

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5602-04
Bill No.: Perfected HCS for HB 2213
Subject: Drugs and Controlled Substances; Health Care; Professional Registration and Licensing; Agriculture
Type: Original
Date: April 20, 2016

Bill Summary: This proposal establishes the Missouri Compassionate Care Act regarding the licensure of medical cannabis centers and cultivation and production facilities to provide medical cannabis to qualifying patients.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 or (\$967,240)	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on General Revenue	\$0 or (\$967,240)	\$0 or Unknown	\$0 or Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Medical Cannabis License Cash	\$0 or \$2,741,353	\$0 or \$27,137	\$0 or \$465,856
Criminal Records	\$0 or \$13,200	\$0 or \$1,320	\$0 or \$13,200
School District Trust	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Conservation Commission	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Parks and Soils	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or More than \$2,754,553	\$0 or \$28,457 to Unknown	\$0 or More than \$479,056

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 32 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	0 or 4	0	0
Medical Cannabis License Cash	0 or 9	0 or 17	0 or 17
Total Estimated Net Effect on FTE	0 or 13 FTE	0 or 17 FTE	0 or 17 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0 or Unknown	\$0 or Unknown to (Greater than \$310,320)	\$0 or Unknown to (Greater than \$310,320)

FISCAL ANALYSIS

ASSUMPTION

Officials from **the Department of Public Safety(DPS) - Alcohol and Tobacco Control (A&TC)** state section 195.903.1 makes A&TC the state Regulatory and Licensing Authority.

Section 195.903.2 prevents any General Revenue (GR) funds from being used to fund the operation of the act and prevents A&TC from expending GR money for the operation of these sections. A&TC will not have staff or funds available to initiate the operations of this act until funds are collected by the user fees and license fees. In order for A&TC to acquire staff and money to begin processing applications, funds will have to be appropriated in some manner to fund the start up.

Section 195.903.3 allows the state supervisor to employ no more than one FTE for each 10 medical cannabis centers; therefore, A&TC is limited to 9 FTE. (30 primary medical cannabis center licensees, who each may apply for 2 additional licenses (60) for a total of 90 medical cannabis center licensees.) A&TC does not believe that 9 staff will be enough to fulfill the regulatory and licensing responsibilities as set out in this bill, but as the language limits the FTE count as a ratio to licenses, A&TC would hire 9 employees as follows: 1 Staff Attorney, 1 Senior Office Support Assistant, 1 Agricultural Expert, 5 Special Agents and 1 Auditor.

- Staff Attorney (1 FTE, \$60,000 annually) - This person would be responsible for sorting through the language of the bill, interpreting the statutes and assisting with the promulgation of new rules to implement the proposal.
- Senior Office Support Assistant (SOSA, 1 FTE, \$27,168 annually) - The SOSA would be assisting with the large amount of clerical work related to the implementation and ongoing licensing of all the medical cannabis centers, cultivation and production facilities, medical testing facilities, and all the occupational licenses. In addition, this position would assist with the monthly sales tax reporting duties.
- Agricultural Expert (1 FTE, \$44,208 annually) - A&TC would employ this person to assist with the technical aspects of the medical cannabis growth process, cultivation, preparation of, testing of, storage of and anything to do with the product itself.
- Special Agents (5 FTE, \$44,208 each, annually) - Special Agents would each be assigned a specific territory in the district to oversee licensing and regulation. Agents would be the key contact person for licensees to contact with questions and application problems. Agents would attend public hearings, perform inspections and do background checks. A&TC currently has 5 districts.

ASSUMPTION (continued)

- Auditor (1 FTE, \$44,208 annually) - The Auditor would audit the monthly sales tax reports of the medical cannabis licensees, be responsible for auditing licensed premises records to ascertain that the State of Missouri is receiving all taxes due, and the licensee is keeping records according to regulatory standards.

Expense and equipment would be necessary for staff including basic office equipment, laptops and telephone equipment. Agents will need law enforcement equipment to include weapons, ammunition, ballistic vest, vehicles, travel expenses, etc. A&TC would need an identification printer scanner to create identification cards for occupational licenses.

Section 195.903.3 specifies that A&TC should consider employment of temporary or contract staff to conduct background investigations and the cost should not exceed \$500,000. A&TC would contract out for these initial background investigations to initiate the medical cannabis licensing process. The Missouri State Highway Patrol (MHP) charges \$43.05 for fingerprint background checks (\$20 for state fingerprint check + \$14.75 for federal check and \$8.30 for the electronic fingerprint option through a third-party vendor), however, more stringent background checks are required and would require agents to follow up in various measures to assure the person is of good moral character, and that the affirmations in the application are valid and true. Inspections would be required to verify information on the licensed premises and to validate that the signage, security and sanitary requirements are being met. Applicant must have at least \$500,000 in assets to qualify for a license, thus a thorough review of applicants' financial records must be made. Background checks would be required on each owner, officer, manager, stockholder, and employees who work at or are otherwise associated with the operation. It is hard to estimate how many background checks on 30 licensees, owners and staff, would be required, but based on Nevada's experience (received 176 applications for only 77 allowed medical cannabis centers), it could be a substantially large number. Missouri's population is double that of Nevada and the A&TC might expect to see a substantially larger number of applicants vying for the initial 30 licenses.

In addition, A&TC plans to contract with a consultant who has expertise implementing state medical marijuana laws to help with creating the rules for the proper regulation and control of the cultivation, manufacture, distribution and sale of medical cannabis. Section 195.906 sets out A&TC's responsibilities and duties under this law. A&TC is responsible for setting out requirements for inspections, investigations, searches and seizures. A&TC must create a range of administrative penalties, control of informational and product displays, development of individual identification cards for owners, officers, managers, contractors, employees and other support staff. A&TC must set out the strict security requirements for licensed premises, regulation of the storage of, warehouse for, and transportation of medical cannabis. Sanitary

ASSUMPTION (continued)

requirements must be set. A&TC must set labeling standards, recordkeeping standards, licensing procedures, and monthly reporting and payment of sales tax. A&TC must prepare rules to prohibit misrepresentation and unfair practices in this new industry.

Section 195.966.2 provides that A&TC's expenditures shall be paid out of the medical cannabis license cash fund.

Many states have a medical cannabis program that is similar to the proposed legislation. It appears Missouri's language was a combination of Oregon, Nevada and Colorado laws.

Oregon (population 3.97 million) has a medical marijuana registry program that registers patients, caregivers and grow sites. It allows for the medical use of marijuana in Oregon within specified limits. It provides legal protections for qualified patients; requires a physician-written statement of the patient's qualifying debilitating medical condition; allows for a caregiver to provide assistance; and mandates an Oregon Health Authority registration system. The Oregon Medical Marijuana Program is totally fee-supported. No state funds are used to support the program. Beginning in 2014, the state began to license dispensaries in Oregon. There are currently 368 dispensaries, and of those dispensaries, 307 are limited retail product locations. To become a dispensary there is a \$500 non-refundable application fee, which is also the renewal fee, a \$3,500 annual registration fee, and a \$35 criminal background check fee per individual along with other regulatory processes. A limited retail marijuana product includes only the leaves and flower of a marijuana plant, and immature marijuana plants. Dispensaries are allowed to sell no more than one-quarter ounces of dried leaves and flowers per day to the same individual, and four immature plants to the same individual between October 1, 2015 and December 31, 2016.

Nevada's (population 2.84 million) medical marijuana program seems to be very similar to the proposed legislation. The initial program included a patient and caregiver registry, but in 2014 expanded to include a regulated medical marijuana industry. It sets a schedule of fees for medical marijuana dispensaries (of which there may be up to 66), medical marijuana cultivation facilities, infused product manufacturers, testing laboratories and staff. The initial fees range from \$3,000 for a cultivator to \$30,000 for a dispensary. Renewal fees range from \$1,000 to \$5,000. Annual staff ID cards are \$75. In addition to standard sales tax, there is also a 2% excise tax at the wholesale level and a 2% excise tax at the retail level. Nevada has issued 372 provisional certificates out of 519 applications, thus far. They are 17 labs, 182 cultivation facilities, 118 production facilities, and 55 dispensaries. They have 16 authorized start FTE and 11 contract FTE plus 3 software contractors. Nevada's annual budget for FY 2015 for the medical marijuana establishment (MME) program is \$1.1 million. The MME fees projected to be balanced at the end of FY 2015 are approximately \$400,000 or about 90 days operating cash. Revenue is as yet unknown.

ASSUMPTION (continued)

Colorado (population 5.36 million) has the largest state-regulated dispensary program in the nation. As of FY 2012, more than 1,700 medical marijuana businesses were operating in the state (532 medical marijuana centers and 1,459 cultivation facilities and infused products manufacturers). Revenues from state and city tax, registry and licensing medical marijuana exceeded \$20 million in FY 2012. The Medical Marijuana Enforcement Division (MMED) collected \$3.78 million in fees in FY 2011 and FY 2012. The state application fees for medical marijuana centers are \$7,500 for 300 or fewer patients, \$12,500 for 301 to 500 patients, and \$18,000 for those serving 501 or more patients. Annual renewal fees are lower, with center fees ranging from \$3,750 to \$14,000 depending on the center's size. Cultivation and infused products manufacturers annual fees are \$2,750. In addition, medical marijuana sales taxes brought in more than \$5.4 million to state coffers. It appears that at least \$6.3 million was collected in county and local sales taxes on medical marijuana in FY 2012.

Colorado's Expenditures for their Medical Marijuana Enforcement Division

Fiscal Year	Total Program Expenditure	FTE
10-11	\$1,127,118	22
11-12	\$5,262,020	13
12-13	\$2,103,341	17
13-14	\$9,555,599	35

Some of the other states that have medical marijuana programs including licensing of industry for production and retail sales are Arizona, New Mexico, California, Maine, Rhode Island, Delaware, Massachusetts, Washington D.C., New Hampshire, Vermont, New Jersey, Delaware, Connecticut and Illinois.

Michigan, Alaska, and Hawaii have medical marijuana laws and register patients and caregivers, but do not have state-registered dispensaries. Washington is the only one of the 21 states that does not provide for a registry card and there are also no state-regulated dispensaries.

Section 195.966.1 directs all fees and fines provided for by this act (other than as collected by DHSS for patient and caregiver registry or collected by A&TC for the Department of Revenue) shall be paid to the Division and credited to the Medical Cannabis License Cash Fund.

A&TC does not believe the first year will result in fines as the licensing process could take 6 months to a year before an applicant becomes licensed. It is estimated that in FY 2018 and ongoing, fines could be between \$25,000 - \$500,000 annually.

ASSUMPTION (continued)

<u>Revenue</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
License Application Fees	\$2,750,000	\$61,600	\$392,100
License Fees (2 year license)	\$1,177,400	\$420,000	\$420,000
License Change Fees	\$26,400	\$47,000	\$47,000
<u>Fines</u>	<u>\$0</u>	<u>\$100,000</u>	<u>\$200,000</u>
Total Revenue	\$3,953,800	\$628,600	\$1,059,100

A&TC estimates that license fees may have to be increased in fiscal year 2019 as the 2 year licensing cycle may limit collections in between years, and require additional funds to cover the years between license renewals.

Colorado receipts include a 2.9% sales tax rate on medical marijuana. A&TC estimates that sales tax receipts in Missouri for the first year will be minimal because of the time it will take to implement the act. However, A&TC estimates that Missouri revenue from sales tax collections on medical marijuana could be substantially higher as the Missouri sales tax rate (4.225%) is almost double what Colorado is assessing. On a conservative note, A&TC will use Colorado's numbers to reflect sales tax income.

Colorado Medical Marijuana Sales Tax Receipts

Fiscal Year	Receipts
10-11	\$4,367
11-12	\$5,982,950
12-13	\$9,112,237
13-14	\$10,562,577
14-15	\$10,409,340

A&TC assumes sales tax revenue into the General Revenue Fund of \$4,000 in FY 2017, \$6,000,000 in FY 2018, and \$9,000,000 in FY 2019 (based on Colorado's medical marijuana sales tax receipts).

Oversight notes from the Department of Health and Senior Services' (DHSS) response that DHSS assumes it will not have the medical marijuana program set up and be issuing permits until FY 2018. Therefore, Oversight will not present sales tax revenue estimates for FY 2017.

A&TC assumes costs related to 9 FTE to total \$694,447 (excluding consultant/background checks) in FY 2017, \$700,133 in FY 2018 and \$707,634 in FY 2019. A&TC also assumes income of \$3,953,800 in FY 2017, \$628,600 in FY 2018 and \$1,059,100 in FY 2019 from license/application fees and fines.

ASSUMPTION (continued)

A&TC also assumes licensing revenue to local political subdivisions. Locals can only charge 10% of state fees; therefore, A&TC estimates FY 2017 revenues of \$790,760 to cities and counties [$\$3,953,800 \text{ A\&TC fees} \times 10\% = \$395,380 \times 2 \text{ (cities + counties)}$]; FY 2018 revenues are estimated to be \$125,720 [$\$628,600 \text{ A\&TC fees} \times 10\% = \$62,860 \times 2 \text{ (cities + counties)}$]; and FY 2019 revenues are estimated to be \$211,820 [$\$1,059,100 \text{ A\&TC fees} \times 10\% = \$105,910 \times 2 \text{ (cities + counties)}$].

DPS, A&TC provided the **Office of Administration (OA) - Information Technology Services Division (ITSD)** response. ITSD assumes that every new IT project/system will be bid out because all ITSD resources are at full capacity. Total estimated cost of the system for DPS, A&TC is \$350,325, charged to the General Revenue Fund, for FY 2017; on-going maintenance costs for FY 2018 and 2019 are estimated to be \$71,817 and \$73,612 respectively, charged to the Medical Cannabis License Cash Fund.

Officials from the **Department of Health and Senior Services (DHSS)** provided the following assumptions for this proposal:

Applications for Patient and Caregiver Identification

The proposed legislation requires the DHSS to issue registry identification cards for qualified patients and issue waivers for patients who identify a primary caregiver. For purposes of this fiscal note, DHSS assumes a waiver will include the issuance of an identification card to the caregiver as well. An October 2014 study by the nonprofit entity ProCon organization published the rates of patient registration cards issued for each state with a medical marijuana program (<http://medicalmarijuana.procon.org/view.resource.php?resourceID=005889>).

This study found that Oregon was issuing qualified patient cards at a ratio of 17.7 per 1,000 patient populations. For purposes of this fiscal note, the State of Oregon's program will be benchmarked in regards to the number of patient and primary caregiver registrants. While the Oregon program was initiated in May 1999 and, therefore, has an established program, the state of Missouri's chronic disease rates (including cancer) are generally higher. The Oregon Medical Marijuana Program allows for a broader range of qualifying medical conditions than Missouri's proposal. Approximately six percent of Oregon's registered patients and caregivers have been approved for a cancer condition. Therefore, Missouri would only expect a ratio of 1.062 (6 % of 17.7) per 1,000 patient population.

Calculation of applications:

- Patients: According to the 2014 U.S. Census Bureau information, Missouri's population is at 6,063,589. Applying the rate of 1.062 applications per 1,000 residents, Missouri would estimate issuing 6,440 patient registration cards annually ($6,063,589/1,000 = 6,063.59 \times 1.062$).

ASSUMPTION (continued)

- Caregivers: According to the October 1, 2015 data on Oregon’s Medical Marijuana Program Website, the ratio of patient registration cards to caregiver cards is calculated at 2.09. Calculating this same ratio, Missouri would estimate issuing 3,081 caregiver cards annually (6,440/2.09).

For purposes of this fiscal note analysis, it is assumed that it will take FY 2017 to establish the rules, information system and program policies and procedures needed to implement the program effectively. It is anticipated that Missouri will receive 9,521 new applications (6,440 patient and 3,081 caregiver) in FY 2018, its first year of operation. In subsequent years, new applications are estimated to grow by ten percent (10%) and 90% of the applications from previous years are expected to renew. The number of applications will remain at 9,521 in FY 2019. DHSS also assumed Missouri will charge a \$100 annual fee for initial and renewal applications for both patients and caregivers. It is further assumed that the first fees would be collected in July 2017 (FY 2018).

	FY 2017	FY 2018	FY 2019
Patient Applications - Initial	0	6,440	644
Patient Applications - Renewal	0	0	5,796
Caregiver Applications - Initial	0	3,081	308
Caregiver Applications - Renewal	0	0	2,773
Total Applications	0	9,521	9,521
Application Fees	\$0	\$952,100	\$952,100

Section 195.981 requires the establishment of the medical cannabis program through promulgation of rules, including the development of program forms, registration card, and a computerized database or registration system to allow for the verification of registration cards by law enforcement. As a result, DHSS, Division of Community and Public Health (DCPH) anticipates the need to hire the following staff beginning on September 1, 2016 (FY 2017) to begin development of the system:

- One Program Manager Broad Band 2 (\$65,000 annually) - will serve as Chief of the Medical Cannabis Bureau. Duties will include overall program management, including involvement in rule promulgation, development of forms, program policies and procedures, information system development, and initial program set-up.
- One Health Program Representative III (\$38,928 annually) - duties will include assistance in rule promulgation, program policies and procedures, forms development, information system development/troubleshooting and maintenance, and initial program set-up. This position will also be responsible for coordinating the public hearings as required in Sections 195.981.3.

ASSUMPTION (continued)

- One Administrative Office Support Assistant (\$28,104 annually) - duties will include providing administrative assistance to the Bureau Chief, and HPR III positions. As allowed, this position will also assist in initial processing of patient and caregiver applications for registration cards.
- One Environmental Public Health Specialist V (\$45,156 annually) within the Bureau of Environmental Health Services. This position would be responsible for ensuring regulatory compliance for the manufacturing of medical cannabis-infused products as designated by Section 195.957. This position would need to begin December 8, 2016, in order to assist in the development of rules and the medical cannabis program.

The following staff will be hired effective July 1, 2017 upon completion of the system development and implementation of the program:

- 2 Senior Office Support Assistant (SOSA) positions (\$25,824 annually) - duties will include processing of paper applications to include opening and date stamping of mail, entry of application information into the electronic registry, initial verification of applicant and physician identification, preparation of patient and caregiver registration cards, and answering and assisting telephone callers.
- 2 Health Program Representative II (HPR II) positions (\$34,944 annually) - duties will include supervision of the SOSA positions and quality assurance checks of the application entry and initial verification completed by the SOSAs. This position will have responsibility for final approval of application rejects and card issuances.

For fiscal note purposes DHSS calculated 45 minutes of processing time per patient and caregiver application.

9,521 patient & caregiver apps. X 0.75 hours/2,080 hours per year per staff = 4 staff.

The program will not receive fees until it is operational, so there will be no funds in the Medical Cannabis Program Account of the Medical Cannabis License Cash Fund during the development phase. It is assumed General Revenue funds will be expended for FY 2017. Beginning July 2017, it is assumed that adequate cash for personnel and standard expense and equipment will be available in the Medical Cannabis Program Account. It is further assumed that funds will be appropriated from the account and expenses related to program operations will be paid from the fund in FY 2018 and FY 2019.

ASSUMPTION (continued)

Printing

DHSS will print each patient and caregiver his/her card. DCPH assumed that each patient and caregiver card will be printed annually. DCPH will purchase one card printer for \$8,719 and one magnetic strip encoder for \$695. The supplies (including ribbon, te-transfer set, etc) for the printers and encoders average \$0.63 per card. The cards themselves cost \$96 per 500.

DCPH will print 10,000 brochures each year the program is operational at a cost of \$0.06 per brochure. This brochure will provide the public with information about the medical cannabis program and assistance in completing a valid registration.

FY 2018

9,521 patient & caregiver cards (\$96 per 500) = 20 X \$96 = \$1,920
 9,521 patient & caregiver cards (supplies x \$0.63 per card) = \$5,999
 10,000 brochures (\$0.06 per brochure) = \$600

FY 2019

9,521 patient & caregiver cards (\$96 per 500) = 20 X \$96 = \$1,920
 9,521 patient & caregiver cards (supplies x \$0.63 per card) = \$5,999
 10,000 brochures (\$0.06 per brochure) = \$600

Mailing costs

Each patient and caregiver will receive his/her card in the mail. Renewal cards will also be mailed to each patient and caregiver annually. It is estimated that 10 percent (10%) of the registered participants and caregivers will submit a change request to their application requiring a change notification receipt by mailing. It is projected that five percent (5%) of all applications will be incomplete and require mailing of an incomplete notice. It is also projected that twenty-five percent (25%) of the printed brochures (2,500) along with paper applications will be mailed to the public upon request. The other printed brochures will be available for distribution at conferences and other public venues.

Projected mailings are as follows:

	FY 2017	FY 2018	FY 2019
Patient & Caregiver ID Cards	0	9,521	9,521
Change Request Notifications	0	952	952
Incomplete Notifications	0	476	476
Brochures/app mailed	0	2,500	2,500
Total mailings	0	13,449	13,449

ASSUMPTION (continued)

FY 2018

13,449 envelopes (\$41 per 1,000) = 14 X \$41 = \$574

Postage (13,449 x \$0.39/postage rate) = \$5,245

FY 2019

13,449 envelopes (\$41 per 1,000) = 14 X \$41 = \$574

Postage (13,449 x \$0.39/postage rate) = \$5,245

DHSS has provided the response for the **Office of Administration, Information Technology Services Division (ITSD)**. ITSD states it is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity.

In order to manage the final storage of paper applications submitted, Content Manager for electronic scanning and storage will be utilized. The costs for Content Manager are estimated at \$132 per month for the state data server costs, \$624 for an annual license for each user, and \$686 for an annual license for each position with ability to scan/import documents.

The application process will be conducted using a paper process. DHSS will data enter application information into the registry to assign an identification number and print a Registry Identification Card for the patient or primary caregiver. The Registry Identification Card will be mailed to the patient or primary caregiver. The application will be hosted in the State Data Center (SDC) on existing shared hosting systems. This is estimated as a 12 month project. First year funding is expected to be General Revenue with following years being supported by the Medical Cannabis Program Fund. ITSD costs for the development of the systems (\$195,981) are estimated to be \$308,286 for FY 2017 (General Revenue), \$63,199 in FY 2018 (Medical Cannabis Fund) and \$64,779 in FY 2019 (Medical Cannabis Fund).

DHSS assumes a cost of approximately \$594,227 in FY 2017 to the General Revenue Fund for 4 new FTE (including IT costs); for FY 2018, DHSS assumes a net income to the Medical Cannabis Licensing Fund of approximately \$170,487 (\$781,613 in costs and \$952,100 in application fee revenues); and a net income of approximately \$188,002 to the Medical Cannabis License Cash Fund (\$952,100 in income from application fees less approximately \$764,098 in expenses) to the Medical Cannabis Fund for FY 2019.

Officials from the **Department of Revenue (DOR)** state the DOR will be required to conduct a tax clearance for all types for medical cannabis centers and their owners.

ASSUMPTION (continued)

The legislation removes, modifies, and adds terms used in sections 195.900 to 195.985. During fiscal year 2017, the legislation allows the division of alcohol and tobacco control to employ temporary staff to conduct background investigations. In addition, the legislation requires the applicant to have \$500,000 in assets. The legislation defines who cannot be issued a license. Section 195.957 tasks the Department of Health and Senior Services as the designated state agency to regulate and control the manufacture of medical cannabis.

Administrative Impact

The DOR will require programming changes, but these programming changes will not result in a fiscal impact to the department.

Personal Tax

Personal Tax will require one (1) Revenue Processing Technician I (\$26,652 annually) for every 2,400 pieces of correspondence.

Oversight assumes the amount of correspondence resulting from the proposal will not rise to the level stated by DOR to require an additional FTE. If the work generated by this proposal is significantly higher than anticipated, the DOR can request additional funding through the appropriations process.

In response to the previous version of this proposal, officials from the **Office of Administration (OA) , Division of Budget and Planning (B&P)** provided the following information regarding this proposal:

The Missouri Compassionate Care Act contains a referendum clause, thus the following provisions will not impact Total State Revenue or the state's Article X, Section 18(e) calculation.

Section 195.909.1 authorizes local licensing authorities to issue licenses for medical cannabis centers, medical cannabis cultivation and production facilities, and medical cannabis testing facilities. The local licensing authorities are authorized to charge the following fees:

- A late renewal application fee of \$500 payable to the local licensing authority under section 195.939.2; and
- An application fee and license fee under section 195.969.1, not exceeding 10% of the of the state application and license fee.

License fees must be paid to the local county or municipality treasurer per section 195.969.2. These fees will increase revenues by an unknown amount.

ASSUMPTION (continued)

Section 195.918.1(1) allows the Department of Public Safety (DPS), Division of Alcohol and Tobacco Control (A&TC) to issue additional licenses above the statewide limit of 30 state licenses for medical cannabis centers and 30 state licenses for medical cannabis cultivation and production facilities. The additional licenses would be granted as necessary to ensure sufficient patient access. Previously, each medical cannabis center could be approved for an additional two (2) licenses; these additional licenses would not have been counted toward the statewide limit of 30 medical cannabis center licenses. B&P defers to the DPS, A&TC for any potential impact to revenues collected for licensing medical cannabis businesses due to this change.

Section 195.927.2(3) requires applicants for medical cannabis center licenses and medical cannabis cultivation and production facility licenses to submit fingerprints to the Missouri State Highway Patrol (MHP) for a fingerprint-based criminal background check. Given the change to Section 195.918.1(1), B&P defers to the MHP for any potential impact on fees collected for fingerprint-based background checks.

Section 195.948.1 authorizes the DPS, A&TC to issue licenses for medical cannabis centers, medical cannabis cultivation and production facilities, medical cannabis testing facilities, and "occupational licenses and registrations." A&TC is authorized to charge the following fees:

- An annual fee per section 195.927.1(1);
- An application fee of \$12,500 for a medical cannabis center license and \$12,500 for a medical cannabis cultivation and production facility license under section 195.963.2(1);
- Fees for processing certain types of applications, licenses, notices, and reports under section 195.963.2(2); and
- A basic subpoena fee per section 195.963.3.

All fees will be deposited into the Medical Cannabis License Cash Fund. B&P defers to the DPS, A&TC for an estimate of revenues generated by the fees.

Section 195.948.3 requires all medical cannabis businesses to utilize the cannabis plant monitoring system as the primary inventory tracking system of records. Section 195.960.6 contains a provision allowing for state and local sales taxes on medical cannabis-infused products.

In Arizona, approximately 6.9% of medical marijuana sales are for marijuana-infused products which would yield total sales of approximately \$7.6M based on sales data of \$110 M during 2014. B&P estimates that this provision could increase state revenues by \$322,761 and General Revenue (GR) by \$229,179 per year once fully implemented. Table 1 provides the estimated revenues from local and state sales taxes and where the revenues will be directed.

ASSUMPTION (continued)

Table 1: Sales Tax Revenues			
Fund	Tax Rate	Cannabis-Infused Products - Total Sales*	Estimated Annual Revenue
GR	3.00%	\$7,639,304	\$229,179
Education	1.00%	\$7,639,304	\$76,393
Conservation	0.125%	\$7,639,304	\$9,549
DNR	0.10%	\$7,639,304	\$7,639
Total from cannabis-infused product sales (state)			\$322,761
Total from cannabis-infused product sales (local)			\$322,761

**Based on approx. 6.9% of total sales data from Arizona during 2014.*

Section 195.972.3(1) authorizes a licensee to pay A&TC a fine in lieu of having a license suspended due to violations of the Act. This will impact total state revenues by an unknown amount.

Section 195.978.6 categorizes the penalty for committing unlawful acts under sections 195.900 to 195.985 as a class A misdemeanor. Any collection of fines associated with this penalty could increase total state revenue by an unknown amount.

Section 195.981 authorizes the Department of Health and Senior Services (DHSS) to collect fees from patients who apply to the medical cannabis program for a cannabis registry identification card. DHSS is further authorized to charge a basic subpoena fee under section 195.981.12. All fees will be deposited into the Medical Cannabis Program Account within the Medical Cannabis License Cash Fund. These fees will increase total state revenue and impact the state's Article X, Section 18(e) calculation. B&P defers DHSS for an estimate of revenues generated by the fees.

Section 195.982 would prohibit any adverse action taken by the state or any agency, board, or other subdivision against any individual or health care entity recommending the use of medical cannabis to an eligible patient or certifying a debilitating medical condition for an applicant to the medical cannabis program. There is no impact expected.

In response to the previous version of this proposal, officials from the **St. Louis County Police Department** assumed this would cost approximately \$310,320 annually for four additional police officers (an average salary and benefits per officer of \$77,580).

In response to the previous version of this proposal, officials from the **Cole County Sheriff's Department** state it is difficult to figure a total fiscal impact for this proposal, but that it will be significant to all law enforcement agencies and the court system. **Oversight** notes no fiscal impact was provided.

ASSUMPTION (continued)

Oversight assumes an unknown negative fiscal impact greater than \$310,320 annually on local law enforcement agencies beginning in FY 2017 (based on DHSS assumptions). In addition, local governments may see an increase in sales tax revenue if they have local sales taxes in place. Therefore, Oversight will range the impact on local governments from Unknown positive (sales tax revenue) to Unknown costs greater than \$310,320.

Officials from the **Department of Public Safety (DPS), Missouri Highway Patrol (MHP)** state, regarding section 195.927, the Criminal Justice Information Services Division (CJIS) estimates that approximately ten owners, officers, and employees of each licensed medical cannabis center and each licensed medical cannabis cultivation and production facility will submit to fingerprint based background checks under the bill. Based on an authorized total of thirty (30) state licenses for medical cannabis centers and thirty (30) state licenses for medical cannabis cultivation and production facilities ($30 + 30 = 60$) and approximately ten (10) background checks per center/facility, the minimum amount of background checks generated by this legislation would be 600 (60×10). Section 195.918 allows the DPS, A&TC, to issue additional medical cannabis center licenses beyond the statewide limit of thirty (30) licenses as necessary based upon ensuring sufficient patient access. This change could create an unknown increase in revenue if additional licenses are issued based on this change in 195.918.1(1).

Section 195.936.6 states that all licenses shall be valid for a period not to exceed two (2) years from the date of issuance unless revoked or suspended. Therefore, the Highway Patrol assumes that every other year, all owners, officers, and employees will submit to a fingerprint background check. Additionally, CJIS estimates that approximately 60 (600×0.10) or ten percent of background checks would be required for new applicants every other year.

The charge for each background check processed is \$43.05. Twenty dollars for the state fingerprint check, \$14.75 for the federal check, and an \$8.30 charge for the electronic finger option used through a third-party vendor ($\$20 + \$14.75 + \$8.30 = \43.05). Of this amount, the state retains the \$20 fee and \$2 of the federal charge of \$14.75 for a pass-thru fee. The \$8.30 charge is paid directly to the vendor at the time of application.

Estimated Revenue for FY 2017 and Every Other Year 600 x \$34.75 (state/federal background check)	\$20,850
Estimated Expense for FY 2017 and Every Other Year 600 x \$12.75 (federal background check charge)	<u>\$ 7,650</u>
Net Revenue for FY 2017 and every other year	<u><u>\$13,200</u></u>

ASSUMPTION (continued)

Estimated Revenue for FY 2018 and Every Other Year 60 x \$34.75 (state/federal background check)	\$2,085
Estimated Expense for FY 2018 and Every Other Year 60 x \$12.75 (federal background check charge)	<u>\$ 765</u>
Net Revenue for FY 2018 and every other year	<u><u>\$1,320</u></u>

The MHP assumes a net positive impact to the Criminal Records Fund from this proposal of \$13,200 in FY 2017, \$1,320 in FY 2018 and \$13,200 again in FY 2019. The actual impact may be greater if the A&TC issues additional licenses and the MHP is required to conduct additional fingerprint checks.

For fiscal note purposes, **Oversight** will state MHP's income and expenses as "could exceed".

Officials from the **Department of Corrections (DOC)** state there are currently 23 states and the District of Columbia that now allow for comprehensive public medical marijuana and cannabis programs with an additional 11 states allowing for limited situation medical use of low THC (Tetrahydrocannabinol), high cannabidiol (CBD) products (National Conference of State Legislatures). As many of these states have relatively recently allowed for legal medical marijuana possession and use, there is limited information on the impacts within the criminal justice system. A full analysis is not possible given current time frames, but a preliminary survey has found several recent studies attempting to discern the effects of these laws.

Chu (2014) found that similar medical marijuana laws (MML) were related to a 15-20% increase in marijuana arrests in adult males, and Alford (2014) found that allowances for marijuana dispensaries increased property crime rates by 8% and robbery rates by 11%. Conversely, Alford also found that home cultivation allowance may have decreased robbery by 10%. Choi (2014) found that MMLs were associated with a 12% increase in other drug use but allowing home cultivation was related to a 13% decrease in driving under the influence of drugs. Morris et al. (2014) found that MMLs did not exacerbate rates of major or violent crimes. However, Pacula et al. (2014) suggested that some details of MMLs, particularly legal protection of dispensaries and home cultivation, can lead to greater marijuana use and abuse among adults. The authors also found relationships to increased alcohol use and alcohol-related driving fatalities. The link with increased drinking was also found by Wen et al. (2014), but they found no evidence of increased use of other substances.

Results of studies at this time show conflicting results on the criminal impacts of current MMLs. However, with the increased licensing and regulation there are also increased possibilities of secondary crimes through false physician recommendations, non-compliance in registration,

ASSUMPTION (continued)

illegal possession, vehicular infractions or injury, and theft. While many of these violations may carry only municipal or licensing-level penalties, some would ultimately fall under felony charges.

Current laws provide for class C felony penalties for possession (Section 195.202) and class B felony penalties for distribution and production of controlled substances (Section 195.211). Considering additional increases in related violations, proposed changes in this proposal are expected to result in one new class B felony serving two years in prison and five years parole, one class C felony serving one year in prison with four years parole, and two new probations serving three years. The total impact in the 10th fiscal year is estimated to be 3 additional offenders in prison and 15 on field supervision.

DOC officials state the HA 3 adds a class D felony (class E beginning in 2017) for several cases of unauthorized sales, purchases, possession or use of valid registry cards to FN 5602-04N. Since this act would be new if passed, the DOC has no data on the number of offenders there may be. Therefore, we can estimate the standard impact of nonviolent class D felonies to be added to the initial impact. The standard class D felony is one incarceration with an average sentence of 3.5 years and 1.5 years time served, and 2 probation sentences for 3 years.

The FY 2016 average cost of supervision is \$6.04 per offender per day or an annual cost of \$2,205 per offender. The DOC cost of incarceration is \$16.809 per day or an annual cost of \$6,135 per offender.

The DOC would assume this legislation will result in the following long term costs (includes 2% annual inflation):

FY 2017 (10 months)	\$22,688
FY 2018	\$49,526
FY 2019	\$66,575
FY 2020	\$73,757
FY 2021	\$80,005
FY 2022	\$84,040
FY 2023	\$88,204
FY 2024	\$89,968
FY 2025	\$91,767
FY 2026	\$93,603

In response to the previous version of this proposal, officials from the **Callaway County Commission** stated this proposal will have an unknown fiscal impact on Callaway County.

ASSUMPTION (continued)

In response to the previous version of this proposal, officials from the **City of Kansas City (KC or City)** state this legislation would allow the imposition of application and licensing fees that would, presumably, cover the additional costs of regulation. However, the fees are capped at 10% of the state fees (§195.169.1). If the costs to KC exceeded that amount, the legislation could impose a loss to the City.

Costs of processing an application and regulating the facilities would be incurred, if a facility was located in KC. Those costs cannot be determined at this time because the legislation appears to contemplate cooperation between the state and local licensing authorities. Without a known division of responsibilities, determining specific amounts cannot be done. These costs would, presumably, be covered by the authorized fees, thus ultimately making the legislation revenue neutral for the City.

Oversight assumes for fiscal note purposes that income and expenses would net to \$0 for the City of Kansas City.

In response to the previous version of this proposal, officials from the **Concordia School District** assumed the proposal would not have a fiscal impact on their school district unless they would be required to let students or staff utilize medical marijuana during the regular school day and then they would have to develop some sort of vented facility (unknown cost).

Oversight assumes the school district would not be fiscally impacted by the proposal.

Officials from the **Office of Administration, Administrative Hearing Commission** anticipate this legislation will not significantly alter its caseload. However, if similar bills pass resulting in more cases, there will be a fiscal impact.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

Officials from the **Office of Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Agriculture, the Department of Elementary and Secondary Education, the Department of Insurance, Financial Institutions and Professional Registration, the Department of Mental Health, the Department of Social Services, the Missouri Office of Prosecution Services and the Office of the State Courts Administrator** each assume the proposal would not fiscally impact their respective agencies.

ASSUMPTION (continued)

In response to the previous version of this proposal, officials from the **Office of State Public Defender**, the **Office of State Treasurer**, the **Everton School District**, the **Malta Bend School District**, the **St. Elizabeth School District**, the **West Plains Schools** and the **Wright City R-II School District** each assumed the proposal would not fiscally impact their respective agencies.

In response to the previous version of this proposal, officials from the **Office of Secretary of State (SOS)** provided that each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, a joint resolution proposing a constitutional amendment is submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, section 115.063.2 RSMo requires the state to pay the costs. The cost of the special election has been estimated to be \$7.1 million based on the cost of the 2012 Presidential Preference Primary.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. Through FY 2013, the appropriation had historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2013, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$2.17 million to publish (an average of \$434,000 per issue). In FY 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation and the Secretary of State's office was appropriated \$1.19 million to publish the full text of the measures. Due to this reduced funding, the Secretary of State's office reduced the scope of the publication of these measures. In FY 2015, at the August and November elections, there were 9 statewide Constitutional Amendments or ballot propositions that cost \$1.1 million to public (an average of \$122,000 per issue). Despite the FY 2015 reduction, the Secretary of State's office will continue to assumed, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, the SOS reserves the right to request additional funding to meet the cost of its publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

ASSUMPTION (continued)

In response to the previous version of this proposal, officials from the **SOS** also provided that 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 \$2,500. 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 the 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Oversight notes that Section B of this proposal provides that Section A of the act is to be submitted to a vote of the people at the August, 2016 election. Oversight assumes there will be no special election costs. Therefore, Oversight is presenting income and expenses related to this proposal as \$0 or... pending the results of the election.

In addition, due to the uncertainty of the potential sales tax income that may be generated by this proposal should it pass, Oversight is presenting tax income as \$0 or Unknown. As provided earlier, A&TC estimated sales tax receipts of \$6,000,000 for FY 2018 and \$9,000,000 for FY 2019 while B&P estimated annual sales tax receipts of \$322,761 for cannabis-infused products.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE FUND			
	\$0 or...	\$0 or...	\$0 or...
<u>Income</u> - DPS, A&TC			
Sales tax on cannabis	\$0	Unknown	Unknown
<u>Income</u> - DOR			
Sales tax on cannabis products	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
Total <u>Income</u> - Tax receipts on the sale of cannabis and cannabis products	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<u>Costs</u> - DPS, A&TC	\$0 or...	\$0 or...	\$0 or...
IT contract costs	(\$350,325)	\$0	\$0
<u>Costs</u> - DHSS	\$0 or...	\$0 or...	\$0 or...
Personal service	(\$147,657)	\$0	\$0
Fringe benefits	(\$73,980)	\$0	\$0
Equipment & expense	(\$64,304)	\$0	\$0
IT contract costs	<u>(\$308,286)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Costs</u> - DHSS	<u>\$0 or (\$594,227)</u>	<u>\$0</u>	<u>\$0</u>
FTE Change - DHSS	0 or 4 FTE	0 FTE	0 FTE
<u>Costs</u> - DOC	\$0 or...	\$0 or...	\$0 or...
Increase in incarceration and probation/parole costs	<u>(\$22,688)</u>	<u>(\$49,526)</u>	<u>(\$66,575)</u>
Total <u>All Costs</u>	<u>\$0 or (\$967,240)</u>	<u>\$0 or (\$49,526)</u>	<u>\$0 or (\$66,575)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0 or (\$967,240)</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
Estimated Net FTE Change for the General Revenue Fund	0 or 4 FTE	0 FTE	0 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
MEDICAL CANNABIS LICENSE CASH FUND			
<u>Income - DHSS</u>	\$0 or...	\$0 or...	\$0 or...
\$100 annual fee for initial and renewal applications for both patients and caregivers	\$0	\$952,100	\$952,100
<u>Income - DPS-A&TC</u>	\$0 or...	\$0 or...	\$0 or...
Licence and application fees, etc.	\$3,935,800	\$528,600	\$859,100
Fines	<u>\$0</u>	<u>\$100,000</u>	<u>\$200,000</u>
<u>Total Income - DPS-A&TC</u>	<u>\$0 or \$3,935,800</u>	<u>\$0 or \$628,600</u>	<u>\$0 or \$1,059,100</u>
<u>Total All Income</u>	<u>\$0 or \$3,935,800</u>	<u>\$0 or \$1,580,700</u>	<u>\$0 or \$2,011,200</u>
<u>Costs - ATC</u>	\$0 or...	\$0 or...	\$0 or...
Personal service (9 FTE)	(\$330,520)	(\$400,590)	(\$404,596)
Fringe benefits	(\$165,988)	(\$200,269)	(\$201,364)
Equipment and expense	(\$197,939)	(\$99,274)	(\$101,674)
On-going computer expenditures	\$0	(\$71,817)	(\$73,612)
Consultant/Background Checks	<u>(\$500,000)</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Costs - A&TC</u>	<u>\$0 or (\$1,194,447)</u>	<u>\$0 or (\$771,950)</u>	<u>\$0 or (\$781,246)</u>
FTE Change - A&TC	0 or 9 FTE	0 or 9 FTE	0 or 9 FTE
<u>Costs - DHSS</u>	\$0 or...	\$0 or...	\$0 or...
Personal service	\$0	(\$301,711)	(\$304,728)
Fringe benefits	\$0	(\$163,163)	(\$163,988)
Expense and equipment	\$0	(\$144,295)	(\$120,455)
On-going IT costs	\$0	(\$63,199)	(\$64,779)
Indirect costs	<u>\$0</u>	<u>(\$109,245)</u>	<u>(\$110,148)</u>
<u>Total Costs - DHSS</u>	<u>\$0</u>	<u>\$0 or (\$781,613)</u>	<u>\$0 or (\$764,098)</u>
FTE Change - DHSS	0 FTE	0 or 8 FTE	0 or 8 FTE
ESTIMATED NET EFFECT TO THE MEDICAL CANNABIS LICENSE CASH FUND	<u>\$0 or \$2,741,353</u>	<u>\$0 or \$27,137</u>	<u>\$0 or \$465,856</u>
Estimated Net FTE Change for the Medical Cannabis License Cash Fund	0 or 9 FTE	0 or 17 FTE	0 or 17 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
CRIMINAL RECORDS FUND			
<u>Income</u> - MHP	\$0 or...	\$0 or...	\$0 or...
Background checks on owners, officers, and employees	Could exceed \$20,850	Could exceed \$2,085	Could exceed \$20,850
<u>Costs</u> - MHP	\$0 or...	\$0 or...	\$0 or...
Federal background check charge	<u>(Could exceed \$7,650)</u>	<u>(Could exceed \$765)</u>	<u>(Could exceed \$7,650)</u>
ESTIMATED NET EFFECT OF THE CRIMINAL RECORDS FUND	<u>\$0 or Could exceed \$13,200</u>	<u>\$0 or Could exceed \$1,320</u>	<u>\$0 or Could exceed \$13,200</u>
SCHOOL DISTRICT TRUST FUND			
<u>Income</u> - Increase in sales tax revenues	\$0 or... <u>Unknown</u>	\$0 or... <u>Unknown</u>	\$0 or... <u>Unknown</u>
ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
CONSERVATION COMMISSION FUND			
<u>Income</u> - Increase in sales tax revenues	\$0 or... <u>Unknown</u>	\$0 or... <u>Unknown</u>	\$0 or... <u>Unknown</u>
ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
PARKS AND SOILS FUND			
<u>Income</u> - Increase in sales tax revenues	\$0 or... <u>Unknown</u>	\$0 or... <u>Unknown</u>	\$0 or... <u>Unknown</u>
ESTIMATED NET EFFECT ON THE PARKS AND SOILS FUND	<u>\$ 0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
LOCAL POLITICAL SUBDIVISIONS			
<u>Income</u> - Counties	\$0 or...	\$0 or...	\$0 or...
License and user fees	Unknown	Unknown	Unknown
<u>Income</u> - Cities	\$0 or...	\$0 or...	\$0 or...
License and user fees	Unknown	Unknown	Unknown
<u>Income</u> - Increase in local sales taxes collected	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Costs</u> - Local Law Enforcement	\$0 or...	\$0 or...	\$0 or...
Increase in costs related to medicinal cannabis	<u>\$0</u>	<u>(Unknown greater than \$310,320)</u>	<u>(Unknown greater than \$310,320)</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS			
	<u>\$0 or Unknown</u>	<u>\$0 or Unknown to (Greater than \$310,320)</u>	<u>\$0 or Unknown to (Greater than \$310,320)</u>

FISCAL IMPACT - Small Business

Small businesses that could be related to medical cannabis could be impacted by this proposal.

FISCAL DESCRIPTION

This bill establishes the Missouri Compassionate Care Act that specifies a licensure process for medical cannabis centers and allows medical cannabis cultivation and production facilities to possess, cultivate, and dispense cannabis to assist patients with specified debilitating medical conditions. A medical cannabis business must hold both a medical cannabis center license and a medical cannabis cultivation and production facility license in order to do business in Missouri. The business must also have a local license in order to be issued a state license and needs state and local licenses to engage in the activities authorized in the bill. The licenses must be valid for a period not to exceed two years.

FISCAL DESCRIPTION (continued)

A medical cannabis center license allows the licensee to sell medical cannabis that was grown in the licensee's cultivation and production facility and medical cannabis-infused products. The cannabis for medical cannabis-infused products does not need to be grown in its facility, but only cannabis-infused products produced in a licensee's cultivation and production facility may be sold by the licensee's medical cannabis center. A licensee may not purchase more than 30% of its total on-hand inventory from other licensees and may not sell more than 30% of its inventory to another Missouri medical cannabis licensee.

Local governments may enact reasonable zoning rules that limit the use of land for the operation of medical cannabis centers and medical cannabis cultivation and production facilities to specified areas and regulate the time, place, and manner of the facilities. The operation of the center or facility must be statewide unless a municipality, county, or city by a majority of the registered voters prohibits it.

The Division of Alcohol and Tobacco Control within the Department of Public Safety is designated as the state licensing authority for the purpose of regulating and controlling the licensing of the cultivation, manufacture, distribution, and sale of medical cannabis in this state. The division may only employ one full-time employee for each 10 medical cannabis centers that are licensed or applying for licensure, except additional temporary staff may be employed to conduct background checks during the first year of implementation but the additional costs must not exceed \$500,000.

The division must grant or refuse state licenses for the cultivation, manufacture, distribution, and sale of medical cannabis; suspend, fine, restrict, or revoke a license upon a violation; and establish the rules for the proper regulation and control of the cultivation, manufacture, distribution, and sale of medical cannabis, except the rules may not fix prices for medical cannabis. The division must develop the forms, licenses, identification cards, and applications necessary for the administration of the bill and prepare and submit a report each year to the Governor for the efficient discharge of all responsibilities assigned by law or directive to the division. By January 1, 2017, the division must ask the federal Drug Enforcement Administration to consider rescheduling medical cannabis from a Schedule I controlled substance to a Schedule II controlled substance for pharmaceutical purposes.

A local licensing authority may only issue a medical cannabis center license, a medical cannabis cultivation and production facility, or a license for a medical cannabis testing facility upon payment of the fee and compliance with all local licensing requirements as determined by the local licensing authority. An applicant for a local license must file an application that includes the plans and specifications for the interior of the building or a plot plan and a detailed sketch if the building does not exist yet. The licensing authority must hold public hearings upon receipt of

FISCAL DESCRIPTION (continued)

the application as specified in the bill. A local licensing authority or applicant for a local license may ask the division to conduct a concurrent review of a new license application prior to the local authority's final approval of the application.

The local licensing authority may refuse to issue a license for good cause, subject to judicial review. The bill specifies the factors the local licensing authority may consider before issuing a decision on an application. The decision must be issued within 30 days after the public hearing or completion of the application investigation. After approval, a license may not be issued until the building is ready for occupancy, is equipped with the materials needed to comply with the bill, and has been inspected by the local licensing authority to determine compliance with the architect's drawing, plot plan, and sketch submitted with the application. The local licensing authority must notify the state licensing authority after approval of an application for local licensure who must investigate and approve or disapprove the application for state licensure.

The division may issue up to 30 state licenses for medical cannabis centers and 30 state licenses for medical cannabis cultivation and production facilities with specified exceptions. The licenses must be geographically disbursed by the division, in consultation with the Department of Health and Senior Services, to ensure statewide access for patients. An applicant for a medical cannabis center license may be approved for two additional licenses that do not count toward the statewide limit if it is necessary to provide sufficient patient access.

The bill specifies the requirements of an applicant for a state license. An applicant must be at least 21 years of age and may not be a licensed physician making patient recommendations. The bill specifies when the division may deny an application for state licensure and allows a hearing before the Administrative Hearing Commission to an applicant who has been denied. The division must complete a fingerprint-based criminal background check on applicants.

The division or a local licensing authority must not receive or act upon an application for the issuance of a state or local license if the location is the same as or within 1,000 feet of a location that has previously been denied within the previous two years; until it is established that the applicant is entitled to possession of the premises; for a location in an area that the activities are not permitted under the applicable local zoning laws of the municipality or county; or if the building in which medical cannabis is to be sold is within 1,000 feet of a school, an alcohol or drug treatment facility, the principal campus of a college or seminary, or a residential child care facility.

A county or municipality may enact reasonable regulations or restrictions on licenses of medical cannabis centers and cultivation and production facilities based on local zoning, health, safety, and public welfare laws for the distribution of medical cannabis that are more restrictive than the provisions of the bill.

FISCAL DESCRIPTION (continued)

The bill requires a medical cannabis center or cultivation and production facility to provide the division with specified information regarding owners, officers, and employees of the licensee and anyone with a direct or indirect financial interest in the licensee, including fingerprints for criminal background checks. The bill places limitations on a licensee in regard to the transfer of ownership and management and the movement of its location.

The division must notify the licensee of the expiration date 90 days prior to the expiration of the license. A licensee must apply for a renewal to the local authority not less than 45 days and to the division not less than 30 days prior to the expiration date. If complaints have been filed against the licensee, there is a history of violations, or there are allegations against the licensee that constitute good cause, the local licensing authority may hold a hearing on a license renewal. The requirements for licensees to renew their licenses are specified. The division or local licensing authority may revoke or elect not to renew a license if it determines that the licensed premises have been inactive without good cause for at least a year.

The licensees must collect sales tax on all sales made under the licensing activities.

The bill allows a state-chartered bank or credit union to loan money to any person licensed under the provisions of the bill for the operation of a licensed business.

Labeling and packaging, testing, storage, and processing requirements for cannabis and cannabis-infused products are specified. The bill prohibits certain relationships between testing laboratories and licensees. The requirements for the sanitation and cleanliness of the facilities are specified.

The Medical Cannabis License Cash Fund is created, which consists of all money collected by the division under the provisions of the bill to be used for the administration of the bill, and the Medical Cannabis Program Account within the fund for moneys collected by the Department of Health and Senior Services that must be used for the issuance of registry identification cards to patients and caregivers for the use of medical cannabis.

An applicant for a medical cannabis center and cultivation and production facility license must pay an initial nonrefundable fee of \$12,500 for each license. The division must establish the fees for license renewals, applications to change location or transfer ownership, and testing facility licenses, but the fees must reflect the actual direct and indirect costs to the division in the administration and enforcement of the program. The division may charge licensed applicants a fee for the cost of each fingerprint analysis and background investigation undertaken to qualify new officers, directors, managers, or employees. At least annually, the division must review the amounts of the fees and adjust the amounts as necessary. The division must establish a basic fee

FISCAL DESCRIPTION (continued)

to be paid at the time of service of any subpoena upon the division plus a fee for meals and mileage for state officers and employees traveling to and from the place named in the subpoena. The subpoena fee must not be applicable to any federal, state, or local governmental agency.

Each application for a local license must be accompanied by an application fee and a license fee in an amount determined by the local licensing authority not to exceed 10% of the state application fee and license fee. The bill specifies the procedures for sanctions against licensees, including revocation and suspension. The procedures require notice and an opportunity for a hearing. Requirements for record-keeping and procedures for auditing and inspecting the licensees are specified.

The bill specifies several actions relating to medical cannabis that are unlawful which are class A misdemeanors. The bill authorizes a licensee or a licensee's employee who has reasonable cause to believe a person is exhibiting a fraudulent patient registry identification card in an attempt to obtain medical cannabis to confiscate the card, if possible, and to turn it over to the Department of Health and Senior Services or local law enforcement agency with 72 hours.

The department must establish rules to ensure that patients are not subject to criminal prosecution for their use of medical cannabis and are able to establish an affirmative defense to their use of medical cannabis and prevent persons who do not suffer from legitimate debilitating medical conditions from selling, possessing, producing, using, or transporting cannabis in violation of state and federal laws. The department must establish rules to implement the program that include the establishment and maintenance of a confidential registry of patients who have applied for and are entitled to receive a registry identification card and develop an application form and make it available to residents who are entitled to receive a card, the verification of medical information of applicants for a registry card; the development of a form that must be used by a physician when making a medical cannabis recommendation for a patient, the conditions for issuance and renewal of cards, communications with law enforcement officials about cards that have been suspended, and a waiver process to allow a homebound patient who is on the registry to have a primary caregiver transport the patient's medical cannabis from a licensed medical cannabis center to the patient.

The medical directors of a hospice who have a relationship with a patient seeking to have access to medical cannabis must certify that the patient with a cancer diagnosis may benefit from the use of medical cannabis. The bill specifies cancer as the medical condition that may be treated with medical cannabis. A medical director of a hospice is prohibited from accepting, soliciting, or offering any form of pecuniary remuneration from or to a primary caregiver, distributor, or any other provider of medical cannabis; offering a discount or any other thing of value to a patient who uses or agrees to use a particular primary caregiver, distributor, or other provider of medical

FISCAL DESCRIPTION (continued)

cannabis to procure medical cannabis; examining a patient for purposes of diagnosing a debilitating medical condition at a location where medical cannabis is sold or distributed; or holding an economic interest in an enterprise that provides or distributes medical cannabis if the physician certifies the debilitating medical condition of a patient for participation in the medical cannabis program. The department must conduct a hearing when there is reasonable cause to believe a medical director of a hospice has violated any of these provisions.

The bill places restrictions on patients and primary caregivers, including limitations on where medical cannabis may be used or possessed. The amount of cannabis that a patient may possess is limited to 30 grams during a 14-day period unless in the medical director's professional judgment, thirty grams is an insufficient adequate supply for a fourteen-day period to alleviate the patient's symptoms.

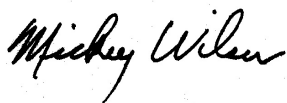
To be considered in compliance with the provisions of the bill and the rules of the department, a patient or primary caregiver must have his or her registry identification card in his or her possession at all times that he or she is in possession of any form of medical cannabis and produce the card upon request of a law enforcement officer. The department may deny a patient's application for a registry identification card or revoke the card if the department determines that the physician who diagnosed the patient's debilitating medical condition, the patient, or the primary caregiver violated these provisions or the department's rules. A registry identification card is valid for one year and must contain a unique identification number. The fees that the department may establish are specified. The division may suspend a license, and the department may suspend a registry identification card, pending further proceedings to protect the public health, safety, or welfare.

This bill must be submitted to a vote of the people at the August, 2016, general election.

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

SOURCES OF INFORMATION

Office of Attorney General
Department of Agriculture
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Corrections
Department of Revenue
Department of Public Safety -
 Division of Alcohol & Tobacco Control
 Missouri State Highway Patrol
Department of Social Services
Joint Committee on Administrative Rules
Missouri Office of Prosecution Services
Office of Administration -
 Administrative Hearing Commission
 Division of Budget and Planning
 Information Technology Services Division
Office of State Courts Administrator
Office of Secretary of State
Office of State Public Defender
Office of State Treasurer
Callaway County Commission
Cole County Sheriff
St. Louis County Police Department
City of Kansas City
Concordia School District
Everton School District
Malta Bend School District
New Haven School District
St. Elizabeth School District
West Plains Schools
Wright City R-II School District



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