

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5945H.011
 Bill No.: HB 2765
 Subject: Drugs and Controlled Substances; Business and Commerce
 Type: Original
 Date: February 10, 2026

Bill Summary: This proposal creates provisions relating to hemp businesses.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	Less than \$3,946,550	Less than \$5,307,519	Less than \$5,305,327
Total Estimated Net Effect on General Revenue	Less than \$3,946,550	Less than \$5,307,519	Less than \$5,305,327

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Hemp-Derived Products Fund	(\$3,425,590)	(\$2,012,596)	(\$2,100,327)
School District Trust Fund (1688)	\$39,564	\$52,752	\$52,752
Conservation Commission Fund (1609)	\$4,946	\$6,594	\$6,594
Parks and Soils State Sales Tax Fund(s) (1613 & 1614)	\$3,956	\$5,275	\$5,275
Total Estimated Net Effect on Other State Funds	(\$3,377,124)	(\$1,947,975)	(\$2,035,706)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	1 FTE	1 FTE	1 FTE
Hemp-Derived Products Fund	33 FTE	33 FTE	33 FTE
Total Estimated Net Effect on FTE	34 FTE	34 FTE	34 FTE

- 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 2027	FY 2028	FY 2029
Local Government	Could exceed \$185,951	Could exceed \$247,934	Could exceed \$247,934

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Attorney General's Office** and **Missouri Office of Prosecution Services** did not respond to **Oversight's** request for fiscal impact for this proposal.

§312.1005 – Hemp Business Licensing Rules

Officials from the **Department of Health and Senior Services (DHSS)** state section 312.1005.6 of the proposed legislation would require the Department of Public Safety (DPS), Division of Alcohol and Tobacco Control (ATC) to ensure that no person, cooperative, or business is issued a hemp business license if they hold a marijuana facility license or medical facility license as defined in Article XIV. Department of Health and Senior Services (DHSS), Division of Cannabis Regulation (DCR) assumes that this will have a minor impact on DHSS-DCR that could be absorbed by the current workforce.

Oversight assumes DHSS is provided with core funding to handle a certain amount of activity each year. Oversight assumes DHSS could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DHSS could request funding through the appropriation process. Officials from the DHSS assume this section will have no fiscal impact on their organization.

§312.1010 – Hemp Beverage License Fees

Officials from the **Department of Public Safety(DPS), Division of Alcohol and Tobacco Control (ATC)** state it is estimated that \$2,913,000 will be collected from hemp beverage license fees annually as required by section 312.1010 (see calculations below). These fees will be deposited into the hemp-derived products fund.

Officials from the ATC state new subdivision 312.1010.3(3) provides for a license fee of \$1,000 for manufacturers, \$500 for distributors, and \$250 for retailers not to exceed \$5,000 for an entity with multiple retail locations (maximum of 20 locations pay license fee).

This subdivision does not clearly state, but implies, that manufacturer and wholesaler hemp beverage licenses are not location specific, meaning one license for multiple locations. There are 380 alcohol manufacturers in Missouri, which ATC estimates will be half the number of hemp beverage manufacturers. It is estimated that there will be 190 new hemp beverage manufacturer locations ($380 * 0.5$). 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 171 ($190 * 0.9$) for a total collection of \$171,000 ($171 * \$1,000$).

There are 271 alcohol distributors in Missouri, which ATC estimates will be half the number of hemp beverage distributors. It is estimated that there will be 136 new hemp beverage distributor locations ($271 * 0.5$). 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 120 ($136 * 0.88$) for a total collection of \$60,000 ($120 * \500).

There are 14,023 alcohol retailers licensed in Missouri, which ATC estimates will be 90% the number of hemp beverage retailers. It is estimated that there will be 12,621 new hemp beverage retailer locations ($14,023 * 0.9$). This section provides that a retailer with multiple locations cannot be charged for more than 20 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 20 of their 360 licenses, meaning 340 would be processed at no cost, with a net loss of \$85,000 in licensing fees ($340 \text{ no-cost licenses} * \$250 \text{ uncharged fee} = \$85,000 \text{ net loss for one retailer}$).

There are 37 alcohol retailers with more than 20 locations, ranging from 21 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 15%. ATC estimates that there will be 10,728 new hemp beverage retailer licenses ($12,621 * 0.85$) that will pay a license fee for a total collection of \$2,682,000 ($10,728 * \250), and an estimated 1,893 licenses that will be processed and issued with no fee. This will be very challenging for the division to manage what retail licenses get charged a fee and when to stop charging a fee. The total estimated collections for new manufacturer, distributor, and retailer hemp beverage licenses are \$2,913,000 ($\$171,000 + \$60,000 + \$2,682,000$).

\$171,000 from hemp-derived consumable product manufacturer licenses
\$60,000 from hemp-derived consumable product distributor licenses
+ \$2,682,000 from hemp-derived consumable product retail licenses
\$2,913,000 total estimated collections from additional licensing

New subsection 312.1010.4 provides that all licenses shall be renewed annually, but it does not specify what the renewal fee shall be, so the license fees, including the cap on retail license fees is expected, totaling \$2,913,000. A clarification in the language that the hemp beverage license fee also applies to license renewals would be helpful.

New subsection 312.1010.7 provides disciplinary action against any hemp business who violates any provisions in sections 312.1000 to 312.1040 to include a warning, probation for up to 12 months, fine not to exceed \$5,000 per violation, suspension for up to 12 months, or revocation. It is unknown how many businesses will violate the provisions of these sections, and thus unknown how many violations will result in a fine. Additional staff will be needed for the enforcement of sections 312.1000 to 312.1040, and the disciplinary actions as a result of violations.

Following is the specific breakdown of the additional staff that will be needed for a total cost of \$2,222,100:

Special Agent – 17 – Total salary is \$1,105,000 ($\$65,000 * 17$) - Special Agents will be the key contact person for licensees to contact with 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 743 licensees per agent. Four agents will be located in the Jefferson City central office and the Kansas City and Springfield district offices, and five in the St. Louis district office.

District Supervisor – 4 – Total salary is \$312,000 ($78,000 * 4$) - The District Supervisor will supervise the licensing and enforcement in their territory. There will be 1 located in each of the district offices; St. Louis, Kansas City, Springfield, and the Jefferson City central office.

Administrative Support Assistant – 4 – Total salary is \$213,600 ($\$53,400 * 4$) - The 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. There will be 1 located in each of the district offices; St. Louis, Kansas City, Springfield, and the Jefferson City central office.

Administrative Support Professional – 2 – Total salary is \$120,000 ($\$60,000 * 2$) – One Administrative Support Professional will handle all financials and purchasing for the hemp beverage program. One Administrative Support Professional will be working with the administrative disciplinary section to schedule and manage all disciplinary conferences and actions. Both Administrative Support Professionals will be located in the Jefferson City central office.

Human Resources Generalist – 1 – Salary is \$56,500 – The Human Resources Generalist will be responsible for all onboarding and HR functions, processing payroll, and review and approval of financials.

Licensing and Compliance Supervisor – 1 – Salary is \$72,000 - 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.

Hemp Beverage Program Coordinator – 1 – Salary is \$81,000 – 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.

Chief of Enforcement – 1 – Salary is \$88,000 – The Chief of Enforcement will oversee the enforcement and disciplinary activities of the hemp beverage program. They will be located in the Jefferson City central office.

Administrative and Fiscal Manager – 1 – Salary is \$84,000 – The Administrative and Fiscal Manager will be responsible for all budgetary, fiscal, administrative, and legislative aspects of the hemp beverage program. They will be located in the Jefferson City central office.

Legal Counsel – 1 – Salary is \$90,000 - The Legal Counsel will be responsible for interpreting the statutes and assisting with the promulgation of rules to regulate the hemp beverage program, as well as ongoing legal counsel regarding the administrative disciplinary process. They will be located in the Jefferson City central office.

Equipment and Expense – Total equipment and expense is \$3,291,625 for the first year with \$2,305,596 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 – \$1,355,827
Office Equipment – \$298,378
Other Equipment – \$234,350

Expense:

Travel – \$57,500
Supplies – \$130,097
Professional Development – \$22,000
Communication Services and Supply – \$118,815
Professional Services – \$215,000
Maintenance & Repair – \$460,616
Miscellaneous – \$4,125

Leasing Expense - \$192,876
Capital Improvement Expense - \$150,000

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

Officials from the **Office of Administration - Budget and Planning (B&P)** state this section contains new fees for hemp business licenses. Fees are to be deposited into the newly created “Hemp-Derived Products Fund”. The fund is to be a dedicated fund used by ATC to administer this program.

Officials from the B&P assume this section will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

§312.1015 – Hemp Manufacturing

Officials from **DHSS** state section 312.1015.3 requires that all hemp beverage manufacturers comply with all packaging, labeling and testing requirements established by DHSS-DCR, however the proposed legislation also imposes several additional packaging and labeling requirements that are not entirely consistent with 19 CSR 100-1.120, DHSS-DCR's packaging and labeling rules for medical or marijuana facility licensees. As the proposed legislation does not grant DHSS-DCR any new rule-making authority, DHSS-DCR assumes that this will have a minor impact that could be absorbed by the current workforce.

Section 312.1015.4 requires that all hemp beverage products shall be registered by the hemp beverage manufacturer with DHSS prior to sale. DHSS-DCR assumes, due to DPS-ATC being assigned enforcement authority over all hemp business licensees, that the need for an increase in staffing to support the registration of hemp beverage products is minimal.

DHSS-DCR estimates the need for one (1) Regulatory Auditor to process the hemp beverage product registrations and to coordinate as needed with DPS-ATC. If the proposed legislation becomes effective on August 28, 2026, DHSS-DCR expects the need to fill the Regulatory Auditor position on August 1, 2026, to provide time for developing processes and training.

The proposed legislation allocates no new funds to DHSS-DCR to cover the fiscal impact and 312.1010.8(1) specifies that the newly created “Hemp-Derived Products Fund” is solely to be used by DPS-ATC. As DHSS-DCR's existing revenue is allocated specifically by Article XIV, DHSS-DCR assumes that the cost for the fiscal impact imposed by the proposed legislation would be drawn from general revenue.

DHSS-DCR notes the expected market demand for hemp products is unknown under this proposed legislation and therefore is unable to estimate the amount of sales nor the state retail sales tax revenue to be collected from those sales.

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

Officials from the **B&P** state section 312.1015 contains new fines for violating the provisions within this bill. Article IX, Section 7 of the Missouri Constitution requires that penalties, forfeitures, and fines collected for violations of state law be distributed to the schools. To the extent any additional such revenues are deposited into the state treasury, TSR may increase.

Oversight notes that section 312.1010 states violations of sections 312.1000 to 312.1040 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.

§312.1025 – Hemp Sale Guidelines and Age Limits

Officials from the **ATC** state new subsection 312.1025.6 allows the division to conduct random unannounced inspections to enforce compliance with sections 312.1000 to 312.1040. This subsection also requires the division to submit an annual report on the division's enforcement efforts to the general assembly and make it publicly available.

ATC is currently building an online licensing system for liquor licensing with an outside vendor. ATC's response to this bill anticipates that ATC will be able to incorporate the licensing into the same system, which is not supported by ITSD. It is estimated that this addition will cost approximately \$200,000.

ATC has several licensing reports available on the ATC website from data.mo.gov that allows cities and counties to see who has an active liquor license, and also helps licensees know that they are transacting with active licensees. ATC anticipates the need to have similar reports available for hemp beverage licenses. 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 \$15,000.

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

Officials from the **Office of the State Public Defender (SPD)** state, per the National Public Defense Workload Study, the new charge contemplated by Section 312.1025, would take approximately fourteen hours of SPD work for reasonably effective representation. If one hundred cases were filed under this section in a fiscal year, representation would result in a need for an additional attorney. Because the number of cases that will be filed under this statute is unknown, the exact additional number of attorneys necessary is unknown. Each case would also result in unknown increased costs in the need for core staff, travel, and litigation expenses. However, if the charge was classified as a class D misdemeanor no jail time would be authorized and the cases would not qualify for SPD representation.

Oversight assumes this proposal will create a minimal number of new cases and that the SPD can absorb the additional caseload required by this proposal with current staff and resources. Therefore, Oversight will reflect no fiscal impact to the SPD for fiscal note purposes. However,

if multiple bills pass which require additional staffing and duties, the SPD may request funding through the appropriation process.

§312.1040 – 7% Excise Tax to Hemp-Beverage Products

Officials from the **B&P** state section 312.1040 would apply a 7% excise tax to hemp-beverage products. B&P notes that this proposal does not specify where the excise tax revenues should be deposited. While section 312.1010 did create a new fund, only the business fees levied under section 312.1010 are to be deposited into that fund. Therefore, B&P assumes that the excise tax collections under this section will go to general revenue.

Based on market research, the Missouri market for hemp beverage products was approximately \$75,360,000 in 2025. Therefore, a 7% excise tax could generate revenues of \$5,275,200.

While these products are already subject to state and local sales tax, excise taxes are included in the final sales taxable price of these products. Therefore, an increase in excise taxes would result in an increase in state and local sales taxes. Using the estimated excise tax collections above, B&P estimates that this proposal could also result in an increase state sales taxes of \$222,877 as well as local sales tax funds of \$247,934 annually.

Therefore, B&P estimates that this proposal could increase state revenues by \$5,498,077 and local revenues by \$247,934 annually.

Table 1: Estimated Revenue Impact - Hemp-derived Cannabinoids

<u>State Funds</u>	FY 2027	FY 2028+
GR Excise Tax	\$3,956,400	\$5,275,200
GR Sales Tax	\$118,692	\$158,256
Education (SDTF) - sales tax	\$39,564	\$52,752
Conservation - sales tax	\$4,946	\$6,594
DNR - sales tax	\$3,956	\$5,275
Total State Revenues	\$4,123,558	\$5,498,077

Table 1 Continued: Estimated Revenue Impact - Hemp-derived Cannabinoids

<u>Local Funds</u>	FY 2027	FY 2028+
Local Sales Tax Funds	\$185,951	\$247,934

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the B&P.

Officials from the **ATC** state new section 312.1040 establishes a 7% excise tax on the retail sale of hemp-derived consumable beverage products. DOR noted in their response to HB 696 (2025) 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. The division will use this

amount to estimate the excise tax collections, which is estimated at \$3,978,298.87 (\$56,832,841 * 7%). It is unknown how much of these collections would be for hemp beverage products versus all other hemp products. Assuming that 30% of sales could be for hemp beverages, the total collection under this section is estimated at \$1,193,489.66 (\$3,978,298.87 * 30%).

Officials from the **Department of Revenue (DOR)** state this proposal attempts to regulate the hemp beverage industry. This proposal defines a hemp beverage as a product that is intended for human consumption and contains or consists of hemp plant parts.

This proposal establishes rules for the licensing and selling of these hemp beverages. The regulation is to be done by the DHSS and the DPS/ATC.

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 beverages 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.

However, this proposal adds language stating that these products will not be considered marijuana, and this proposal further creates new regulations for these products.

DOR notes this proposal assesses an excise tax at a rate of 7% on the sale of hemp beverage products. The General Assembly has indicated that these products are being sold in numerous retail locations. Currently, when sold at a retail location, the products are subject to the state 4.225% sales tax as well as a local sales tax (4.7% average used for fiscal note purposes). DOR notes that regardless of where the product is sold, the sales tax is owed. DOR notes that sales tax however, is applied to the final purchase price of an item which includes all other taxes and therefore, DOR expects additional sales tax revenue once it is applied to the excise tax as well.

DOR notes that this proposal does not state where the excise tax is to be deposited. For fiscal note purposes, DOR will assume general revenue. Businesses are not required to report what they sell only the amount of product sold. Therefore, DOR does not maintain records of the amount of these products sold. DOR assumes this will increase revenue to general revenue and the state and local sales tax funds.

DOR defers to the DHSS for the fiscal impact on the state and local funds.

Oversight does not have information to the contrary. Oversight notes [The U.S. THC Beverage Report](#), a study by Beau Whitney, contains information regarding the market for hemp beverage products by state. The study shows the Missouri market for sales was \$75,360,000 in 2025. Therefore, Oversight will reflect the estimates as provided by the B&P for the estimate of tax to be collected.

Responses Regarding the Proposed Legislation as a Whole

Officials from the **Office of the State Courts Administrator (OSCA)** state the proposal may have some impact but there is no way to quantify that amount currently. Any significant changes will be reflected in future budget requests.

Oversight notes OSCA assumes this proposal may have some impact on their organization although it can't be quantified at this time. As OSCA is unable to provide additional information regarding the potential impact, Oversight assumes the proposed legislation will have a \$0 or (Unknown) cost to the General Revenue Fund. For fiscal note purposes, Oversight also assumes the impact will be under \$250,000 annually. If this assumption is incorrect, this would alter the fiscal impact as presented in this fiscal note. If additional information is received, Oversight will review it to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

Officials from the **Department of Elementary and Secondary Education, Department of Labor and Industrial Relations, Department of Mental Health, Department of Natural Resources, Department of Public Safety (Office of the Director, Missouri Highway Patrol), Department of Social Services, Missouri Department of Agriculture, Missouri Department of Transportation (MoDOT), Office of Administration (OA), OA - Administrative Hearing Commission, Office of the State Treasurer, State Tax Commission, City of Kansas City, Newton County Health Department, Phelps County Sheriff's Department, Kansas City Police Department and St. Louis County Police Department** 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 that we have received from state agencies and political subdivisions; however, other cities, counties, local health departments, sheriffs, police, EMS, schools, hospitals and colleges were requested to respond to this proposed legislation but did not. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note. A general listing of political subdivisions included in our 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 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Cost – OSCA (§§312.1000 to 312.1040) Potential increase in court costs p.11</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<u>Cost – DHSS/DCR (§312.1015) p.7</u>			
Personal service	(\$61,686)	(\$68,640)	(\$70,013)
Fringe benefits	(\$39,785)	(\$43,943)	(\$44,495)
Equipment and expense	(\$27,071)	(\$13,354)	(\$13,621)
<u>Total Costs - DHSS/DCR</u>	<u>(\$128,542)</u>	<u>(\$125,937)</u>	<u>(\$128,129)</u>
FTE Change - DHSS/DCR	1 FTE	1 FTE	1 FTE
<u>Revenue Gain – (§312.1040) 7% Excise tax levy p.9</u>	\$3,956,400	\$5,275,200	\$5,275,200
<u>Revenue Gain – (§312.1040) Sales tax p.9</u>	<u>\$118,692</u>	<u>\$158,256</u>	<u>\$158,256</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	Less than <u>\$3,946,550</u>	Less than <u>\$5,307,519</u>	Less than <u>\$5,305,327</u>
Estimated net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE
HEMP-DERIVED PRODUCTS FUND			
<u>Revenue Gain – DPS/ATC (§312.1010) licensing fees p.4</u>	\$2,913,000	\$2,913,000	\$2,913,000

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<u>Cost – DPS/ATC (§312.1010) p.5-6</u>			
Personal service	(\$1,852,583)	(\$2,267,562)	(\$2,312,913)
Fringe benefits	(\$1,194,349)	(\$1,451,101)	(\$1,469,342)
Equipment and expense	(\$1,570,831)	(\$1,206,933)	(\$1,231,072)
Total Costs - DPS/ATC	(\$4,617,763)	(\$4,925,597)	(\$5,013,327)
FTE Change - DPS/ATC	33 FTE	33 FTE	33 FTE
<u>Cost – DPS/ATC (§312.1010)</u> Motorized equipment p.6	(\$1,355,827)	\$0	\$0
<u>Cost – DPS/ATC (§312.1010) Capital</u> improvement p.6	(\$150,000)	\$0	\$0
<u>Cost – DPS/ATC (§312.1025)</u> Licensing and brand registration software p.7	(\$200,000)	\$0	\$0
<u>Cost – OA, ITSD/ATC (§312.1025) To</u> add reports to the ATC website p.8	(\$15,000)	\$0	\$0
ESTIMATED NET EFFECT ON HEMP-DERIVED PRODUCTS FUND	(\$3,425,590)	(\$2,012,596)	(\$2,100,327)
Estimated net FTE Change on Hemp- Derived Products Fund	33 FTE	33 FTE	33 FTE
SCHOOL DISTRICT TRUST FUND (1688)			
<u>Revenue Gain – (§312.1040) Hemp</u> sales tax p.9	\$39,564	\$52,752	\$52,752
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	\$39,564	\$52,752	\$52,752
CONSERVATION COMMISSION FUND (1609)			

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<u>Revenue Gain</u> – (§312.1040) Hemp sales tax p.9	\$4,946	\$6,594	\$6,594
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>\$4,946</u>	<u>\$6,594</u>	<u>\$6,594</u>
PARKS AND SOILS STATE SALES TAX FUNDS (1613 & 1614)			
<u>Revenue Gain</u> – (§312.1040) Hemp sales tax p.9	\$3,956	\$5,275	\$5,275
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	<u>\$3,956</u>	<u>\$5,275</u>	<u>\$5,275</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Gain</u> – Schools Districts (§§312.1000 to 312.1040) – Fines p.7-8	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Revenue Gain</u> – (§312.1040) Local sales tax p.9	\$185,951	\$247,934	\$247,934
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Could exceed <u>\$185,951</u>	Could exceed <u>\$247,934</u>	Could exceed <u>\$247,934</u>

FISCAL IMPACT – Small Business

Officials from the **DHSS** state this regulation would allow existing or new small hemp businesses to enter the regulatory space. These small businesses would then be subject to the regulatory requirements and associated fines or fees.

Officials from the **DPS/ATC** state small businesses that are currently manufacturing, distributing, or selling hemp beverages without a license would be required under these sections to obtain a hemp beverage license as well as a liquor license to continue operations. It is unknown how many businesses will be impacted, but the largest potential single-location impact would be for manufacturers with an on-premise hemp beverage retail license who would have to pay \$1,250 annual hemp beverage license fees in addition to the liquor license fee(s).

Officials from the **B&P** state bill as a whole contains new regulations for hemp products. To the extent small businesses engage in the sale or distribution of these products, they may be economically impacted.

FISCAL DESCRIPTION

This bill gives the Division of Alcohol and Tobacco Control within the Department of Public Safety the authority to issue licenses to hemp beverage manufacturers, wholesalers, and retailers. No prohibitions will be placed on current liquor licensees from manufacturing, distributing, or selling hemp beverage products. However, this bill places certain restrictions on the number of licenses and how those licenses can be used, as described in the bill.

The bill regulates how and when a hemp business can import or export unfinished hemp extract, as described in the bill (Section 312.1005).

The Division must establish forms and procedures for the issuance of hemp licenses, as described in the bill, and can issue such licenses to applicants who:

- (1) Are at least 21 years of age, not been convicted of a controlled substances felony within the last 10 years, and have filed all applicable tax returns;
- (2) Have fully and truthfully complied with all applications;
- (3) Have paid all applicable fees, as described in the bill;
- (4) Are not employed by a state agency that would create a conflict of interest; and
- (5) Do not hold a license for a marijuana facility.

This bill creates the "Hemp-Derived Products Fund", which will consist of all fees charged by the Division. The State Treasurer must invest moneys in the Fund in the same manner as other funds are invested, with any interest and moneys earned on such investments to be credited back to the Fund (Section 312.1010).

A hemp beverage manufacturer license entitles the license holder to make certain purchases, sales transactions, and perform other actions, as described in the bill. Hemp beverage manufacturers must comply with all packaging, labeling, and testing requirements, as described in the bill. A manufacturer or wholesaler who violates these provisions will be guilty of a misdemeanor, and upon conviction will be punished as follows:

- (1) A fine of \$1,000 for the first offense;

- (2) A fine of \$5,000 for the second offense; and
- (3) A fine of \$25,000 for the third or any subsequent offense (Section 312.1015).

A hemp beverage wholesaler can transport and store hemp beverage products under certain conditions, as described in the bill. All hemp beverage wholesalers must be "resident businesses", as described in the bill.

A hemp beverage wholesaler can sell to retailers hemp beverage products that:

- (1) Are obtained from a licensed hemp beverage manufacturer;
- (2) Meet all applicable packaging and labeling requirements established by the Department of Health and Senior Services (DHSS); and
- (3) Comply with any other rules adopted by DHSS (Section 312.1020).

A hemp beverage retailer must be at least 21 years of age and can only sell hemp beverages to individuals who are at least 21 years of age. If a hemp beverage retailer sells such products to a person younger than 21 years of age, it will be a Class B misdemeanor. It will also be a Class B misdemeanor for a person younger than 21 years of age to knowingly acquire, possess, or consume such products.

A hemp beverage retailer must also ensure that all hemp beverages for sale comply with certain restrictions on the amount and types of cannabinoids, as described in the bill.

A hemp beverage retailer must not:

- (1) Sell a hemp beverage to a person who is visibly intoxicated;
- (2) Sell cannabis flower or cannabis products; or
- (3) Allow for the dispensing of hemp beverage products in vending machines.

A hemp beverage retailer can permit onsite consumption of hemp beverage products under certain conditions, as described in the bill.

A hemp beverage retailer must ensure that the licensed premises are maintained in a clean and sanitary condition, and such premises will be subject to inspection by the Division at any time. The Division will not issue a hemp beverage license to any retail establishment located within 100 feet of an educational institution or place of worship.

A hemp beverage manufacturer or wholesaler may not pay a hemp beverage retailer to advertise or display a particular hemp beverage product on the licensed premises (Section 312.1025).

If more than one "franchise", as that term is defined in the bill, for the same brand of hemp beverage product is granted to different wholesalers, it will be a violation if a hemp beverage manufacturer discriminates between the wholesalers with respect to any of the terms, provisions, and conditions of the franchise. No hemp beverage manufacturer will unilaterally terminate or refuse to continue a franchise with a hemp beverage wholesaler unless the manufacturer has first established good cause from such termination.

A hemp beverage wholesaler can bring a cause of action against a hemp beverage manufacturer for any violation of these provisions, as described in the bill (Section 312.1030).

A hemp beverage product that is sold in Missouri will be labeled with a set of consumer protection statements, as described in the bill.

A manufacturer, wholesaler, or retailer of hemp beverage products must not advertise, market, or offer for sale such products using imagery or scenery that depicts characters or symbols known to appeal primarily to a person under 21 years of age (Section 312.1035).

The Division will allow retailers and wholesalers 120 days after August 28, 2026, to sell any adult hemp beverage products that were in their inventory as of August 28, 2026. After the 120 days pass, all remaining hemp beverage inventory will be subject to forfeiture and destruction (Section 312.1037).

An excise tax of seven percent will be imposed upon the retail sale of hemp beverage products. This tax is intended to be passed on to the purchaser (Section 312.1040).

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

SOURCES OF INFORMATION

Budget and Planning
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
 Office of the Director
 Division of Alcohol and Tobacco Control
 Missouri Highway Patrol
Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules
Missouri Department of Agriculture
Missouri Department of Transportation
Office of Administration
 Administrative Hearing Commission
Office of the Secretary of State
Office of the State Courts Administrator
Office of the State Public Defender

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Office of the State Treasurer
State Tax Commission
City of Kansas City
Newton County Health Department
Phelps County Sheriff's Department
Kansas City Police Department
St. Louis County Police Department



Julie Morff
Director
February 10, 2026



Jessica Harris
Assistant Director
February 10, 2026