

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (18-051)**

Subject

Initiative petition from Sheila Dundon regarding a proposed constitutional amendment to Article XVI of the Constitution of Missouri. (Received November 29, 2016)

Date

December 19, 2016

Description

This proposal would amend Article XVI of the Constitution of Missouri.

The amendment is to be voted on in November 2018.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, **Adair County**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County**, **Jasper County**, **St. Charles County**, **St. Louis County**, **Taney County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **State Technical College of Missouri**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**, and the **Lieutenant Governor's Office**.

Joy Sweeney, Executive Director, Council for Drug Free Youth provided information for this initiative petition to the State Auditor's office.

Assumptions

Officials from the **Attorney General's office** indicated this proposal authorizes the Department of Health and Senior Services to issue new licenses for the cultivation, manufacture, dispensing, sale, testing, tracking, and transportation of marijuana for medical use. It requires their department to promulgate rules necessary for the implementation and enforcement of the proposal, develop forms and issue standards in addition to licensure and certification of facilities. The proposal requires a minimum of 60 licenses for cultivation facilities (one per every 100,000 inhabitants), a minimum of 85 licenses for manufacturing facilities (one per 70,000 inhabitants), and a minimum of 192 medical marijuana dispensary facilities (24 per each Congressional district). Licensure and certification is subject to AHC appeal and judicial review. AGO assumes it would need 2 AAG Is to provide legal representation regarding issuance, denial, and discipline of licenses and promulgation of and challenges to administrative rules. If adopted this proposal would increase AGO operating expenses of \$139,474 for FY2018; \$150,610 for FY2019; and \$152,155 for FY2020.

Officials from the **Department of Agriculture** indicated no fiscal impact on their department.

Officials from the **Department of Economic Development** indicated no impact to their department.

Officials from the **Department of Higher Education** indicated this initiative petition would not have a fiscal impact on their department.

Officials from the **Department of Health and Senior Services** indicated the costs will be \$0 for fiscal year 2018, \$3,062,147 for fiscal year 2019, and \$7,035,064 for fiscal year 2020. The revenues will be \$0 for fiscal year 2018, \$1,134,000 for fiscal year 2019, and \$12,124,800 for fiscal year 2020.

This proposal is not an entire duplication, however; Section 192.945, RSMo allows their department to issue a hemp extract registration card for persons suffering from intractable epilepsy. The hemp extract registration card allows for the legal possession and use of cannabidiol (CBD) oil. This proposal allows for the legal use of marijuana for persons who are issued a registration card due to a debilitating medical condition. Under this proposal, patients with intractable epilepsy could also qualify to receive a registration card for medical marijuana use.

Rental space for 97 FTE located in Jefferson City: $97.00 \text{ FTE} \times 230 \text{ sq ft/FTE} \times \$21.00/\text{sq. ft.} = \$468,510$.

The proposed language would legalize the use of marijuana for medicinal purposes. There could be an unknown impact on small businesses that serve as cultivators, manufacturers, dispensary facilities, testing and/or transportation centers.

Fiscal Note	18-006	ITSD - DHSS		
Bill Number	Initiative Petition			
Will a new system be required?	<input checked="" type="checkbox"/>	Yes	No	
Indicate fiscal year when fully implemented		FY	2020	
ESTIMATED NET EFFECT ON STATE FUNDS				
Fund Affected		FY 2018	FY 2019	FY 2020
General Revenue	-	-	-	-
Other	-	-	309,634.50	309,653.50
Federal Funds	-	-	-	-
Total	-	-	309,634.50	309,653.50
It is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity.				
Bill Section(s)	0			
			FY 2018	FY 2019
			FY 2020	
	New	Rate	Hours	
IT Consultants		75	8,237.16	
Other Costs:				
Disk Storage (SAN)	45.36		12	
Backup and Recovery (DistSys Backup-Recovery)	0.49		365	
Section Total Other Costs:				
Section Total Expenditures:				
Section Funding:				
	General Revenue			
	Federal			
	Other			
	Total			

The proposed constitutional amendment requires their department to issue annual registrations for patients and their designated caregivers, patient and caregiver cultivators, medical marijuana cultivation facilities, medical marijuana dispensary facilities, and medical marijuana-infused products manufacturing facilities. In addition, the amendment

requires their department to certify seed-to-sale tracking systems, transportation entities, and testing facilities.

The proposal allows for the following registration/license fees to be collected:

	Initial Application and Annual Renewal
Qualifying Patient ID Card	\$25.00
Primary Caregiver ID Card	\$25.00
Patient or Caregiver Cultivation ID Card	\$100.00

	Within 3 years of Effective Date of Proposal (December 6, 2018 – December 6, 2021)		After 3 years of Effective Date (after December 6, 2021)	
	Initial Application or Renewal Application Non-Refundable License Fee (3 yr. license)	Annual Licensing Fee	Initial Application or Renewal Application Non-Refundable License Fee (3 yr. license)	Annual Licensing Fee
Medical Marijuana Cultivation Facility	\$10,000	\$25,000	\$5,000	\$25,000
Medical Marijuana Dispensary Facility	\$6,000	\$10,000	\$3,000	\$10,000
Medical Marijuana-Infused Products Manufacturing	\$6,000	\$10,000	\$3,000	\$10,000
		Certification Fee		
Seed-to-Sale Tracking System		Up to \$5,000		
Medical Marijuana Testing Facility		Up to \$5,000		

The provisions of this section shall become effective on December 6, 2018. According to the proposed provisions of this section, they shall make available to the public all license application forms (cultivation, dispensary, manufacturing and testing facilities) and the application forms for qualifying patients, caregivers, and qualifying patient cultivation identification cards within 180 days of the effective date of the section (June 6, 2019). They shall accept all applications for patients, caregivers and cultivators no later than 210 days following the effective date of this section (July 6, 2019). They shall accept applications for dispensary facilities, testing facilities, cultivation facilities, manufacturing facilities, seed-to-sale tracking systems, and transportation entities no later than 240 days after the effective date of this section (August 6, 2019). The provisions of this section also allow any applicant for a license to pre-file their application fee with them beginning 30 days after the effective date of this section (January 6, 2019). For purposes of this fiscal note, it is assumed that the first fees for license applications (pre-file) would be accepted January 6, 2019 (FY 2019). The first fees for patient, caregivers, and cultivators are assumed to be collected beginning July 1, 2019 (FY 2020). The first certification fees (seed-to-sale, testing, and transportation) are assumed to be collected beginning July 1, 2019 (FY 2020) as well.

The estimations for the number of each type of registration, license and certification issued each year are detailed under the headings Division of Community and Public Health (DCPH) and Applications for Patient and Caregiver Identification below.. The total estimate of collected fees equals \$1,134,000 for FY 2019 and \$12,124,800 for FY 2020.

Section 1.3(2)(e) allows them to issue rules creating a range of administrative penalties related to implementation and enforcement of rules that ensure the right to, availability, and safe use of marijuana for medical use. These administrative penalties could include penalty fees but the fee amounts and frequency of penalties issued is unknown at this time.

Section 1.4(1) of the proposed amendment mandates each licensed Medical Marijuana Dispensary facility to collect a four percent tax on the retail sale of all medical marijuana products sold to be collected by the Department of Revenue (DOR). The amount of tax that will be collected is unknown and is referred to the DOR for these estimations.

The DOR may retain up to five percent of the annual taxes collected. The rest of the tax collected is to be deposited by the DOR into the Missouri Veterans' Health and Care Fund. This fund shall consist of all fees and taxes collected by this proposed section.

Division of Community and Public Health (DCPH)

Section 1.3(1) authorizes them to grant or refuse licenses and certifications for the cultivation, manufacture, dispensing, sale, testing, tracking, and transportation of marijuana for medical use as provided by the provisions of Section 1. This section also authorizes them to suspend, fine, restrict, or revoke such licenses and certifications upon any violation of this section or a rule promulgated by them pursuant to this section. They

shall develop such rules, forms, licenses, identification cards, and applications as necessary to implement provisions of this section. They are also required to certify at least two commercially available software products that licensees must use for seed-to-sale tracking standards and issue standards for the certification of secure transportation of marijuana and marijuana-infused products. They are to prepare annually a publicly available report accounting to the Governor for the efficient discharge of all responsibilities assigned to them by this section. They must also establish a system to numerically score applicants for licenses and certificates when the number of applicants are more than the minimum required.

Section 1.3(2) permits them to issue any rules necessary to ensure the right to, availability and safe use of marijuana for medical use by qualifying patients. This includes addressing: requirements for inspections, investigations, searches, seizures, and such additional enforcement activities that may become necessary; the creation of a range of administrative penalties; development of individual identification cards for owner, officers, managers, contractors, employees, and other support staff of entities licensed pursuant to this section; security requirements for any premises licensed; regulation of the storage and transportation of marijuana for medical use; sanitary requirements for the preparation of medical marijuana-infused products; labeling and packaging standards; and records to be kept by the licensees, state licensing procedures for initial licenses, renewals and reinstatements.

Section 1.3(3) requires them to issue rules regarding independent testing and certification for medical marijuana licensees to ensure products that are sold for human consumption are correctly labeled and do not contain contaminants that are injurious to health.

Section 1.3(4) requires them to issue rules to provide for the standards and certification of Medical Marijuana Testing Facilities. They shall certify, if possible, at least two Medical Marijuana Testing Facility entities.

Section 1.3(6) requires them to make available to the public license application forms and (for all types of licensees including testing facilities) and instructions within 180 days of the effective date of this section.

Section 1.3(7) requires them to make available to the public application forms and accompanying instructions for qualifying patients, qualifying patient or caregiver cultivation, and primary caregiver identification cards within 180 days of the effective date of this section. They are also required to accept these applications within 210 days of the effective date of this section.

Section 1.3(18) requires them to begin accepting license and certification application forms and instructions (for dispensary facilities, testing facilities, cultivation facilities, manufacturing facilities, seed-to-sale tracking systems, and transportation entities) no later than 240 days from the effective date and shall either approve or deny within 150 days after submission.

Section 1.3(19) requires them to process a qualifying patient identification card within 30 days of receipt of the application.

Section 1.3(20) requires them to process a primary caregiver identification card within 30 days of receipt of the application.

Information Technology Services Division (ITSD)

Support of an IT vendor to build a data system to support the administration and reporting requirements indicated in Section 1 of Article XVI (Right to Access Medical Marijuana). The system would be used by the department to process applications to include issuance of licenses and identification cards.

Division of Administration

Specific program impact for their department is in the Division of Community and Public Health (DCPH). Each application and license transaction will have an associated fee transaction, which impacts the Division of Administration (DA).

One full-time attorney would be required to assist in drafting emergency and proposed regulations and forms; perform legal research and provide day-to-day legal counsel to the program; and, represent their department in appeals of licensure and identification card denials.

The proposed amendment requires them to adjust (increase or decrease) registration and license fees according to the Consumer Price Index as published by the U.S. Department of Labor. The change in fees collected (increase or decrease) due to this provision is unable to be determined at this time.

Also, the initial application and renewal licensing fees for a cultivation facility, manufacturing facility, and dispensing facility decrease in half after three years from the effective date of this proposal.

Division of Community and Public Health (DCPH)

Applications for Patient and Caregiver Identification

Section 1 requires them to issue registration cards for qualified patients and their caregivers. A study by the nonprofit entity ProCon organization, updated March 2016, 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 19.2 per 1,000 state residents. For purposes of this fiscal note, the State of Oregon's program will be benchmarked in regard 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 are generally higher and the qualifying medical conditions accepted under Missouri’s proposal are broader than those of Oregon.

Calculation of applications:

- Patients: According to the 2015 U.S. Census Bureau information, Missouri’s population is at 6,083,672. Applying the rate of 19.2 applications per 1,000 residents, Missouri would estimate issuing 116,807 patient registration cards annually $((6,083,672/1,000) \times 19.2)$.
- Caregivers: According to the October 1, 2016 data on Oregon’s Medical Marijuana Program Website, the ratio of patient registration cards to caregiver cards is calculated at 2.29. Calculating this same ratio, Missouri would estimate issuing 51,007 caregiver cards annually $(116,807/2.29)$.

The proposed effective date of the medical marijuana program is December 6, 2018. They are required to have the applications for the qualifying patient and caregiver identification cards available within 180 days of the effective date (June 6, 2019). Section 1.3(6) requires them to begin accepting applications for the qualifying patient and caregiver cards no later than 210 days from the effective date (July 6, 2019). For purposes of this fiscal note analysis, it is assumed that they will begin accepting applications July 1, 2019 (FY 2020). They will collect an application fee of \$25 per card, per Section 1.3(19) and 1.3(20). It is assumed that the fees will be collected in the same fiscal year the applications are received. It is also assumed that ten percent of the initial applicants will submit a renewal application within the same fiscal year.

	FY 2018	FY 2019	FY 2020
Qualifying Patient Initial Applications	0	0	116,807
Qualifying Patient Renewal Applications	0	0	11,681
Caregiver Initial Applications	0	0	51,007
Caregiver Renewal Applications	0	0	5,101
Total Patient & Caregiver Identification Cards	0	0	184,596
Total Patient & Caregiver Application Fees	\$0	\$0	\$4,614,900

Applications for Patient or Caregiver Cultivation Identification Cards

Section 1 requires them to issue identification cards for a qualifying patient or his or her primary caregiver for purposes of cultivating up to six flowering marijuana plants for the exclusive use of the qualifying patient. For purposes of this fiscal note, it is estimated that 10 percent of the qualifying patients will grow marijuana for themselves or it will be grown by their designated primary caregiver. Therefore, it is estimated that 11,681 $(116,807 \times .10)$ will be issued in FY 2020. They will collect an annual application fee of \$100 per Section 1.3(12). It is also assumed that ten percent of the initial applicants will renew their application within the same fiscal year.

	FY 2018	FY 2019	FY 2020
Cultivation Initial Applications	0	0	11,681
Cultivation Renewal Applications	0	0	1,168
Total Cultivation Identification Cards	0	0	12,849
Total Cultivation Identification Fees	\$0	\$0	\$1,284,900

Application and Licensing of Medical Marijuana Cultivation Facilities

Section 1 authorizes them to establish the application and licensing process of medical marijuana cultivation facilities. For purposes of this fiscal note analysis, it is estimated that 61 facilities will apply and become licensed to fully operate cultivation facilities by the end of FY 2020. This estimate is based on the assumption that they will limit the number of cultivation facilities licensed at the minimum required of one facility per 100,000 residents (6,083,672 Missouri residents/100,000 residents per facility = 61 facilities) as allowed per Section 1.3(15). They must accept applications within 210 days of the effective date of the proposal and therefore assumes that applications will be accepted beginning July 1, 2019 (FY 2020). However, section 1.3(11) allows any application for a license to pre-file their application fee with them beginning 30 days after the effective date (January 6, 2019). They estimates that half of the cultivation facilities that will be licensed in FY 2020 will pre-file their fee in FY 2019. The proposed amendment sets the initial application fee at \$10,000 with an additional \$25,000 fee for each year of the license for the facilities applying during this time period.

	FY 2018	FY 2019	FY 2020
Cultivation Facility Applications	0	0	61
Cultivation Facility Application Fees (\$10,000)	\$0	\$300,000 (pre-file)	\$310,000
Cultivation Facility Annual Licenses	0	0	61
Cultivation Facility Annual License Fees (\$25,000)	\$0	\$0	\$1,525,000
Total Cultivation App & License Fees	\$0	\$300,000	\$1,835,000

Application and Licensing of Medical Marijuana Dispensing Facilities

Section 1 authorizes them to establish the application and licensing process of medical marijuana dispensing facilities. For purposes of this fiscal note analysis, it is estimated that 192 facilities will apply and become licensed to fully operate dispensing facilities by the end of FY 2020. This estimate is based on the assumption that they will limit the number of dispensing facilities licensed at the minimum required of twenty-four (24) licenses per each of the current eight U.S. Congressional Districts (24 facilities x 8 districts = 192 facilities) as allowed per Section 1.3(17). They must accept applications within 210 days of the effective date of the proposal and therefore assumes that applications will be accepted beginning July 1, 2019 (FY 2020). However, section 1.3(11) allows any application for a license to pre-file their application fee with them beginning 30 days after the effective date (January 6, 2019). They estimate that half of the dispensing facilities that will be licensed in FY 2020 will pre-file their fee in FY 2019. The proposed amendment sets the initial

application fee at \$6,000 with an additional \$10,000 fee for each year of the license for the facilities applying during this time period.

	FY 2018	FY 2019	FY 2020
Dispensing Facility Applications	0	0	192
Dispensing Facility Application Fees (\$6,000)	\$0	\$576,000 (pre-file fees)	\$576,000
Dispensing Facility Annual Licenses	0	0	192
Dispensing Facility Annual License Fees (\$10,000)	\$0	\$0	\$1,920,000
Total Dispensing App & License Fees	\$0	\$576,000	\$2,496,000

Application and Licensing of Medical Marijuana-Infused Products Manufacturing Facilities

Section 1 authorizes them to establish the application and licensing process of medical marijuana-infused products manufacturing facilities. For purposes of this fiscal note analysis, it is estimated that 87 facilities will apply and become licensed to fully operate medical marijuana-infused products manufacturing facilities by the end of FY 2020. This estimate is based on the assumption that they will limit the number of manufacturing facilities licensed at the minimum required of one facility per 70,000 residents (6,083,672 Missouri residents/70,000 residents per facility = 87 facilities) as allowed per Section 1.3(16). They must accept applications within 210 days of the effective date of the proposal and therefore assumes that applications will be accepted beginning July 1, 2019 (FY 2020). However, section 1.3(11) allows any application for a license to pre-file their application fee with them beginning 30 days after the effective date (January 6, 2019). They estimate that half of the medical marijuana-infused products manufacturing facilities that will be licensed in FY 2020 will pre-file their fee in FY 2019. The proposed amendment sets the initial application fee at \$6,000 with an additional \$10,000 fee for each year of the license for the facilities applying during this time period.

	FY 2018	FY 2019	FY 2020
Manufacturing Facility Applications	0	0	87
Manufacturing Facility Application Fees (\$6,000)	\$0	\$258,000	\$264,000
Manufacturing Facility Annual Licenses	0	0	87
Manufacturing Facility Annual License Fees (\$10,000)	\$0	\$0	\$870,000
Total Manufacturing Application & License Fees	\$0	\$258,000	\$1,134,000

Certification of Seed-to-Sale Tracking Systems, Transportation Entities, and Medical Marijuana Testing Facilities

Section 1.3.(1)(d) requires them to certify at least two commercially available systems that licensees may use as their seed-to-sale tracking system. For purposes of this fiscal note, it is estimated that they will issue certifications for two commercially available systems.

Section 1.3.(1)(e) requires them to certify entities which demonstrate compliance with transportation standards in order to transport marijuana and marijuana-infused products. For purposes of this fiscal note, it is estimated that all licensed medical marijuana cultivation facilities and marijuana-infused products manufacturing facilities will obtain certification to transport marijuana and marijuana-infused products. Therefore, it is estimated that they will issue 148 certifications for transportation (61 cultivation facilities + 87 manufacturing facilities = 148 total facilities). The certification process will occur simultaneous with the licensure of the facilities.

Section 1.3.(4) requires them to certify at least two facilities as Medical Marijuana Testing Facilities. It is estimated that only two facilities will be certified. The certification will occur in FY 2020.

Section 1.3.(1)(f) allows the department to charge a fee not to exceed \$5,000 for any certification issued. It is assumed that they will charge a fee of \$5,000 for each certification issued.

	FY 2018	FY 2019	FY 2020
Seed-to-Sale Tracking System Certifications	0	0	2
Transportation Entity Certifications	0	0	148
Medical Marijuana Testing Facility Certifications	0	0	2
Total Certifications	0	0	152
Total Certification Fees (\$5,000 ea.)	\$0	\$0	\$760,000

Total Revenue in Application, Licensing, and Certification Fees

	FY 2018	FY 2019	FY 2020
Patient & Caregiver Application Fees	\$0	\$0	\$4,614,900
Patient or Caregiver Cultivation Fees	\$0	\$0	\$1,284,900
Cultivation Facility Fees	\$0	\$300,000	\$1,835,000
Dispensing Facility Fees	\$0	\$576,000	\$2,496,000
Infused Products Manufacturing Fees	\$0	\$258,000	\$1,134,000
Certification Fees	\$0	\$0	\$760,000
Total Fees	\$0	\$1,134,000	\$12,124,800

Program Operations: Staffing

Section 1 requires the establishment of a medical marijuana program through promulgation of rules and implementation of those rules for administration of patient and caregiver identification cards; patient or caregiver cultivation identification cards; licensing of medical marijuana cultivation facilities, dispensing facilities and infused products manufacturing facilities; and certification of seed-to-sale tracking systems, transportation entities, and medical marijuana testing facilities. This also includes the development of all program applications and forms, identification cards, and a computerized database system to allow for the electronic storage of and processing of data needed to issue identification

cards and licenses. As a result, DCPH anticipates the need to hire the following staff beginning on December 6, 2018 (FY 2019) to begin development of the program/system:

One Program Manager Broad Band 2 (\$65,000) – will serve as Chief of the Medical Marijuana 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. This position will also supervise the two Unit (Program) Coordinators, two Investigator III positions, a Health Program Representative III, and a Bureau Administrative Office Support Assistant.

Two Program Coordinators (A30, \$50,112, Step H) – will serve as Unit Coordinators. One unit will be responsible for processing patient and caregiver applications, including patient or caregiver cultivation applications. The other unit will be responsible for the applications and licensing and/or certification of the medical marijuana cultivation facilities, dispensing facilities, infused-products manufacturing facilities; testing facilities, transportation entities, and seed-to-sale tracking systems. These positions will be involved in the initial program development with the Bureau Chief, hiring of staff, and development of training for staff. Once the program is operational, the Coordinators responsibilities extend to implementation and maintenance of the program, responsibility for meeting application decision deadlines, and ongoing management responsibilities.

One Health Program Representative III (A24, \$39,708. Step G) – 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 serve as the liaison between the Units and IT work on system maintenance and enhancements. This position will also certify the seed-to-sale tracking systems that are commercially available to use by the licensed facilities. This position will also be responsible for establishing materials to educate the public about the program and exhibiting at conferences or other venues to education physicians and the general public.

One Administrative Office Support Assistant (A15, \$28,668, Step F) – duties will include providing administrative assistance to the Bureau Chief, Program Coordinators, Investigators, Inspectors, and HPR III positions. As allowed, this position will also assist in initial processing of patient and caregiver applications for registration cards.

The following staff will be hired to begin March 1, 2019. This hire date will allow for training and final program preparation to occur prior to the required release dates for the application forms for patients and caregivers, patient or caregiver cultivators, certifications, and facility licenses:

Two Investigator III positions (A25, \$41,184, Step G) – these positions will investigate all instances/complaints of possible fraud or negligence on the behalf of a recommending physician, a registered patient and/or caregiver, a cultivator, or a medical marijuana facility. With a new program of this size and the legalization of something that remains illegal for the majority of the population, it is anticipated that they will receive a fair number of calls reporting instances of possible violations. While two is estimated for purposes of this fiscal

note, it may be necessary to add additional staff after the program is operational for some time. The additional costs remain unknown.

Two Grain Inspector IV positions (A23, \$38,304, Step G) – these positions will complete the onsite inspections of the medical marijuana cultivation facilities to monitor compliance with the specific requirements outlined in the proposed amendment and rules that need to be met for initial and continued licensure of a facility. These positions will also be responsible for certifying the cultivation facilities as transportation entities. This specialty position was chosen because the most technical piece involves the process of testing plants for molds, mildew, and pesticides and making sure the facilities are dealing with these issues in a proper way.

One Grain Inspector Compliance Coordinator (A28, \$46,056, Step G) – this position coordinates and supervises the work of the Grain Inspector positions; ensuring inspections are completed consistently and timely. This position will also provide technical assistance to the inspectors and make final action decisions/recommendations for problem inspections.

Four Environmental Public Health Specialist IV positions (A27, \$44,352, Step G) – these positions will complete the onsite inspections of the medical marijuana dispensing and the medical-marijuana infused-products manufacturing facilities to monitor compliance with the specific requirements outlined in the proposed amendment and rules that need to be met for initial and continued licensure of a facility. These positions will also be responsible for certifying the manufacturing facilities as transportation entities. This specialty position was chosen because the most technical piece involves ensuring sanitation requirements are met and the infused-products are labeled and packaged correctly.

One Environmental Public Health Specialist V position (A28, \$46,056, Step G) – this position coordinates and supervises the work of the EPHS IV positions; ensuring inspections are completed consistently and timely. This position also provides technical assistance to the environmental specialists and makes final action decisions/recommendations for problem inspections.

One Health Facilities Consultant (A29, \$48,852, Step H) – this position will complete the inspections of the Medical Marijuana Testing Facilities in order to monitor compliance with the specific requirements needed to obtain and maintain certification. This position will also provide technical assistance to the testing facilities to assist with obtaining and maintaining the certification. This specialty position was chosen as this classification currently completes the inspections of other medical laboratories certified by the state.

49 Senior Office Support Assistant (SOSA) positions (A12, \$26,340, Step F) – 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, initial application review to include determination of application approval or denial (including incomplete status), preparation of patient and caregiver identification cards, preparation of patient/caregiver cultivation identification cards, initial processing of medical marijuana facility applications, preparation of identification cards for

all owners and employees of the medical marijuana facility licensees, processing revoked cards, and answering of phones and assisting telephone callers.

24 Health Program Representative II (HPR II) positions (A21, \$35,640, Step G) – 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 incomplete notices, rejects, revocations, and card issuances. This position will ensure application process deadlines as mandated by proposed amendment are met. This position will also verify all registrations of owners and employees associated with the licensed medical marijuana facilities, including coordination with the Inspectors and Environmental Public Health Specialists for final issuance of facility licenses.

For fiscal note purposes they calculated 45 minutes per patient and caregiver application and 45 minutes per patient or caregiver cultivation application.

$197,445 (184,596 \text{ patient and caregiver apps} + 12,849 \text{ cultivation apps}) \times .75/\text{hour} / 2,080 \text{ hours per year per staff} = 71.2 \text{ staff (round to 71 staff)}$.

They calculated 14 hours for the processing of a dispensing facility license application and 15 hours for the processing of the cultivation and manufacturing facility license (additional hour for processing transportation certification application).

$(192 \text{ dispensing facilities} \times 14 \text{ hours}) + (61 \text{ cultivation facilities} \times 15 \text{ hours}) + (87 \text{ infused products manufacturing facilities} \times 15 \text{ hours}) = 4,908 \text{ total hours/divided by } 2,080 \text{ hrs/year per staff} = 2.4 \text{ staff (round to 2 staff)}$. This is a total of 73 processing staff (SOSA and HPR II positions).

Printing Costs

They will print individual identification cards for the qualified patient, caregiver, patient or caregiver cultivation identification card, and identification cards for each owner, board member, employee of the licensed facilities. The cards are encoded with a magnetic stripe for security and linkage to the IT system for dispensing purposes. DCPH will purchase a card delivery system with the ability to print the card with the magnetic stripe, attach the card to a personalized letter, and secure in an envelope ready for mailing. The initial cost of the card delivery system is estimated at \$277,000. In addition there will be an annual equipment preventative maintenance fee of \$34,000. The average supply cost to print each card is \$0.59/card.

They are estimating the number of identification cards to be printed each year per facility licensed to be 25 for a cultivation facility, 10 for a dispensing facility, and 25 for a manufacturing facility. $(61 \text{ cultivation facilities} \times 25 = 1,525 \text{ cards}, 192 \text{ dispensing facilities} \times 10 = 1,920 \text{ cards}, 87 \text{ manufacturing facilities} \times 25 = 2,175 \text{ cards})$ License certificates will be printed for each facility on special certificate paper (heat sensitive ink background) provided by state printing at a cost of approximately \$200 per 1,000 pieces of

certificate paper. The license certificates and identification cards for facilities will not be produced until FY 2020 when the facility becomes licensed.

DCPH will print 100,000 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 2019

- 100,000 brochures (\$0.06 per brochure) = \$6,000

FY 2020

- 184,596 patient and caregiver cards + 12,849 cultivation cards + 1,525 identification cards for cultivation facilities, 1,920 identification cards for dispensing facilities + 2,175 for manufacturing facilities = 203,065 cards x \$0.59 per card/print supplies = \$119,808
- 492 Certificates for facility licenses and certifications (\$200/1,000) = \$200
- 100,000 brochures (\$0.06 per brochure) = \$6,000

Mailing Costs

Each qualifying patient and primary caregiver will receive his/her card in the mail. If the patient or caregiver applied for a cultivation identification card, that card will be mailed separately. Each licensed facility will be mailed a copy of their license and identification cards. It is estimated that 10 percent of the registered participants, caregivers and patient/caregiver cultivators will submit a change request to their application requiring a change notification receipt by mailing. It is projected that five percent of all applications will be incomplete and requires mailing of an incomplete notice. It is also projected that 25 percent of the printed brochures (25,000) 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 2018	FY 2019	FY 2020
Patient and Caregiver ID Cards	0	0	184,596
Cultivation ID Cards	0	0	12,849
Facility Certificates	0	0	492
Facility Identification Cards	0	0	5,620
Change Request Notifications	0	0	17,774
Incomplete Notifications	0	0	8,887
Brochures/app mailed	0	25,000	25,000
Total mailings	0	25,000	255,218

FY 2019

- 25,000 envelopes (\$41 per 1,000) = 25 X \$41 = \$1,025
- Postage (25,000 x \$0.39/postage rate) = \$9,750

FY 2020

- 255,218 envelopes (\$41 per 1,000) = 256 X \$41 = \$10,496
- Postage (255,218 x \$0.39/postage rate) = \$99,535

Criminal Records Check

Section 1.3.(2)(h) suggests that individual identification cards for owners, officers, managers, contractors, employees and other support staff of the licensed facilities shall include a fingerprint-based federal and state criminal record check in accordance with U.S. Public Law 92-544. Section 1.7(2) states no licensed facility shall have an owner, officer, manager, contractor, employee or other support staff with a disqualifying felony offense. They assume that as part of the facility license application, the facilities would need to submit a current finger print based criminal record report as would be promulgated in rule. Therefore, they assume no cost for obtaining the fingerprint check.

Information Technology Services Division (ITSD)

Application Storage Costs

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, \$234 for an annual license for each user who needs to view files and \$828 for an annual license for each position with ability to scan/import documents. Content Manager services will not be acquired until FY 2020.

Information Systems Development

Estimating a 12 month project duration with a project team consisting of 4 IT Consultants. Applications will be received as paper submissions to the department. System will print licenses and identification cards for physical delivery to the applicant. The system will be hosted in the State Data Center (SDC) on existing virtual servers. Disk space has been estimated at 50 GB for Development and Test with 150 GB estimated for Production. While we have estimated for a system build it is possible COTS solutions are available at a similar cost. Estimated costs are detailed above in the ITSD-DHSS table.

Division of Administration

DHSS-DA assumes one Accounting Clerk can process 30,000 receipt transactions per year. An Accounting Generalist I/II would be needed to supervise for every five Account Clerks.

Accounting Clerk (A12, \$26,340, Step F) duties would include:

- Open and sort mail;
- Process and enter receipts in the department computer system;
- Prepare bank deposits and cash receipts documents;
- Reconcile daily receipts;
- Distribute supporting documentation program.

Accounting Generalist I/II (A25, \$41,184, Step G) duties would include:

- Supervise and review the work of Accounting Clerks who are processing the fees.

Each application and license would have a fee transaction.

FY2019	FY2020	Transaction
0	184,596	Patient & Caregiver Application
0	12,849	Patient & Caregiver Cultivation Application
30	92	Cultivation Facility Application
96	288	Dispensing Facility Application
43	131	Manufacturing Facility Application
<u>0</u>	<u>152</u>	<u>Certifications</u>
169	198,108	Total Number of Transactions
	6.00 FTE	Accounting Clerk
	1.00 FTE	Accounting Generalist I/II

Office of General Counsel

Legal Counsel (\$50,000)

One full-time attorney would be needed to assist in drafting emergency and proposed regulations and forms; perform legal research and provide day-to-day legal counsel to the program; and represent the department in appeals of licensure and identification card denials.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** indicated this petition, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated this proposal creates no direct obligations or requirements to their department that would result in a fiscal impact.

Officials from the **Department of Natural Resources** indicated their department would not anticipate a direct fiscal impact from this proposal.

Officials from the **Department of Corrections** indicated a fiscal impact of \$11,229 in fiscal year 2019, \$35,262 in fiscal year 2020, \$67,160 in fiscal year 2025 and thereafter.

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

Thus, the expected impact of IP 18-51 should bring about 2 new prison admissions and 3 new field admissions in the first year of enactment (FY19). The maximum impact should be expected by FY25 and will lead to an additional 3 offenders in prison and 18 offenders in the field.

In addition, this proposal would be impactful to their department in that we currently test our staff for marijuana use and discipline accordingly. If our staff were to live in a household, or visit another person, who is legally using medical marijuana they would then be exposed to second-hand smoke and would likely test positive themselves. There would be no way for us to determine which of our staff are innocently exposed from those who are abusing this substance illegally.

Officials from the **Department of Labor and Industrial Relations** indicated no fiscal impact on their department.

Officials from the **Department of Revenue** indicated total fund costs for General Revenue will be \$242,855 for fiscal year 2018, \$124,921 for fiscal year 2019, and \$126,460 for fiscal year 2020, which includes information technology (IT) related costs of \$150,012 for fiscal year 2018, \$30,752 for fiscal year 2019, and \$31,521 for fiscal year 2020 for IT consultants.

This legislation increases total state revenue by an unknown amount from the sales tax collected on the sale of medical marijuana.

Section 4

The legislation levies a four percent tax on the retail sale of medical marijuana by Medical Marijuana Dispensary Facilities. Their department may retain up to five percent for the cost of collection. The petition creates the Missouri Veterans' Health and Care Fund. The Commissioner of Administration may make cash operating transfers to the fund to meet cash requirements in advance of receiving revenues. The tax levied by this section is separate and in addition to any general state and local sales tax that applies to retail sales. Because their department does not have enforcement responsibilities, it may make more sense for the taxes to be paid to the Department of Health and Senior Services and then sent to their department for deposit into the fund.

Administrative Impact:

Collections & Tax Assistance:

This section will see additional registrations, registration phone calls, business tax account update requests, and delinquent phone contacts from the additional businesses registering to collect sales tax on medical marijuana. Collections and Tax Assistance requires two (2) Revenue Processing Technicians I (Range 10, Step L) per 24,000 additional contacts to the registration section and 15,000 contacts annually on the delinquent tax line. Each technician requires CARES equipment.

Business Tax Processing:

Although the legislation bases the four percent tax on the retail selling price, it is separate from sales and use tax. This tax needs to be reported and deposited separately from sales and use tax. This would require new reporting forms and a new program to track and distribute receipts. This will include a new program within the Integrated Tax System.

Officials from the **Department of Public Safety - Office of Director and the Division of Alcohol and Tobacco Control** each indicated they see no fiscal impact due to this initiative petition.

Officials from the **Missouri State Highway Patrol** indicated for the Criminal Records Fund estimated revenue of \$179,040 and estimated costs of \$67,140 for fiscal year 2018, unknown impact for fiscal year 2019, and unknown impact for fiscal year 2020.

For each fingerprint-based background check processed, the state retains the \$20 state fee and \$2 of the federal charge for a pass-thru fee.

The proposed legislation would allow medical marijuana for medical use and provide that it shall be taxed at four percent of the retail price.

According to the 2015 United States Census Bureau's census estimate, Missouri's population was 6,083,672. Based on this total, the number of Cultivation Facilities, Dispensary Facilities, and Infused Products Manufacturing Facilities is as follows:

Cultivation Facilities

Assuming a limit is set at the minimum of 1 facility per 100,000 inhabitants per the proposed amendment, 60 licenses for cultivation facilities may be issued. Further estimating an average of 25 employees per facility, the total number of criminal record checks for employees, owners etc. of Cultivation Facilities equals 1,500 (60 x 25).

Dispensing Facilities

Assuming the maximum number of licenses that will be issued in each of the eight United States Congressional Districts in the state of Missouri is 24, the maximum number of licenses issued for Dispensing facilities equals 192 (24 x 8). Further estimating 10 employees per facility, the total number of criminal record checks for employees, owners etc. of Dispensary Facilities equals 1,920 (192 x 10).

Infused Products Manufacturing Facilities

Assuming a limit is set at the minimum of 1 facility per 70,000 inhabitants (per the proposed constitutional amendment) the number of facilities would equal 87 (6,083,672 / 70,000). Further estimating an average of 25 employees per facility, the total number of criminal record checks for employees, owners, etc. of Cultivation Facilities equals 2,175 (87 x 25).

The estimated number of state and federal fingerprint-based criminal record checks estimated to be generated with the passage of this amendment is 5,595 (1,500 for

Cultivation Facilities; 1,920 - Dispensing Facilities; 2,175 - Infused Products Manufacturing Facilities).

The charge for each background check processed is \$40.30. Twenty dollars for the state fingerprint check, \$12 for the federal check, and an \$8.30 charge for the statewide applicant fingerprinting contractor fee ($\$20 + \$12 + 8.30 = \$40.30$). Of this amount, the state retains the \$20 fee and \$2 of the federal charge of \$12 for a pass-thru fee. The \$8.30 charge is paid directly to the vendor at the time of application.

Estimated Revenue FY18	
5,595 x \$32 (state/federal background check)	\$179,040

Estimated Expense FY18	
5,595 x \$12 (federal background check charge)	\$67,140

Subsequent yearly background checks will be based on turnover.

Estimated Revenue FY19 and beyond	
??? x \$32 (state/federal background check)	

Estimated Expense FY19 and beyond	
??? x \$12 (federal background check charge)	

Officials from the **Department of Social Services** indicated no fiscal impact on their department.

Officials from the **Governor's office** indicated there should be no added costs or savings to their office.

Officials from the **House of Representatives** indicated no fiscal impact to their office.

Officials from the **Department of Conservation** indicated that no adverse fiscal impact to their department would be expected as a result of this proposal.

Officials from the **Department of Transportation** indicated no fiscal impact.

Officials from the **Office of Administration** (OA) indicated:

Article XVI, Section 1 allows the Department of Health and Senior Services (DHSS) to grant or refuse state licenses for the cultivation, manufacture, distribution, and sale of marijuana for medical use. This authority includes the creation and imposition of administrative penalties; however, no actual amounts are given.

The article establishes facility license fees for medical marijuana cultivation facilities, medical marijuana dispensary facilities, and medical marijuana-infused products manufacturing facilities. Table 1 outlines the fees and renewal periods by facility license

type. In addition to facility fees, Section 3 creates certifications for a seed-to-sale system, transportation, and medical marijuana testing facilities. DHSS is allowed to charge up to \$5,000 per certification and must certify at least two seed-to-sale tracking systems and two testing facilities; however, no minimum requirement was listed for the transportation of medical marijuana.

Table 1: Facility License and Annual Fees					
Section	Facility License Type	License Fee* Years 1-3	License Fee* Years 3+	Annual Fee*	Renewal Period
3 (8)	medical marijuana cultivation facilities	\$10,000	\$5,000	\$25,000	Every 3 years
3 (9)	medical marijuana dispensary facilities	\$6,000	\$3,000	\$10,000	Every 3 years
3 (10)	medical marijuana-infused products manufacturing facilities	\$6,000	\$3,000	\$10,000	Every 3 years

**License fees and annual fees shall be adjusted each year in accordance with the Consumer Price Index as published by the U.S. Department of Labor.*

Section 3 (12) allows qualifying patients, or his or her primary caregiver, to obtain an identification card allowing for personal cultivation of up to six flowering marijuana plants. Section 3 (19) and Section 3 (20) establish identification cards for qualifying patients of medical marijuana and primary caregivers. Table 2 outlines the fees and renewal periods for the different identification cards.

Table 2: Identification Fees			
Section	Identification Type	Fee*	Renewal Period
3 (12)	Personal Cultivation I.D. Card	\$100	annually
3 (19)	Qualifying Patient - Identification card	\$25	annually
3 (20)	Primary Caregiver - Identification card	\$25	annually

**License fees and annual fees shall be adjusted each year in accordance with the Consumer Price Index as published by the U.S. Department of Labor.*

Section 3 (15) states that DHSS may restrict the number of licenses for medical marijuana cultivation facilities; however, the number may not be limited to less than one license per one hundred thousand inhabitants of Missouri. Section 3 (16) states that DHSS may restrict the number of licenses for marijuana-infused products manufacturing facilities; however, the number may not be limited to less than one license per seventy thousand inhabitants of Missouri. Section 3 (17) states that DHSS may limit the number of dispensary facilities to twenty-four licenses in each United States Congressional district. Table 3 outlines the facility count limits and estimates what the facility counts would be based on 2010 U.S. Census data should these limits be implemented. Once the minimum number of facilities has been established, any decrease in the number of inhabitants within Missouri, or changes to the number or boundaries of the Congressional Districts, shall have no impact to the established minimum number of licenses allowed by the article.

Section	Facility Type	Minimum Limit	Facility Count
3 (15)	cultivation facilities	1 per 100,000	60
3 (16)	marijuana-infused products manufacturing facilities	1 per 70,000	86
3 (17)	medical marijuana dispensaries	24 per U.S. Congressional District	192

Section 4 (1) creates a 4% sales tax on the retail sale of marijuana for medical use sold at medical dispensary facilities within the state. Revenues from this tax shall be paid to the Department of Revenue (DOR). DOR may retain up to five percent for collection costs. The remainder shall be deposited in the Missouri Veterans' Health and Care Fund.

Section 4 (2) creates the Missouri Veterans' Health and Care Fund in the state treasury which will consist of taxes and fees collected under this section. This fund shall be a dedicated fund and shall stand appropriated without further legislative action. DHSS shall be appropriated an amount necessary to carry out this section. The remainder shall be transferred to the Missouri Veterans' Commission for health and care services for military veterans.

Section 9 states that the effective date of Article XVI would be December 6, 2018. However, B&P estimates that revenue generation would not begin until at least June 2019 for patients and July 2019 for facilities given the provisions in Section 3.

Using data from Arizona, which has a similar medical marijuana law, B&P estimates that up to 65,547 patients and caregivers could utilize this bill. Of these, up to 2,000 may gain approval for personal cultivation. B&P estimates that annual fees for patients, caregivers, and personal cultivation could generate approximately \$1.4M annually by FY 2021, assuming growth is similar to that seen with the Arizona medical marijuana program.

B&P estimates that license fees for medical marijuana facilities could generate approximately \$2.3M in FY 2020, and \$1.1M every three years thereafter. The initiative petition does not specify whether these facilities would pay the annual fee and a license renewal fee every three years. Therefore, B&P assumes that both would need to be paid in the third year of a license. Table 4 outlines the revenues from the license and annual fees.

Table 4: License and Annual Fees by Patient and Facility Type					
Patient and Facility Type	Revenue Generated by License Fees				
	FY 2019	FY 2020*	FY 2021*	FY 2022*	FY 2023*
Patients and Caregivers**	\$87,000	\$1,046,000	\$1,186,000	\$1,704,000	\$1,737,000
Personal Cultivation**	\$17,000	\$200,000	\$204,000	\$208,000	\$212,000
Cultivation Facilities^		\$600,000	\$1,531,000	\$1,561,000	\$1,905,000
Infused Product Manufacturer^		\$516,000	\$879,000	\$896,000	\$1,183,000
Dispensary^		\$1,152,000	\$1,962,000	\$2,000,000	\$2,642,000
Total	\$104,000	\$3,514,000	\$5,762,000	\$6,369,000	\$7,679,000

*Assumes 2% inflation

**Assumes growth similar to that seen in the medical marijuana program in Arizona

^ Assumes a 1.2% turnover rate in facility licenses

Section 4 requires a four percent sales tax to be applied to all sales of marijuana products, in addition to current state and local sales tax. Based on sales data from Arizona during 2014 of \$110M and 2015 of approximately \$155.7M, B&P calculates that this provision could increase TSR by \$6.6M and GR by \$4.7M once fully implemented. Table 5 outlines the estimated revenues from each tax and where revenues will be directed.

Table 5: Sales Tax Revenues					
Sales Tax Fund	Revenue Generated by Sales Tax				
	FY 2019	FY 2020*	FY 2021*	FY 2022*	FY 2023*
Missouri Veterans' Health and Care Fund		\$2,200,000	\$6,229,000	\$6,229,000	\$6,229,000
General Revenue		\$1,650,000	4,672,000	4,672,000	4,672,000
Education		\$550,000	\$1,557,000	\$1,557,000	\$1,557,000
Parks, Soil, and Water		\$55,000	\$156,000	\$156,000	\$156,000
Conservation		\$69,000	\$195,000	\$195,000	\$195,000
Total	\$0	\$4,524,000	\$12,809,000	\$12,809,000	\$12,809,000

*Based on sales data from Arizona during 2014 and 2015

B&P estimates that all provisions in this initiative petition could increase TSR by \$2.3M and GR by \$1.7M in FY20. In FY21, TSR could increase by \$6.6M and GR by \$4.7M. This initiative petition will not impact the calculations under 18(e).

Table 6: Summary of Revenue Generated by Medical Marijuana Taxes and Fees					
Revenue Source	Revenue Generated by License Fees				
	FY 2019	FY 2020	FY 2021*	FY 2022*	FY 2023*
<u>License and Annual Fees</u>					
<i>Patients and Caregivers**</i>	0.1	1.0	1.2	1.7	1.7
Personal Cultivation**	0.0	0.2	0.2	0.2	0.2
Cultivation Facilities^		0.6	1.5	1.6	1.9
Infused Product Manufacturer^		0.5	0.9	0.9	1.2
Dispensary^		1.2	2.0	2.0	2.6
Total License and Annual Fees:	0.1	3.5	5.8	6.4	7.7
<u>Sales Tax^^</u>					
Missouri Veterans' Health and Care Fund		2.2	6.2	6.2	6.2
General Revenue		1.7	4.7	4.7	4.7
Education		0.6	1.6	1.6	1.6
Parks, Soil, and Water Conservation		0.1	0.2	0.2	0.2
		0.1	0.2	0.2	0.2
Total Sales Tax:		4.5	12.8	12.8	12.8
Total Revenue to Missouri Veterans' Health and Care Fund	0.1	5.7	12.0	12.6	13.9
Total State Revenues		2.3	6.6	6.6	6.6
Total Local Sales Tax		2.0	5.7	5.7	5.7

figures in \$M

**Assumes 2% inflation*

***Assumes growth similar to that seen in the medical marijuana program in Arizona*

^ Assumes a 1.2% turnover rate in facility licenses

^^Based on sales data from Arizona during 2014 and 2015

Officials from the **Office of State Courts Administrator** indicated there is no fiscal impact on the courts.

Officials from the **Missouri Senate** indicated no fiscal impact on their office.

Officials from the **Secretary of State's office** indicated their 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. Their 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 (fiscal year) 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 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation. In FY 2017 their office was appropriated \$2.6 million to publish the full text of the measures. In FY 2017, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$2.4 million to publish (an average of \$400,000 per issue). Their office will continue to assume, 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, they reserve the right to request funding to meet the cost of their publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any impact on their office.

Officials from the **State Treasurer's office** indicated this would have no fiscal impact on their office.

Officials from **Greene County** indicated there are no estimated costs or savings to report from their county for this initiative petition.

Officials from the **City of Kansas City** indicated sales taxes could be collected. No amount can be reasonably estimated.

Officials from the **City of Raymore** indicated no fiscal impact.

Officials from **University of Missouri** indicated the University of Missouri Health Care (MUHC) has reviewed the proposed initiative petition and determined that the fiscal impact should not exceed \$100,000 annually.

Joy Sweeney, Executive Director, Council for Drug Free Youth provided the following information for this initiative petition.

Fiscal Impact of Marijuana Legalization

The fiscal impact of marijuana legalization is far reaching. Colorado has provided a great deal of data for Missouri to utilize to determine the impact legalization will have here.

The information in this report is from The Rocky Mountain High Intensity Drug Trafficking Area (HIDTA) Report¹, and it provides a basis of study for the effects of the legalization of marijuana, including fiscal ramifications. The American Society of Addiction Medicine (ASAM) “asserts that the anticipated public health costs of marijuana legalization are significant...”² **It is important to note the various costs incurred with legalization, including enforcement, prevention, education, treatment, medical costs, etc.** By utilizing the HIDTA Report, Missouri can predict the cost to the state. A summary of their findings follows:

Colorado tracked data from three waves of marijuana legalization:

- 2006-2008 is the “early medical marijuana era”
- 2009-Present is the “medical marijuana commercialization and expansion era”
- 2013-Present is the “recreational marijuana era”

Impaired Driving

Marijuana-related traffic deaths increased 48 percent in the three-year average (2013-2015) since Colorado legalized recreational marijuana compared to the three-year average (2010-2012) prior to legalization.

During the same time, all traffic deaths increased 11 percent.

Marijuana-related traffic deaths increased 62 percent from 71 to 115 persons after recreational marijuana was legalized in 2013.

In 2009, Colorado marijuana-related traffic deaths involving operators testing positive for marijuana represented 10 percent of all traffic fatalities. By 2015, that number doubled to 21 percent.

The Colorado State Patrol DUID Program 2015 data includes:

- 77 percent (665) of the 862 DUIDs involved marijuana
- 40 percent (347) of the 862 DUIDs involved marijuana only

Average Marijuana Related Fatalities increased 48% between 2008-2012 and 58% between 2012-2015.

Operators involved in fatalities testing positive for marijuana more than tripled:

- 2006 was 4.03%
- 2009 was 6.41%
- 2013 was 8.97%

¹ Rocky Mountain High Intensity Drug Trafficking Area. “The Legalization of Marijuana in Colorado: The Impact”. Volume 4, September 2016. <http://www.rmhidta.org/html/2016%20FINAL%20Legalization%20of%20Marijuana%20in%20Colorado%20The%20Impact.pdf>

² American Society of Addiction Medicine, *State-Level Proposals to Legalize Marijuana*, <http://www.asam.org/advocacy/find-a-policy-statement/view-policy-statement/public-policy-statements/2012/07/30/state-level-proposals-to-legalize-marijuana>, July 2012.

- 2015 was 12.06%

Effects on Youth

From school years 2008-2014, **drug related suspensions/expulsions increased 40%**. 58% of all drug related expulsions were for marijuana.

Past month marijuana use for youth aged 12-17 reports:

National rates	Colorado rates
2008-6.72 % of youth	2008-8.75% of youth
2014-7.22% of youth	2014-11.74% of youth

Referrals to Law Enforcement

In 2006, total drug related referrals to law enforcement were 23.4%; compared to alcohol at 8%. In 2016, total referrals were 29.7%, compared to 4.3% for alcohol. In the 2015/16 school year, 73% of all drug related referrals were for marijuana.

Emergency Room Visits Related to Marijuana

2012-9,982
 2013-12,888
 2014-18,255

From 2012-2014, there was a 49% increase.

Total of all hospitalizations that were marijuana related:

2000-2,541
 2013-8,078
 2014-9,856

The national **average percent of children ages 0-5 reported for marijuana exposure** from 2010-2013 was 4.97%. **In Colorado it was 17.81%**

Between 2003 and 2013, accidental marijuana exposure to youth under age six increased by about 150 percent.

Treatment Admissions for Marijuana

Data from Colorado from 2005-2013 doesn't demonstrate a definitive trend and averages about 6,500 admissions a year....There may be a drop in treatment admissions for marijuana abuse among adults because of a reduction in criminal justice referrals through diversion and drug courts due to fewer people entering the system.

73.6% of youth in the Denver Health Clinic youth are male, the mean age is 15.8 years, and 98.1% are there primarily for cannabis use disorder.

Other Pertinent Information

- As of January 2016, there were 424 retail marijuana stores in the state of Colorado compared to 322 Starbucks and 202 McDonald's.
- 68 percent of local jurisdictions have banned medical and recreational marijuana businesses.
- From 2014 to 2015, property crime increased 6.2 percent, violent crime increased 6.7 percent, and all crime increased 6.2 percent.
- 93% of CO medical marijuana card holders obtained it to treat "severe pain"

The State Auditor's office did not receive a response from the **Department of Elementary and Secondary Education, Adair County, Boone County, Callaway County, Cass County, Clay County, Cole County, Jackson County, Jasper County, St. Charles County, St. Louis County, Taney County, the City of Cape Girardeau, the City of Columbia, the City of Jefferson, the City of Joplin, the City of Kirksville, the City of Mexico, the City of St. Joseph, the City of St. Louis, the City of Springfield, the City of Union, the City of Wentzville, the City of West Plains, Cape Girardeau 63 School District, Hannibal 60 School District, State Technical College of Missouri, Metropolitan Community College, St. Louis Community College, and the Lieutenant Governor's Office.**

Fiscal Note Summary

This proposal is estimated to generate annual taxes and fees of \$18 million for state operating costs and veterans programs, and \$6 million for local governments. Annual state operating costs are estimated to be \$7 million.