cannabis space and ensure the Department continues to address novel health and safety concerns as they arise by adjusting the testing requirements to ensure public health and safety. Compliance Inspectors are assumed to be telecommuter staff with minimal travel to meetings or training.

- One (1) Compliance Inspection Supervisor with an annual salary of \$79,733. The Compliance Inspection Supervisor is assumed to be in office staff with minimal travel to meetings or training.
- One (1) Legal Counsel with an annual salary of \$85,000 will be needed for testing standards and rule litigation.
- One (1) Paralegal with an annual salary of \$60,408 will be needed to assist with pending claims and litigation matters.
- One (1) Lead Administrative Assistant with an annual salary of \$46,152 will be needed to assist with administrative functions. The Lead Administrative Assistant is assumed to be in office staff with minimal travel to meetings or training.

The Department estimates that a costs for Audit Training and Standards Training would be \$5,100 in Fiscal Year 2026.

As it is unknown the quantity of samples that will be collected by the Division of Alcohol and Tobacco Control (ATC) for hemp-derived consumable beverage product compliance testing, the Department assumes testing on hemp-derived consumable beverage products would likely done by a third-party laboratory contracted through the ATC and not through the Missouri State Public Health Laboratory (SPHL).

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

Officials **DPS, ATC** state § 195.2600 requires all brands distributed or available for distribution in the state to be registered with the division. ATC is currently building an online licensing system for liquor licensing with an outside vendor. 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.

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. ATC anticipates the need to have similar reports available for hemp beverage licensees. The division would work with the licensing vendor to create these reports but would also need ITSD to integrate these reports into data.mo.gov and make them available on the ATC website. ATC estimates that building these reports could be as much as \$12,000.

Additional staff will also be required to manage the processing of all brand registrations.

New § 195.2607 requires the division to conduct randomized inspections, and periodically sample, analyze, and test hemp-derived consumable beverage products distributed in the state. The division is not equipped to do such testing and would have to pay the proper entity to conduct the testing of samples collected by the division. The cost for this testing is unknown but is anticipated to be a significant cost.

Following is the specific breakdown of the additional staff that will be needed for a total cost of \$1,133,450:

- 9 - Special Agents – Total salary of \$540,000 ($\$60,000 * 9$) - 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 745 licensees per agent. Two agents will be located in Jefferson City central office and Kansas City and Springfield district offices, and 3 in the St. Louis district office.

- 2 - District Supervisors – Total salary of \$140,000 ($\$70,000 * 2$) - The District Supervisor will supervise the licensing and enforcement in their territory. There will be 1 located in the St. Louis and 1 in the Kansas City district offices.

- 4 - Administrative Support Assistants – Total salary of \$166,000 ($\$41,500 * 4$) - Two Administrative Support Assistants will be assisting in the large amount of clerical work related to the implementation and ongoing licensing of hemp beverage businesses, to include processing licenses, data entry, tracking statistics, and facilitating the composition of reports, and administrative responsibilities related to disciplinary action processes. Two 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.

- 1 - Administrative Support Professional – Salary of \$44,000 - The Administrative Support Professional will be the lead for brand registration and will ensure all requirements are adhered to. They 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 reporting. They will be located in the Jefferson City central office.

- 1 - Hemp Beverage Program Coordinator – Salary of \$75,000 – The Hemp Beverage Program Coordinator will supervise the licensing and enforcement of the hemp beverage program. 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 - \$22,102 - 20% of time dedicated to the hemp beverage program overseeing hemp beverage program and developing/maintaining regulations.
- Chief of Enforcement - \$17,750 - 20% of time dedicated to the hemp beverage program performing disciplinary duties and developing/maintaining regulations.
- Deputy Chief of Enforcement - \$15,493 - 20% of time dedicated to the hemp beverage program performing disciplinary duties and developing/maintaining regulations.
- Director of Finance and Compliance - \$17,206 - 20% of time dedicated to the hemp beverage program managing financials, budget, legislation, and developing/maintaining regulations.
- Legal Counsel - \$16,000 - 20% of time dedicated to the hemp beverage program providing legal counsel and developing/maintaining regulations.
- Administrative Support Professional - \$7,369 - 15% of time dedicated to the hemp beverage program handling all financials and purchasing.
- HR Generalist - \$6,529 - 15% of time dedicated to the hemp beverage program processing payroll and performing other personnel duties.

Equipment and Expense – Total equipment and expense is \$1,623,999 for the first year with \$1,107,875 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 – \$28,386
- Motorized Equipment – \$636,000
- Office Equipment – \$50,524
- Other Equipment – \$122,700

Expense:

- Travel – \$30,000
- Supplies – \$67,885
- Professional Development – \$12,000
- Communication Services and Supply – \$61,158
- Professional Services – \$262,000
- Maintenance & Repair – \$216,731
- Miscellaneous – \$2,250
- Leasing Expense - \$ 9,365
- Capital Improvement Expense - \$ 125,000

This bill establishes the requirements for hemp beverage 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 of this bill such as establishing regulations, disciplinary actions, financials, payroll, and budget (shown above).

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 \$189,950 in FY 2026, \$230,604 in FY 2027, and \$233,321 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 **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 Corrections (DOC)** state, as misdemeanors fall outside the purview of the DOC, this legislation will have no impact on the department.

Officials from the **Department of Public Safety (DPS) - Missouri Veterans Commission (MVC)** defer to the DHSS for the potential fiscal impact of this proposal.

Officials from the **Department of Commerce and Insurance, 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, 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 - Administrative Hearing Commission, the Office of the State Public Defender, the State Tax Commission, the City of Kansas City, the Branson Police Department, 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 Public Education Employees' Retirement System, the Office of Administration, the Office of the State Treasurer, the St. Louis County Police Department, the Sheriff's Retirement System, the Office of the State Courts Administrator, 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.

In response to similar legislation from the current session (HB 393), officials from the **Kansas City Employees' Retirement System, the Kansas City Firefighter's Pension System, the Metro St. Louis Sewer District Employees Pension Plan, the Rock Community Fire Protection District Retirement Plan, the University of Missouri System, Missouri State University, 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.

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
GENERAL REVENUE FUND			
<u>Income</u> – 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>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND*	<u>\$852,493</u>	<u>\$1,136,657</u>	<u>\$1,136,657</u>
* 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.			
HEMP BUSINESS FUND			
<u>Income</u> – DPS, ATC (§§ 195.2555 to 195.2565) licensing fees p. 8	\$1,514,500	\$654,950	\$654,950
<u>Costs</u> – DPS, ATC (§§ 195.2555, 195.2600 and 195.2607) p. 6, 10-12			
Personal service	(\$865,308)	(\$1,059,136)	(\$1,080,319)
Fringe benefits	(\$596,855)	(\$724,550)	(\$733,040)
Equipment and expense	(\$600,999)	(\$488,852)	(\$498,629)
Motorized equipment	(\$636,000)	\$0	\$0
Capital Improvement	(\$125,000)	\$0	\$0
Licensing and brand registration software p.	(\$250,000)	\$0	\$0
Total Costs – DPS, ATC	(\$3,074,162)	(\$2,272,538)	(\$2,311,988)
FTE Changes	19	19	19
<u>Costs</u> – OA, ITSD/ATC (§§ 195.2555 to 195.2565) To add reports to the ATC website p. 10	(\$12,000)	\$0	\$0

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<u>Costs – DHSS (§ 195.2565) p. 9-10</u>			
Personal service	(\$352,638)	(\$431,628)	(\$440,261)
Fringe benefits	(\$220,297)	(\$267,749)	(\$271,209)
Equipment and expense	(\$81,386)	(\$46,546)	(\$47,477)
ISO 17025 Audit training p. 10	(\$3,900)	\$0	\$0
ISO 17025 Standards training p. 10	(\$1,200)	\$0	\$0
Total Costs - DHSS	(\$659,421)	(\$745,923)	(\$758,947)
FTE Changes	6	6	6
ESTIMATED NET EFFECT ON THE HEMP BUSINESS FUND	<u>(\$2,231,083)</u>	<u>(\$2,363,511)</u>	<u>(\$2,415,985)</u>
Estimated Net FTE Change on the Hemp Business Fund	25	25	25

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL SCHOOL DISTRICTS			
<u>Income – (§ 195.2555 and § 195.2560) – Civil penalties p. 9</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICTS	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</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

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 and § 195.2617)

"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)

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 division shall conduct randomized inspections of hemp-derived consumable beverage products distributed or available for distribution in this state for compliance with the requirements of §§ 195.2540 to 195.2620. (§ 195.2607)

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)

ON-PREMISES SALES AND CONSUMPTION

This bill specifies that all establishments offering hemp-derived consumable beverage products must be licensed as required by this bill. A beverage product may be sold by on-premises retailers or in food service establishments only if they have been registered in accordance with Section 195.2600. These establishments must not sell Hemp-derived consumable products at a temporary event without first obtaining a license and permit to do so. A person that is under 21 is not allowed to sell hemp-derived beverage products unless they are an employee of the establishment, over 18, and under the supervision of someone 21 or over. Beverage products can only be sold for on-site consumption to individuals who are 21 or over based on proof of age or an ordinary person standard as stated in the bill. Unless stated otherwise in Section 195.2610, all hemp-derived beverage products being sold for on-site consumption must be prepackaged, cannot be added to ingestible food products, may be combined with non-alcoholic ingestible beverage products, and cannot be provided to an individual that appears intoxicated. Upon request, an on-premises retailer must provide identifying information about a hemp-derived consumable beverage product to a customer. On-site samples of hemp-derived beverage products may be provided if the person sampling the product is 21 or over and the sampling procedure is responsibly done. (§ 195.2610)

FRANCHISE, DISTRIBUTOR, AND MANUFACTURER RELATIONSHIP

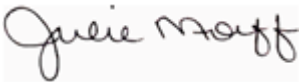
This bill specifies that if more than one franchise for the same brand or brands of hemp-derived consumable beverage products is granted to different distributors, manufacturers cannot discriminate between distributors with respect to any language concerning the franchises. Any manufacturer that wishes to terminate any franchise with a distributor must have good cause to do so and any distributor may bring a cause of action against any manufacturer for any violation of Section 195.2620. (§ 195.2620)

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

Administrative Hearing Commission
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
State Tax Commission
University of Missouri System
City of Kansas City
Newton County Health Department
Phelps County Sheriff's Department
Branson Police 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



Julie Morff
Director
February 13, 2025



Jessica Harris
Assistant Director
February 13, 2025