

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (18-271)**

**Subject**

Initiative petition from Lowell Pearson regarding a proposed amendment to Chapters 192, 195, 263, and 311 of the Revised Statutes of Missouri. (Received September 1, 2017)

**Date**

September 21, 2017

**Description**

This proposal would amend Chapters 192, 195, 263, and 311 of the Revised Statutes 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**, **University of Central Missouri**, **Harris-Stowe State University**, **Lincoln University**, **Missouri State University**, **Missouri Southern State University**, **Missouri Western State University**, **Northwest Missouri State University**, **Southeast Missouri State University**, **Truman State University**, the

**Missouri Veterans Commission, and the Missouri Association of Fire Protection Districts.**

**Assumptions**

Officials from the **Attorney General's office** indicated they expect that, to the extent that the enactment of this proposal would result in increased litigation, they can absorb the costs associated with that increased litigation using existing resources. However, if the enactment of this proposal were to result in substantial additional litigation, they may request additional appropriations.

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** (DHSS) indicated increased operating costs to all state funds of \$3,126,494 in fiscal year 2019, \$6,234,798 for fiscal year 2020, and \$6,297,291 for fiscal year 2021. Of these costs, \$940,252 are initial and one-time costs in fiscal year 2019 for equipment and a new computer system. These costs will be offset by additional revenues of \$0 in fiscal year 2019, \$6,444,096 for fiscal year 2020, and \$6,444,096 for fiscal year 2021.

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 registry identification 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 89 FTE located in Jefferson City will be needed: 89.00 FTE x 230 sq ft/FTE x \$21.00/sq. ft. = \$429,870.

The proposed language would legalize the use of marijuana for medicinal purposes. There could be an unknown impact on small businesses that serve as medical cannabis cultivation and production facility, testing facility, or medical cannabis center.

The proposed legislation requires their department to issue annual registrations for qualified patients.

Section 198.981.14 allows their department to collect fees from patients that apply for a cannabis registry identification card through the medical cannabis program, in order to offset the direct and indirect costs of administering the program. The amount of such fee shall be set by their department in rule. The amount of the fees set under this section shall reflect the actual direct and indirect costs of the department in the administration and enforcement. All fees collected by their department shall be transferred to the state treasurer who shall credit the same to the “Medical Cannabis Program Account” within the Medical Cannabis License Cash Fund created in Section 195.963. Appropriations from the account shall be used solely for the administration of Section 195.981.

The provisions of this section shall become effective on December 6, 2018. According to the proposed provisions of this section, their department shall make available to the public all application forms and application instructions within 180 days of the effective date of the section (June 6, 2019). Their department shall accept all applications for patients and caregivers no later than 210 days following the effective date of this section (July 6, 2019). The first fees for qualifying patient identification cards are assumed to be collected beginning July 1, 2019 (FY 2020).

The estimations for the number of identification cards issued each year are detailed under question 12. The total estimate of collected fees for the cards equal \$6,444,096 for FY 2020.

Section 195.961 of the proposed language imposes a tax of two percent on the retail price of cannabis for medical use sold at medical cannabis centers within the state which all sellers of medical cannabis are required to remit to the Director of Revenue (DOR). The amount of tax that will be collected is unknown and they defer to the Department of Revenue for these estimations. DOR may retain up to five percent of the annual retail taxes collected to cover collection cost. DOR is to then divide the remainder of the annual retail tax and deposited equally among each of the following funds: Missouri Veterans’ Health and Care Fund, the Missouri Public Safety Fund, the Missouri Drug Treatment Fund, and Early Childhood Development Education and Care Fund. They are not able to determine what duties the department would have to utilize the funding established in Section 195.961.

Section 195.963.1 establishes in the state treasury the Medical Cannabis License Cash Fund which shall consist of all monies collected by the Division of Alcohol and Tobacco Control within the Department of Public Safety for licensing of facilities as prescribed in Sections 195.800 to 195.985.

Section 195.981.13(1) requires their department to establish a basic fee to charge in affirmative defense cases when the department is served with a subpoena for information contained in the medical cannabis database for the defendant in the case. Their department is also to charge for actual mileage and meals related to the case along with employee time spent at the place named in subpoena. They are not certain of the number of subpoenas that would be issued, therefore the cost and revenue for this subsection is unknown.

### **Division of Community and Public Health (DCPH)**

Section 195.957 designates their department as the state agency responsible for regulating and controlling the manufacturing of medical cannabis-infused products. Only a licensed medical cannabis cultivation and production facility is permitted to produce medical cannabis-infused products. Cannabis shall be tested for the cannabinoid profile and for contaminants as specified by their department. All testing shall be done by an independent laboratory that is accredited to International Organization for Standardization 17025 or certified, registered, or accredited by an organization approved by their department and shall arrange for testing to be conducted in accordance with the frequency required by their department. Section 195.981.2(10) grants their department the authority to establish, revise and amend rules regarding the regulation and control of medical cannabis-infused products.

Section 195.981.2 permits their department to issue any rules necessary to: ensure that patients with qualifying medical conditions are able to safely gain access to medical cannabis; prevent persons who do not suffer from qualifying medical conditions from selling, acquiring, possessing, producing, using or transporting cannabis; establish and maintain a confidential registry of patients who have applied for and are entitled to receive a registry identification card; development of an application form for residents seeking a registry identification card; verifying medical information concerning patients who have applied for a registration card or for the renewal of a registry identification card; developing a written certification form that shall be used by a physician to certify that a patient has a qualifying medical condition; designate the conditions for issuance and renewal, and the form, of the registry identification card issued to patients, including assurance that the department only issues or renews a registration card to a patient if the patient has a bona fide physician-patient relationship with a physician in good standing and licensed to practice medicine in Missouri; providing communications with law enforcement officials about registration cards that have been suspended when a patient is no longer diagnosed as having a qualifying medical condition; providing a waiver process to allow homebound patients that qualify for a registration card to have a caregiver transport the patient's medical cannabis from a licensed medical cannabis center to the patient; to regulate and control the manufacturing of medical cannabis infused products.

Section 195.981.3 requires their department to conduct a public review hearing to receive public input on any emergency rules adopted by the department and be provided with an update from the industry, caregivers, patients and other stakeholders regarding the current status of the industry. Their department is required to provide at least five business days' notice prior to the hearing.

Section 195.981.4 requires their department to make application forms and application instructions available for qualifying patient and caregiver identification cards within 180 days of the effective date of this section. Within 210 days of the effective date of this section, they shall begin accepting applications for the identification cards.

Section 195.981.5 requires their department to ensure that a physician who certifies a qualifying medical condition for an applicant to the medical cannabis program shall comply with certain requirements.

Sections 195.981.6(3) and 195.981.8(2) require that their department maintains a registry with qualifying patient information and make the registry information available 24 hours per day and seven days a week to law enforcement for verification purposes.

Section 195.981.13(1) requires their department to establish a basic fee to charge in an affirmative defense cases when the department is served with a subpoena for information contained in the medical cannabis database for the defendant in the case. Their department is also to charge for actual mileage and meals related to the case along with employee time spent at the place named in subpoena. They are not certain of the number of subpoenas that would be issued, therefore the cost and revenue for this subsection is unknown.

#### **Division of Administration**

Section 195.981.14 allows their department to collect fees from patients who apply to the medical cannabis program for the purpose of offsetting the department's direct and indirect costs of administering the program.

#### **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 195.981. The system would be used by the department to process applications to include issuance identification cards, verification of current identification cards, and tracking lost or stolen cards.

#### **Division of Community and Public Health (DCPH)**

##### **Applications for Patient and Caregiver Identification**

Section 195.981 requires their department to issue registration cards for qualified patients. 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 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 cannabis program is December 6, 2018. Their department is 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 195.981.4 requires their department 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 DHSS will begin accepting applications July 1, 2019 (FY 2020). They assume that it will collect an application fee of \$32 per card for initial application and renewal. 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 and the remaining applicants will submit a renewal application the following year. Initial applicants in FY 2021 are estimated to be ten percent of the total initial applications in FY 2020. It is also assumed that ten percent of the initial applicants in FY 2020 will not renew in FY 2021. In subsequent years, lost or stolen cards will be ten percent of the renewal applications. It is assumed that the fee to replace a card will be the same as the initial issuance and renewal fee.

	FY 2019	FY 2020	FY 2021
Qualifying Patient Initial Applications	0	116,807	11,681
Qualifying Patient Renewal Applications	0	11,681	116,807
Caregiver Initial Applications	0	51,007	5,101
Caregiver Renewal Applications	0	5,101	51,007
Lost/Stolen Patient & Caregiver Replacement Cards	0	16,782	16,782
<b>Total Patient &amp; Caregiver Identification Cards</b>	<b>0</b>	<b>201,378</b>	<b>201,378</b>
<b>Total Patient &amp; Caregiver Application Fees</b>	<b>\$0</b>	<b>\$6,444,096</b>	<b>\$6,444,096</b>

### **Program Operations: Staffing**

Section 195.981 requires the establishment of a medical cannabis program through promulgation of rules and implementation of those rules for administration of patient and caregiver identification cards, and the regulation of manufacturing of medical cannabis-infused products. This 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 and verify identification cards. As a result, DCPH anticipates the need to hire the following staff beginning on December 1, 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 Cannabis Program. 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 a Program Coordinator, one Investigator III, a Health Program Representative III, an Environmental Specialist V, and a Bureau Administrative Office Support Assistant.

One Program Coordinator (A30, \$50,112, Step H) – will serve as a Unit Coordinator over Patient Registrations. This unit will be responsible for processing patient and caregiver applications. This position 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, 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 Program and IT to work on system maintenance, enhancements, and running reports used to inform the Division of Alcohol and Tobacco Control regarding the location of registrants for statewide access. This position will also be responsible for establishing materials to educate the public about the program and exhibiting at conferences or other venues to educate 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 Coordinator, Investigator, 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:

One Investigator III positions (A25, \$41,184, Step G) – this position will investigate all instances/complaints of possible fraud or negligence on the behalf of a recommending physician, and a registered patient and/or caregiver. This position would also investigate the circumstances under which a licensed facility confiscated a potentially fraudulent identification card. 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 DHSS will receive a fair number of calls reporting instances of possible violations. While one position 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.

One Grain Inspector IV position (A23, \$38,304, Step G) – this position will complete the onsite inspections of the medical cannabis cultivation and production facilities to monitor compliance with the specific requirements outlined in the proposed amendment and rules

that need to be met for initial and continued regulation of medical cannabis-infused products. This specialty position was chosen because a technical piece of the regulation and control involves analyzing the testing of plants for molds, mildew, and pesticides and making sure the facilities are dealing with these issues in a proper way.

Two Environmental Public Health Specialist IV positions (A27, \$44,352, Step G) – these positions will complete the onsite inspections of the medical cannabis cultivation and production facilities to monitor compliance with the specific requirements outlined in the proposed amendment and rules that need to be met for initial and continued regulation of medical cannabis-infused products. This specialty position was chosen because a 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 and the Grain Inspector IV position; ensuring inspections are completed consistently and timely. This position also provides technical assistance to the environmental specialists and grain inspector, and makes final action decisions/recommendations for problem inspections.

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, processing revoked cards, processing requests for lost and stolen 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. These positions will have responsibility for final approval of application incomplete notices, rejects, revocations, and card issuances.

For fiscal note purposes they calculated 45 minutes to process each application.

$201,378 \text{ patient and caregiver apps} \times .75/\text{hour} / 2,080 \text{ hours per year per staff} = 72.6 \text{ staff}$  (round to 73 staff). This is a total of 73 processing staff (49 SOSA and 24 HPR II positions).

### **Printing Costs**

They will print identification cards for the qualified patient and caregiver. The cards are encoded with a magnetic stripe for security and linkage to the IT system for dispensing purposes. The card delivery system will have 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 ( $\$0.59 \times 201,378 \text{ cards} = \$118,813$  annually).

They 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. ( $\$0.06 \text{ per brochure} \times 100,000 \text{ brochures} = \$6,000$  annually).

### **Mailing Costs**

Each qualifying patient and caregiver will receive his/her card in the mail. It is estimated that 10 percent of the registered patients and caregivers, 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 2019	FY 2020	FY 2021
Total Patient and Caregiver ID Cards	0	201,378	201,378
Change Request Notifications	0	20,138	20,138
Incomplete Notifications	0	10,069	10,069
Brochures/app mailed	25,000	25,000	25,000
<b>Total mailings</b>	<b>25,000</b>	<b>256,585</b>	<b>256,585</b>

#### **FY 2019**

- 25,000 envelopes ( $\$41 \text{ per } 1,000$ ) =  $25 \times \$41 = \$1,025$
- Postage ( $25,000 \times \$0.39/\text{postage rate}$ ) =  $\$9,750$

#### **FY 2020**

- 256,585 envelopes ( $\$41 \text{ per } 1,000$ ) =  $257 \times \$41 = \$10,537$
- Postage ( $256,585 \times \$0.39/\text{postage rate}$ ) =  $\$100,068$

#### **FY 2021**

- 256,585 envelopes ( $\$41 \text{ per } 1,000$ ) =  $257 \times \$41 = \$10,537$
- Postage ( $256,585 \times \$0.39/\text{postage rate}$ ) =  $\$100,068$

### **Division of Administration**

DHSS-DA assumes one Accounting Clerk (start date June 1, 2019) can process 30,000 receipt transactions per year. An Accounting Generalist I/II (start date March 1, 2019) 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 and 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.

<b>Transaction</b>	<b>FY 2020</b>
Qualifying Patient Initial Applications	116,807
Qualifying Patient Renewal Applications	11,681
Caregiver Initial Applications	51,007
Caregiver Renewal Applications	5,101
Lost/Stolen Patient & Caregiver Replacement Cards	16,782
<b>Total Number of Transactions</b>	<b>201,378</b>
Accounting Clerk	6.00 FTE
Accounting Generalist I/II	1.00 FTE

#### **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 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.

<b>Fiscal Note</b>	18-271		ITSD - DHSS		
<b>Bill Number</b>	Initiative Petition				
<b>Will a new system be required?</b>	<u>X</u>		Yes	No	
<b>Indicate fiscal year when fully implemented</b>	FY		2020		
<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>					
<b>Fund Affected</b>			<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
General Revenue			0	0	0
Federal Funds			0	0	0
Other			309,616.67	309,634.50	309,653.50
<b>Total</b>			<b>309,634.50</b>	<b>309,634.50</b>	<b>309,653.50</b>
It is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity.					
<b>Bill Section(s)</b>					
			<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
New	Rate	Hours	\$	\$	\$
<b>IT Consultants</b>	75	8,237.16	308,893.50	308,893.50	308,893.50
<b>Other Costs:</b>					
Disk Storage (SAN)	45.36	12	544.32	558.00	572.00
Backup and Recovery (DistSys Backup-Recovery)	0.49	365	178.85	183.00	188.00
<b>Section Total Other Costs:</b>			723.17	741.00	760.00
Section Total Expenditures:			309,616.67	309,634.50	309,653.50
<b>Section Funding:</b>					
General Revenue			0	0	0
Federal Funds			0	0	0
Other			309,616.67	309,634.50	309,653.50
<b>Total</b>			<b>309,616.67</b>	<b>309,634.50</b>	<b>309,653.50</b>

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 they would not anticipate a direct fiscal impact from this proposal.

Officials from the **Department of Corrections** indicated:

Increased costs of \$11,229 in FY19, \$35,262 in FY20, and \$67,160 in FY25 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.

Current laws provide for class C felony penalties for possession (Section 579.015) and class B felony for distribution and production of controlled substances (Section 579.055). Considering additional increases in related violations, proposed changes in this bill are expected to result in two new prison admissions and three new field admissions in the first year of enactment (FY19). The maximum impact should be expected by FY 25 and will lead to an additional three offenders in prison and eighteen offenders in the field.

In addition, this proposal would be impactful to their department in that they currently test their staff for marijuana use and discipline accordingly. If their 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 them to determine which of their staff are innocently exposed from those who are abusing this substance illegally.

One would think that legalizing medical marijuana would reduce costs as fewer people would be sentenced to probation/parole/prison. But in fact, a few secondary crimes would go up, described on the estimate cover page. Also, our prisons aren't currently full of people who just committed medical marijuana crimes. That's why it's just a few people and a small cost for the overall impact.

Officials from the **Department of Revenue** indicated this petition will have a fiscal impact on their department. Increased operating costs to all state funds would total \$242,855 for fiscal year 2019, \$124,921 for fiscal year 2020, and \$126,460 for fiscal year 2021. Of these costs, \$165,106 are initial and one-time costs in fiscal year 2019 for equipment and a new computer system.

This legislation will have an economic impact on small business to the extent the business is in the growing and distribution chain of medical marijuana through remittance of additional taxes and new job creation.

<b>Fiscal Note</b>	IP 18-271		ITSD - DOR		
<b>Bill Number</b>	IP 18-271				
<b>Will a new system be required?</b>	<u>X</u>		Yes	No	
<b>Indicate fiscal year when fully implemented</b>	FY		2018		
<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>					
<b>Fund Affected</b>		<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	
<b>General Revenue</b>	-	150,012	30,752	31,521	
<b>Other</b>	-	-	-	-	
<b>Federal Funds</b>	-	-	-	-	
<b>Total</b>	-	150,012	30,752	31,521	
-					
It is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity.					
<b>Bill Section(s)</b>	amend Chapters 192, 195, 263, and 311				
		<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	
<b>New Tax System</b>	<b>Rate</b>	<b>Hours</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>IT Consultants</b>	75	2,000.16	150,012	30,752	31,521
<b>Section Total Expenditures:</b>		150,012	30,752	31,521	
<b>Section Funding:</b>	<b>General Revenue</b>	150,012	30,752	31,521	
	<b>Federal</b>	-	-	-	
	<b>Other</b>	-	-	-	
	<b>Total</b>	150,012	30,752	31,521	

This legislation increases Total State Revenue by an unknown amount from the sales tax collected on the sale of medical marijuana.

### Section 195.961

The petition levies a two percent tax on the retail sale of medical cannabis sold at medical cannabis centers. Their department may retain up to five percent for the cost of collection. The petition creates the Missouri Veterans' Health and Care Fund (MVHCF), the Missouri Public Safety Fund (MPSF), and the Missouri Drug Treatment Fund (MDTF). After retention of five percent, their department deposits one-half percent into the MVHCF, one-half percent into the MPSF, one-half percent into the MDTF, and one-half percent into the Early Childhood Development Education 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 provisions of sections 144.010 to 144.527 apply to the tax levied by this section.

**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. Collections & Tax Assistance also requires registration updates to capture the sellers and the item tax associated with them.

**Business Tax Processing:**

Although the legislation bases the two 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.

**ITSD-DOR:**

ITSD - DOR				TOTAL HOURS: 2,000		
Bill Number	IP 18-271	FN #	IP 18-271			
Bill Section(s)	amend Chapters 192, 195, 263, and 311					
Application Name:	New Tax System			FY 2019	FY 2020	FY 2021
IT Consultants	On-going Yes/No	Rate	Hours	\$	\$	\$
Requirements Gathering		75	192	14,400	-	-
Analysis		75	96	7,200	-	-
Design		75	96	7,200	-	-
Development		75	1,236	92,700	-	-
Test		75	192	14,400	-	-
Implementation		75	40	3,000	-	-
Project Management		75	148.16	11,112	-	-
On-going support	Yes	75		-	30,752.000	31,521.000
Section Total IT Consultants:		75	2,000.16	150,012	30,752	31,521
Section Total Expenditures:				150,012	30,752	31,521
General Revenue				150,012	30,752	31,521
Federal				-	-	-
Other						
Section Funding:				150,012	30,752	31,521

The sales at retail of medical cannabis would be subject to existing state and local sales tax as sales of tangible personal property. Neither the current Sales Tax Law, nor the initiative petition, provides an exemption or exclusion from tax for such sales.

Officials from the **Department of Public Safety - Office of the Director** indicated they see no fiscal impact due to this initiative petition. They have forwarded this to MSHP, MVC, and ATC for their comment.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** indicated unknown impact for their criminal records division.

They also indicated unknown economic impact on small businesses.

The proposed legislation would create the Missouri Patient Care Act.

At the time of filing an application for issuance or renewal of a state medical cannabis center license, a medical cannabis cultivation and production facility license, or a medical cannabis testing facility license, an applicant shall submit a set of his or her fingerprints to the Missouri State Highway Patrol for the purpose of conducting a state and federal fingerprint-based criminal background check. Additionally, they assume that any owner, officer, manager, or employee at any one of these facilities shall pass a state and federal fingerprint-based criminal background check prior to being associated with, managing, owning, or working at the operation.

Currently, the Missouri State Highway Patrol Criminal Justice Information Services (CJIS) Division processes all state and federal fingerprint background checks. CJIS does not know how many individuals this petition will affect, however, the fees assessed for these background checks are as follows:

State fee: \$20.00  
FBI fee: \$12  
Applicant fingerprinting vendor fee: \$8.30  
Total fee per applicant: \$40.30

Of these amounts, the state retains the \$20 state 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.

They submitted these additional comments:

To ensure compliance with Public Law 92-544, it is suggested to add the following wording to 195.906.2(h):

An applicant shall submit a set of his or her fingerprints to the Missouri state highway patrol for the purpose of conducting a state and federal fingerprint based criminal record check. Fingerprints shall be submitted in accordance with section 43.543, and fees shall be paid in accordance with section 43.530.

(h) Development of individual identification cards for owners, officers, managers, contractors, employees, and other support staff of entities licensed under sections 195.900 to 195.985, including a fingerprint based criminal record check as may be required by the division prior to issuing a card; an applicant shall submit a set of his or her fingerprints to the Missouri state highway patrol for the purpose of conducting a state and federal

fingerprint based criminal record check. Fingerprints shall be submitted in accordance with section 43.543, and fees shall be paid in accordance with section 43.530.

Officials from the **Department of Public Safety - Missouri Division of Alcohol and Tobacco Control** indicated increased operating costs to all state funds of \$5,404,449 for fiscal year 2019, \$3,782,561 for fiscal year 2020, and \$3,833,045 for fiscal year 2021. Of these costs, \$1,521,944 are initial and one-time costs in fiscal year 2019 for project management, equipment, and consultant/background checks. These costs would be offset by additional revenues of \$0 in fiscal year 2019, \$12,573,800 for fiscal year 2020, and \$10,186,900 for fiscal year 2021. Cities and counties license fee and user fee revenue would increase by \$731,380 in fiscal year 2020, \$327,190 in fiscal year 2021, and \$327,190 in fiscal year 2022.

This proposal will affect the following:

Department of Health and Senior Services  
OA – ITSD calculated separately by ITSD.  
Local Cities and Counties

Costs for ITSD are not included in this budget and will have to be calculated by ITSD. Costs related to facilities management for new facilities are not included in this budget and will have to be calculated separately.

ATC would need to remodel its current office location or move to a bigger facility in order to facilitate 48 additional staff.

The Division of Alcohol and Tobacco Control has determined that the proposed legislation should not impose a direct or significant economic burden upon a small business or directly restrict the formation, operation or expansion of a small business in Missouri.

ITSD response

<b>Fiscal Note</b>		IP 18-271		ITSD - DPS	
<b>Bill Number</b>					
<b>Will a new system be required?</b>		<u>X</u> Yes		- No	
<b>Indicate fiscal year when fully implemented</b>		FY		2019	
<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>					
<b>Fund Affected</b>		<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	
<b>General Revenue</b>		-	-	-	
<b>Other</b>		350,325	71,817	73,612	
<b>Federal Funds</b>		-	-	-	
<b>Total</b>		350,325	71,817	73,612	
-					
It is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity.					
<b>Bill Section(s)</b>		195.900.27		-	
		<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	
<b>New</b>	<b>Rate</b>	<b>Hours</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>IT Consultants</b>	75	4,671.00	350,325	71,817	73,612
<b>Section Total Expenditures:</b>		350,325	71,817	73,612	
<b>Section Funding:</b>					
General Revenue		-	-	-	
Federal		-	-	-	
Other		350,325	71,817	73,612	
<b>Total</b>		350,325	71,817	73,612	

Revenue will be generated from licensing establishments for the cultivation, production and sales of cannabis. Revenue will additionally be generated from user fees. The revenue generated will be deposited into the Medical Cannabis License Cash Fund created in 195.963.1 to use for the administration and enforcement of the Sections 195.900 to 195.985.

Section 195.918.1(1) – ATC may limit the number of licensed medical cannabis cultivation and production facilities, but must be no less than one facility per 100,000 inhabitants. ATC will license a minimum of 60 cultivation and production facilities (6,000,000 inhabitants / 100,000 = 60). At least one cannabis center license shall be issued to each cultivation and production facility license.

Section 195.918.1(2) - ATC may limit the number of licensed medical cannabis centers, but must be no less than one center per 100,000 inhabitants. ATC will license a minimum of 60 cannabis centers ( $6,000,000 \text{ inhabitants} / 100,000 = 60$ ). A medical cannabis cultivation and production facility may be approved for up to two additional cannabis center licenses if more cannabis centers are needed for sufficient access to patients.

Section 195.963.2(1) – Requires applicants to submit a non-refundable \$12,500 application fee when filing for a license, 60 cultivation and production facilities and 60 cannabis centers with the possibility of an additional 120 cannabis centers or  $240 \times \$12,500 = \$3,000,000$ . It also requires a \$12,500 annual license fee for the medical cannabis cultivation and production facility license and the medical cannabis center license,  $240 \times \$12,500 = \$3,000,000$ .

ATC believes that there will be approximately 100 license applications submitted above the amount that will be finally approved for licenses. Nevada which has less than half the population of Missouri currently has 176 applications for the medical marijuana center license for only 77 allowable centers. Since the fee is nonrefundable, this will generate another \$1,250,000. This amount will probably only occur in the first year as once the licenses are allocated, there will be few applications submitted.

Section 195.963.2(2) also requires ATC to establish all other processing fees needed. Below are examples of license fees and processes that would require a fee. ATC is estimating fees for licenses, renewals and each change based on what Colorado is currently charging for these types of transactions. Colorado is similar in population to Missouri.

Fee Revenue – FY'20			
Type of Fee	Fee	Est. Number	Annual Revenue
<b>Initial License Fees (1 Year)</b>			
Medical Cannabis Center License	\$12,500	180	\$2,250,000
Medical Cannabis Cultivation and Production Facility License	\$12,500	60	\$750,000
Medical Cannabis Testing Facility Registration	\$2,200	17	\$37,400
<b>Renewal License Fees</b>			
Medical Cannabis Center License	\$12,500		N/A
Medical Cannabis Cultivation and Production Facility License	\$12,500		N/A
Medical Cannabis Testing Facility Registration	\$2,200		N/A
<b>Occupational License Fees (1 Year)</b>			
Occupational Licenses – Key Occupational Employee (Manager or Owner)	\$300	1,200	\$360,000
Occupational Licenses – Support Occupational Employee	\$150	6,000	\$900,000
<b>Occupational License Fees Renewals</b>			
Occupational Licenses – Key Occupational Employee (Manager or Owner)	\$150		N/A
Occupational Licenses – Support Occupational Employee	\$75		N/A
<b>License Change Fees</b>			
Reallocation of Ownership	\$1,000	10	\$10,000
Change of Corporation or LLC Structure	\$800 per person	10	\$1,800
Modification of Licensed Premises	\$120	20	\$2,400
Duplicate Business License	\$40	5	\$200
Duplicate Occupational License	\$10	50	\$500
Indirect Financial Interest Background Investigations	\$150	10	\$1,500
Subpoena Fee	\$200	0	0
Applications to change location	\$500	0	0
Transfers of Ownership – New Owner	\$2,000	5	\$10,000

Fee Revenue – FY'21			
Type of Change	Fee	Est. Number	Annual Revenue
<b>Initial License Fees (1 Year)</b>			
Medical Cannabis Center License	\$12,500	5	\$62,500
Medical Cannabis Cultivation and Production Facility License	\$12,500	5	\$62,500
Medical Cannabis Testing Facility Registration	\$2,200	3	\$6,600
<b>Renewal License Fees</b>			
Medical Cannabis Center License	\$12,500	175	\$2,187,500
Medical Cannabis Cultivation and Production Facility License	\$12,500	55	\$687,500
Medical Cannabis Testing Facility Registration	\$2,200	14	\$30,800
<b>Occupational License Fees (1 Year)</b>			
Occupational Licenses – Key Occupational Employee (Manager or Owner)	\$300	400	\$120,000
Occupational Licenses – Support Occupational Employee	\$150	2,000	\$300,000
<b>Occupational License Fees Renewals</b>			
Occupational Licenses – Key Occupational Employee (Manager or Owner)	\$150	800	\$120,000
Occupational Licenses – Support Occupational Employee	\$75	4,000	\$300,000
<b>License Change Fees</b>			
Reallocation of Ownership	\$1,000	20	\$20,000
Change of Corporation or LLC Structure	\$800 per person	20	\$16,000
Modification of Licensed Premises	\$120	15	\$1,800
Duplicate Business License	\$40	5	\$200
Duplicate Occupational License	\$10	50	\$500
Indirect Financial Interest Background Investigations	\$150	10	\$1,500
Subpoena Fee	\$200	10	\$2,000
Applications to change location	\$500	2	\$1,000
Transfers of Ownership – New Owner	\$2,000	2	\$4,000

<b>Fee Revenue – FY’22 and Ongoing (3<sup>rd</sup> year of operation)</b>			
<b>Type of Change</b>	<b>Fee</b>	<b>Est. Number</b>	<b>Annual Revenue</b>
<b>Initial License Fees (1 Year)</b>			
Medical Cannabis Center License	\$12,500	5	\$62,500
Medical Cannabis Cultivation and Production Facility License	\$12,500	5	\$62,500
Medical Cannabis Testing Facility Registration	\$2,200	3	\$6,600
<b>Renewal License Fees</b>			
Medical Cannabis Center License	\$3,300	175	\$2,187,500
Medical Cannabis Cultivation and Production Facility License	\$8,300	55	\$687,500
Medical Cannabis Testing Facility Registration	\$2,200	14	\$30,800
<b>Occupational License Fees (1 Year)</b>			
Occupational Licenses – Key Occupational Employee (Manager or Owner)	\$300	400	\$120,000
Occupational Licenses – Support Occupational Employee	\$150	2,000	\$300,000
<b>Occupational License Fees Renewals</b>			
Occupational Licenses – Key Occupational Employee (Manager or Owner)	\$150	800	\$120,000
Occupational Licenses – Support Occupational Employee	\$75	4,000	\$300,000
<b>License Change Fees</b>			
Reallocation of Ownership	\$1,000	20	\$20,000
Change of Corporation or LLC Structure	\$800 per person	20	\$16,000
Modification of Licensed Premises	\$120	15	\$1,800
Duplicate Business License	\$40	5	\$200
Duplicate Occupational License	\$10	50	\$500
Indirect Financial Interest Background Investigations	\$150	10	\$1,500
Subpoena Fee	\$200	10	\$2,000
Applications to change location	\$500	2	\$1,000
Transfers of Ownership – New Owner	\$2,000	2	\$4,000

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 ATC for the Department of Revenue) shall be paid to the Division and credited to the medical cannabis license cash fund. ATC 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'21 and ongoing fines could be between \$25,000 - \$500,000 annually.

<b>Revenue</b>	<b>FY'20</b>	<b>FY'21</b>	<b>FY'22</b>
License Application Fees	\$4,250,000	\$162,500	\$162,500
License Fees (1 year license)	\$4,297,400	\$3,877,400	\$3,877,400
License Change Fees	\$26,400	\$47,000	\$47,000
Fines	0	\$100,000	\$200,000
<b>Total Revenue</b>	<b>\$8,573,800</b>	<b>\$4,186,900</b>	<b>\$4,286,900</b>

### **Colorado Medical Marijuana Sales Tax Receipts**

<b>Fiscal Year</b>	<b>Receipts</b>
10-11	\$4,367
11-12	\$5,982,950
12-13	\$9,112,237
13-14	\$10,562,577

Colorado receipts include a 2.9% sales tax rate on medical marijuana. ATC estimates that sales tax receipts in Missouri for the first year will be minimal because of the time it takes to implement this act. However, ATC estimates that Missouri revenue from sales tax collections on medical marijuana could be slightly lower as the Missouri sales tax rate (2%) is almost one percent lower what Colorado is assessing.

Section 195.005 Gives the department of Health and Senior Services the duties and powers set forth in sections 195.900 to 195.985.

Sections 195.018 Products used as authorized by sections 195.900 to 195.985 are exempt from the provisions of section 195.017.

Section 195.900.1 & 2 Creates the Missouri Patient Care Act that allows marijuana to be used for medicinal purposes under sections 195.900 to 195.985, and also specifies that it is illegal to cultivate, manufacture, or sell medical cannabis except in compliance with the medical cannabis laws as provided.

Section 195.900.3 Defines the following terms:

- (1) Adequate supply means 2.5 ounces during a 14 day period derived solely from an in state source. It provides for a waiver to department of health and senior services to allow for additional amounts under certain situations. Qualifying patients cannot possess more than a sixty day supply.
- (2) Administer is the ways that marijuana and marijuana products can be applied to the qualifying patient.

- (3) Cannabis is defined, but specifically excludes the stalks of such plant, fiber from the stalks, or cake made from the seeds.
- (4) Cannabis plant monitoring system is an electronic seed-to-sale tracking system that tracks the life cycle of the medical cannabis plant from growth to packaging and sale to a qualifying patient.
- (5) Cannabis products are products infused with cannabis or cannabis extract intended for use or consumption.
- (6) Caregiver is a person, over 21 years of age that has significant responsibility for helping the patient. Not the patient or the patient's physician.
- (7) Department means the department of health and senior services (DHSS).
- (8) Division means the division of alcohol and tobacco control (ATC).
- (9) Entity is a natural person, corporation, unincorporated association, business trust, limited liability company or partnership, general or limited partnership, joint venture, or any other entity.
- (10) Good Cause defines the situations that can result in the refusing or denying of a medical cannabis license, license renewal, or reinstatement of license.
  - (a) Applicant or licensee has violated, does not meet, or has failed to comply with any of the terms of the act or rules.
  - (b) Applicant or licensee has violated or fails to comply with special terms or conditions.
  - (c) The licensed premises have been operated in a manner that adversely affects public health.
- (11) License is the act of granting a license or registration under the new sections.
- (12) Licensed premises mean the premises that have been licensed to cultivate, manufacture, distribute or sell medical cannabis.
- (13) Licensee is the person licensed or registered under the new sections.
- (14) Limited access area is an area of the licensed premises that access is limited to only those persons licensed by ATC, and visitors and vendors as provided by rule and requires signage designating such.
- (15) Local licensing authority refers to municipal or county charter or ordinances.
- (16) Medical cannabis refers to the cannabis that is grown and sold under the new sections.
- (17) Medical cannabis center is a person licensed to operate a business that sells medical cannabis to registered qualifying patients or caregivers.
- (18) Medical cannabis cultivation and production facility is a person licensed to operate a business as described in section 195.954.
- (19) Medical cannabis-infused products are products that are infused with medical cannabis that is intended for use or consumption other than by smoking.
- (20) Medical cannabis testing facility is an independent facility licensed, certified and approved by ATC to conduct research and analyze medical cannabis for contaminants and potency. (Does ATC have to approve medical cannabis testing, or can they be certified in other ways?)
- (21) Medical use is production, distribution and use of cannabis or cannabis infused products for qualifying patients to relieve symptoms or effects of qualifying medical conditions.

- (22) Person includes person, partnership, association, company, corporation, LLC, or organization, manager, agent, owner, director, servant, officer or employee.
- (23) Premises is defined as a distinct and definite location.
- (24) Qualifying medical conditions are defined in this subsection.
- (25) Qualifying patient is a Missouri resident diagnosed with at least on qualifying medical condition.
- (26) Smokeless vaporizing device is a medical-grade vaporizing device used to administer metered doses of medical cannabis.
- (27) State licensing authority means ATC and is responsible for regulating and controlling the licensing of the cultivation, manufacture, distribution and sale of medical cannabis in this state.
- (28) Written certification is a document dated and signed by a physician stating that a qualifying patient has a qualifying condition and is being treated or managed by the physician.

195.903.1 Makes ATC the state regulatory and licensing authority.

195.903.2 Allows the State Supervisor to employ FTE as may be determined necessary. It also specifies that no money shall be appropriated or used from general revenue to support the Missouri Patient Care Act.

195.906.1 Provides what ATC is responsible for such as:

- (1) Grant or refuse applications for state licenses; suspend, fine, restrict or revoke licenses issued under these provisions. It also provides ATC with the authority to take any action with respect to registrations as it may with respect to licenses.
- (2) Establish rules and regulations to carry out the provisions of this new section.
- (3) Provide written notice of denial and provide the right to a hearing before the administrative hearing commission.
- (4) Maintain the confidentiality of patient record reports received from license holders.
- (5) Develop forms as necessary for administration of this act and related rules.
- (6) Prepare annual report to the Governor accounting for the discharge of duties.

195.906.2(1) Provides guidelines for the promulgation of rules such as:

- (a) Provide procedures to assure compliance with this act, and establish procedures for administrative actions against licensee.
- (b) Specify procedures for officers and employees of ATC.
- (c) Provide instructions for local licensing authorities and law enforcement.
- (d) Provide the requirements for inspections, investigations, searches, seizures and other activities.
- (e) Creation of a range of administrative penalties.
- (f) Prohibit misrepresentation and unfair practices.
- (g) Provide control of informational and product displays.

- (h) Develop process for ID cards for all involved in the medical cannabis industry, including a fingerprint-based criminal record check.
  - (i) Provide identification (ID cards) of state licensees and industry employees/ owners.
  - (j) Provide for security requirements to secure the licensed premises and reporting requirements for changes to the licensed premises.
  - (k) Provide regulations for the storage of, warehouses for and transportation of medical cannabis.
  - (l) Provide for sanitary requirements for licensed premises including the sanitary requirements for the preparation of medical cannabis-infused products.
  - (m) Outline the acceptable forms of picture identification that may be used when verifying a sale.
  - (n) Provide for labeling standards.
  - (o) Provide for testing standards.
  - (p) Provide record keeping standards and required availability of records.
  - (q) Provide state licensing procedures, including renewals, reinstatements, initial licenses and the payment of licensing fees.
  - (r) Provide for the reporting and collection of monthly sales tax payments by medical cannabis centers.
  - (s) Work with the department of revenue to ensure sales and income tax payments.
  - (t) Provide for method to impose administrative penalties and procedures for appealing.
  - (u) Provide for other procedures or rules that are necessary for comprehensive administration of the act.
- (2) Authorizes ATC to use emergency rulemaking procedures set out in section 536.025 to promulgate emergency rules by March 6, 2019 for prompt implementation of this act.
- (3) Prevents ATC from fixing prices for medical cannabis.

195.909.1 A local licensing authority of cities and counties upon receipt of the fee may issue a:

- (1) Medical cannabis center license.
- (2) Medical cannabis cultivation and production facility license.

195.909.2(1) Prevents local licensing authority from issuing a local license within a municipality or unincorporated portion of a county unless they have adopted an ordinance or resolution specifying the licensing standards. If licensing standards have not been adopted prior to June 1, 2019, the local licensing authority shall use the minimum licensing requirement of this act.

195.909.2(2) Allows the local governing body to adopt additional standards for the issuance of medical cannabis licenses consistent with the intent of sections 195.900 to 195.985 as follows, but not limited to:

- (a) Distance restrictions between premises

(b) Other requirements necessary to ensure control of the premises and ease of enforcement of the terms and conditions of the license.

195.909.3 Local governments may limit the use of land for medical cannabis centers and medical cannabis cultivation and production facilities. Local zoning approvals shall be made by the governing body of the city, county, or municipality as it applies. Local governments can prohibit the operations of medical cannabis in the city, county, or municipality with a two-thirds majority vote from the registered voters.

195.909.4 Requires an applicant to file his license application with the appropriate local licensing authority on ATC application forms, and local licensing authorities can also require additional forms. License applications must be verified by the oath or affirmation of the persons as prescribed by ATC.

195.909.5 Requires applicant to provide plan specifications for the interior of the building that is to be licensed to local licensing authority and other requirements deemed necessary by ATC or the local licensing authority.

195.912.1 A local licensing authority must schedule and hold a public hearing on submission of an initial application to be held not less than thirty days after the date of the application, but not more than ninety days from the application date. If a hearing is not scheduled within the timeframe, the application shall be considered approved. The local licensing authority shall post and publish public notice thereof not less than 10 days prior to the hearing.

195.912.2 Specifies the sign that should be used for public notice of hearing.

195.912.3 Requires public notice given by publication to contain the same information as required on the sign.

195.912.4 Requires the sign where medical cannabis is to be cultivated, tested, manufactured, distributed or sold to be posted on the proposed licensed location in a conspicuous and visible spot, and if the building is not constructed, a sign shall be posted at the location that it is to be built.

195.912.5(1) A local licensing authority or the license applicant may request a concurrent state review of the license application before final approval is given by the local licensing authority, but the local authority shall still continue to independently review the applicant's license application.

(2) Requires ATC to notify local licensing authority of issues that might result in denial of license and must also notify the local licensing authority of correction of the problem(s). ATC must also notify the local licensing authority of conditional approval of applicant. After final approval by the locals, ATC shall issue the applicant a state license.

(3) Applications for concurrent review shall be accompanied by all license and application fees. Denial of the license will result in a refund of the license fee, but not any other fees. Application fees shall be retained by the respective licensing authority.

195.915.1 A local licensing authority must provide results of its investigation in writing to the applicant not less than 5 days prior to the date of the public hearing. License may be refused for good cause, subject to judicial review.

195.915.2 Outlines considerations that may be made by local licensing authority when determining whether to approve or deny an application.

195.915.3 Local licensing authority must issue licensing decision within 30 days after the public hearing or completion of the application investigation. The decision must be made in writing and provided to the applicant.

195.915.4 A local licensing authority may not issue a local license until the building is completed and ready for business and has been inspected by the local licensing authority and it matches plan provided with application.

195.915.5 A local licensing authority must notify ATC of the approval of the license by the local licensing authority, and the state will then investigate and approve or disapprove the application.

195.918.1(1) Limits licensing of medical cannabis cultivation and production facilities to 60 each statewide (1 per 100,000 inhabitants or  $6,000,000/100,000 = 60$ ). The license is valid for one year and shall be renewable, except for good cause. At least one medical cannabis center license shall be issued for each medical cannabis cultivation and production facility license.

(2) Limits licensing of medical cannabis centers to 60 (1 per 100,000 inhabitants or  $6,000,000/100,000 = 60$ ), but allows current licensees to, in some instances, acquire an additional two medical cannabis center licenses. These two additional ones are above and beyond the initial 60 licenses. The license is valid for one year and shall be renewable, except for good cause.

(3) Licenses shall be disbursed geographically by ATC, in consultation with DHSS, to ensure statewide access for patients. If more than the statewide limit for medical cannabis centers is necessary to provide sufficient patient access, a medical cannabis cultivation and production facility may be approved for up to two additional cannabis centers licenses, subject to approval by ATC and local licensing authority.

195.918.2 Requires a \$5,000 bond for sales and use taxes due the state in event of nonpayment.

195.918.3 Requires ATC to have a final determination of failure to pay taxes before such bond can be required to make payments to the state.

195.918.4 Requires bonds to be renewed or continued at the time of license renewals.

195.921.1 Applications for a state license must be made to ATC on forms prepared by ATC to include information to establish whether a state license shall be granted.

195.921.2 ATC shall make application forms available within 180 days of the effective date of this section, and shall begin accepting applications no later than 240 days after the effective date.

195.921.3 ATC may not issue a state license until the local licensing authority has given approval.

195.921.4 Does not preempt local government to enact ordinances or resolutions concerning matters which local governments are authorized to oversee.

195.924.1 & 2 Requires ATC to deny a state license if the premises don't meet requirements set out in statutes. It also provides for the applicant to have a hearing before the administrative hearing commission if the license is denied. ATC is required to provide written notice of the reason for denial to the applicant and local licensing authority at least 15 days prior to the hearing.

195.927.1 Provides guidelines on who shall not be issued a license:

- (1) Annual Fee must be paid.
- (2) A person under 21 years old.
- (3) A licensee who has:
  - a. Failed to provide a surety bond, proof of assets or file any tax return
  - b. Failed to pay taxes.
  - c. Failed to pay a judgment due to a government agency.
  - d. Failed to stay out of default on a government-issued student loan.
  - e. Failed to pay child support.
  - f. Failed to remedy an outstanding delinquency for any of the above.
- (4) A person who in the last ten years preceding the application date has discharged a sentence for a felony conviction, or a person who has at any time been convicted of a felony regarding the possession, distribution, or use of a controlled substance.
- (5) A person who employs someone at a medical cannabis center, cultivation and production facility or testing facility that has not passed a criminal background check.
- (6) A sheriff, deputy sheriff, police officer, or prosecuting officer or any officer or employee of ATC, or a local licensing authority.
- (7) A person whose primary caregiver license was revoked by DHSS.
- (8) A person who is licensing a location that is currently licensed as a retail food establishment or wholesale food registrant.

195.927.2 This new section shall comply with provisions of section 324.010.1.

195.927.3 Licenses shall be held by entities that are 60% or more owned by natural citizens who have been Missouri residents for the three years prior to filing of the application for a license.

195.927.4(1) Gives ATC access to criminal background checks information in order to investigate applicants. If ATC considers the background check information, ATC must also consider information provided by the applicant showing evidence of rehabilitation, character reference, and educational achievements.

(2) Defines criminal justice agency to mean any federal, state, or municipal court or any government agency or subunit of such agency that administers criminal justice under a statute or executive order, and which a substantial part of their annual budget is spent on criminal justice.

(3) Applicant must submit personal history information as required by ATC, and also fingerprints which shall be in accordance with section 43.543 and 43.530, for submission to the MSHP who shall forward, if necessary, to the FBI for conducting a criminal background check. After a licensee has submitted the fingerprint check twice, they may thereafter submit a name based criminal background check. ATC is allowed to verify any information that an applicant is required to submit.

195.930 Gives reasons ATC or the local licensing authority shall not issue license:

(1) If ATC already denied a license at the location or within 1,000 feet of the location in the 2 years prior due to the nature of the use, or other concern.

(2) Until the lease or ownership of the location is established.

(3) If the local zoning laws of the municipality or county do not allow medical cannabis production or sale.

(4)(a) If the building to be licensed is within 1,000 feet of a school, college or university, or a licensed childcare facility, or within 100 feet of a youth center, public swimming pool, or video arcade facility . It allows for an exception for those already licensed, if the licensee was actively doing business prior to one of the listed facilities being constructed.

(b) The distances are computed by direct measurement from the nearest property lines of the land used for school or campus to the nearest portion of the building in which medical cannabis is to be sold.

(c) The local licensing authority shall make the determination as to whether the distance restrictions are valid.

195.933.1 A state or local license is not transferable except in special situations:

195.933.2 A transfer of ownership requires the license holder to apply to ATC and the local licensing authority on ATC forms. The local licensing authority may hold a hearing in the same manner as set out in section 195.912. ATC may hold a transfer of ownership hearing in compliance with section 195.912.

195.936.1 Allows a county or municipality to enact stricter regulations and restrictions than the state law.

195.936.2 Applicant cannot operate until license has been granted by both local licensing authority and ATC. Applicant must provide a complete list of all owners, officers, and employees to licensing authorities.

195.936.3 Licensee must notify ATC in writing within 10 days after an owner, officer, or employee ceases to work at, manage, own, or otherwise be associated with the operation. They must surrender their identification card to ATC on or before the date of notification.

195.936.4 Licensee must notify ATC in writing of the name, address, and date of birth of an owner, officer, manager or employee before the new person may begin working with the operation. They must pass a fingerprint-based criminal background check and obtain the identification card prior to being associated with, managing, owning or working at the operation.

195.936.5 Licensee may not acquire, possess, cultivate, deliver, transfer, transport, supply or dispense cannabis for any reason except to assist patients or as otherwise provided for in sections 195.900 to 195.985.

195.936.6 Owners of licensed medical cannabis operations are authorized to do business in Missouri. The local licensing authority shall not issue a license until ATC has received the license fee due. Licenses are valid for a one year period from date of issuance.

195.936.7 Licensing authorities may consider all requirements and exceptions of the Missouri Patient Care Act and rules promulgated under this act, along with any other reasonable restrictions before issuing the license. Licensing authorities may consider the effect on competition of granting or denying a second or third additional license to the licensee and shall not approve an additional license that has the effect of restraining competition.

195.936.8(1) Each license is separate and distinct. A separate license is required for each specific business and each geographical location.

(2) Licensee must maintain possession of the premises at all times.

195.936.9(1) License must specify the date of issuance, period of licensure and name of licensee and the premises licensed. License must be displayed conspicuously on the licensed premises at all times.

(2) A local licensing authority may not transfer location of or renew a license until the applicant produces a license granted by ATC covering the whole period for which the license or renewal is sought. (It appears that for initial licenses, the local licensing authority must grant the license before ATC can issue a license, but for changes in location, ownership or renewals, ATC must grant the license before the local licensing authority can issue the license.)

195.936.10 The day of the license issuance shall not count towards the designated time period of the license. Saturdays, Sundays and legal holidays shall be counted as any other day.

195.936.11 Licensee must report transfers or change of financial interest to ATC and the local licensing authority 30 days prior to the event. A report shall be required for transfers of capital stock of any corporation.

195.936.12 Licensee shall manage the licensed premise or appoint a manager on the premises. The manager must be reported to ATC and the local licensing authority. Any changes must be reported to both 30 days prior to the change.

195.936.13(1) A licensee may move the permanent location within the same municipality or county in which the license was granted, but may not conduct business until permission is granted from both ATC and the local licensing authority.

(2) ATC and the local licensing authority must consider all aspects of the new location to be sure the new location is in accordance with all requirements of the Act, local ordinances and the rules and regulations before granting a change.

195.939.1(1) ATC shall notify the licensee 90 days before the expiration date of the license. A renewal must be submitted to the local licensing authority 45 days and to ATC 30 days prior to the expiration date. A local licensing authority shall not accept a late renewal except as provided in (2) below. ATC may extend the expiration date and accept a late application for renewal provided that the applicant has filed timely with the local license authority. All renewals filed with the local licensing authority and approved by such, shall next be processed by ATC. ATC and the local licensing authority may waive the late renewal time requirements upon reasonable grounds. The local licensing authority may hold a hearing for renewal only if there have been complaints filed against it, there is a history of violations, or there are allegations that constitute good cause.

(2) The local licensing authority must post a notice of the hearing and notify the licensee for a period of ten days prior to holding a hearing. The local licensing authority may refuse to renew any license for good cause.

195.939.2(1) A late renewal application fee of \$500 to the local licensing authority will be charged to renew a license that has expired, but not if it is expired for more than 90 days. A licensee may continue to operate until both ATC and the local licensing authorities have taken final action to approve or deny the late renewal application.

(2) No late renewal application is acceptable after more than 90 days after the expiration date and licensee must discontinue business actions.

195.942 A license may be revoked or not renewed if the licensed premises have been inactive without good cause for at least one year.

195.945.1 ATC, by rule, shall require complete disclosure of all persons having a direct or indirect financial interest and the details of such interest in any license.

195.945.2 A person shall not have unreported financial interest in a license unless such person has undergone a fingerprint-based criminal background check (Does this mean that if they haven't reported a financial interest as required by the application process and previous requirements, it's okay as long as they have undergone a fingerprint-based criminal background check?). This does not apply to banks, savings and loan associations or industrial banks, or to stockholders, directors, or officers thereof.

195.945.3 This section is intended to prevent control of the business by a person other than who is licensed to do so (subterfuge).

195.948.1 ATC may grant four types of licenses under this act.

- (1) Medical cannabis center license;
- (2) Medical cannabis cultivation and production facility license;
- (3) Medical cannabis testing facility license;
- (4) Occupational licenses and registrations for owners, managers, operators, employees, contracts and other support staff, or those having access to restricted areas as determined by ATC. ATC may take action against the registration the same as the other licenses.

195.948.2 A business will be required to hold both a medical cannabis center license and cultivation and production facility license.

195.948.3 A medical cannabis business must use a cannabis plant monitoring system to track all inventory.

195.948.4 Banks and credit unions may loan money to licensees for the operation of a licensed business.

195.948.5 A medical cannabis testing facility shall be licensed, approved, and certified by ATC. Owners of medical cannabis testing facilities cannot have financial interest in medical cannabis cultivation and production facilities and medical cannabis centers. Owners of medical cannabis cultivation and production facilities and medical cannabis centers cannot have financial interest in medical cannabis testing facilities.

195.951.1 A medical cannabis center license may be issued only to a person selling medical cannabis under this section.

195.951.2 A medical cannabis center licensee may also sell prepackaged and labeled cannabis-infused products

195.951.3 Except as provided in subsection 4 of this section, a licensee shall only sell cannabis grown in its medical cannabis cultivation and production facility.

195.951.4 A licensee shall not purchase more than thirty percent of its total on-hand inventory of cannabis from another licensed medical cannabis center in Missouri, and shall not sell more than thirty percent of its on-hand inventory to another licensed medical cannabis center in Missouri.

195.951.5 Licensee of the medical cannabis center must verify that the purchaser has a valid registration card from DHSS and valid picture identification card that matches the name on the registration card before making a sale.

195.951.6 Licensee shall provide an amount of its medical cannabis to a medical cannabis testing facility for testing as established by rule.

195.951.7 Provides the labeling requirements for selling medical cannabis:

(1) Medical cannabis (not infused) shall have a legible, firmly affixed label on which the wording is no less than one-sixteenth inch in size on each package and contains the following information:

- (a) Patients name.
- (b) Name and registration number of the licensee that produced it along with telephone number, mailing address, and website information if any.
- (c) Quantity of usable cannabis in the package.
- (d) The date of the packaging.
- (e) Batch number, sequential serial number, and bar code when used, to identify the batch associated with manufacturing and processing.
- (f) The cannabinoid profile of the cannabis including the THC level.
- (g) Statement regarding the limited information about the safety of the product and/or to keep away from children.

(2) Medical cannabis-infused products shall have a legible, firmly affixed label on which the wording is no less than one-sixteenth inch in size on each package and contains the following information:

- (a) Patients name.
- (b) Name and registration number of the licensee that produced it along with telephone number, mailing address, and website information if any.
- (c) Name of the product.
- (d) Quantity of usable cannabis in the package as measured in ounces.
- (e) A list of the ingredients, including the cannabinoid profile and the THC level.
- (f) The date of the product creation and use by date.
- (g) Batch number, sequential serial number, and bar code when used, to identify the batch associated with manufacturing and processing.
- (h) Directions for use if relevant.
- (i) Statement that the product was tested for contaminants, and no adverse findings, and the date of the testing.
- (j) A warning known allergens are in the product.
- (k) Statement regarding the limited information about the safety of the product and/or to keep away from children.

(3) Packaging instructions include plain, opaque, tamper-proof and child-proof containers without designs other than the centers logo.

195.951.8 Licensee shall comply with all provisions of law as relate to persons with disabilities.

195.954 A medical cannabis cultivation and production facility license may be issued only to a person who grows and cultivates cannabis and who manufactures medical cannabis or cannabis-infused products under this Act.

195.957.1 The DHSS is designated as the state agency for regulating and controlling the manufacture of medical cannabis infused products.

195.957.2(1) Medical cannabis-infused products can only be prepared on a licensed cultivation and production facility used for the manufacture and preparation of cannabis-infused products and which uses equipment for that exclusive purpose.

(2) Only a licensed medical cannabis cultivation and production facility is permitted to produce cannabis-infused products for such facility's medical cannabis centers and may sell to any other licensed cannabis center in Missouri.

(3) All cannabis cultivated must be tested in accordance with:

(a) Cannabinoid profile and for contaminants as specified by DHSS, including mold, mildew, heavy metals, plant-growth regulators and nonorganic pesticides. DHSS may require additional testing.

(b) Testing results must be maintained for no less than one year.

(c) Must have a procedure to follow up on results indicating contamination including destruction of product and assessment of the source.

(d) All testing shall be conducted by an independent laboratory that is:

a. accredited to International Organization for Standardization (ISO) 17025 by a third- party accrediting body; OR

b. Certified, registered, or accredited by an organization approved by DHSS.

(e) Testing must be conducted in accordance with the frequency as required by DHSS.

(f) The medical cannabis facility shall have a contractual arrangement with a laboratory for the purposes of testing cannabis, and those individuals responsible for testing must be licensed.

(g) A medical cannabis cultivation and production facility may not have a financial or other interest in a laboratory providing testing services for a licensee.

(h) No individual employee of a laboratory providing testing services shall receive financial compensation from any medical cannabis facility.

(i) Transportation to and from the laboratories shall comply with rules promulgated by ATC.

(j) All storage of cannabis at a laboratory shall comply with subdivision (4) below.

(k) Excess cannabis from the testing facility shall be returned to the source facility and be disposed of so as to minimize the development of odor and minimize attraction of bugs, in section 195.957.2(6)(e).

(4)(a) All cannabis shall be housed and stored in such a manner as to prevent diversion, theft, or loss.

(b) Medical cannabis shall be accessible only to the minimum number of authorized agents essential for efficient operations.

(c) Medical cannabis shall be returned to a secure location at the end of the scheduled business day.

- (d) If the manufacturing process cannot be completed at the end of a day, all processing area or tanks, vessels, bins, or containers containing cannabis shall be securely locked inside an area or building that affords adequate security.
- (5) Cannabis shall be processed in a safe and sanitary manner. Only the leaves and flowers of the female cannabis plant shall be processed as follows:
  - (a) Well cured and free of seeds and stems;
  - (b) Free of dirt, sand, debris, and other foreign matter;
  - (c) Free of contamination by mold, rot, other fungus, and bacterial diseases;
  - (d) Prepared and handled on food-grade stainless steel tables; and
  - (e) Packaged in a secure area.
- (6) (a) – (o) Sets out the specific guidelines for sanitary requirements that must be met by anybody whose job includes contact with cannabis or nonedible medical cannabis-infused products, including cultivation, production, packaging, is subject to the requirements for food handlers under state law and in accordance with DHSS. It specifically sets out rules that must be followed by all who come into contact with the manufacturing and processing of medical cannabis products. (Not sure if ATC would oversee this aspect as DHSS is the agency for setting out sanitation standards and would likely have more expertise in doing such inspections).

195.957.3(1) Medical cannabis cultivation and production facilities shall provide adequate lighting, ventilation, temperature, humidity, space and equipment.

- (2) Facilities shall have separate storage for outdated, damaged, deteriorated, mislabeled, contaminated, opened or breached cannabis, until it is destroyed.
- (3) Storage shall be clean and orderly.
- (4) Storage shall be free from infestation by insects, rodents, birds, and pests of any kind.
- (5) Storage shall be maintained in accordance with security requirements set out by ATC.

195.960.1 Prevents wholesaling, transferring or processing any medical cannabis product until the product has been tested by a medical cannabis testing facility and validated.

195.960.2(1) Sets out the cultivation process and testing that needs to take place before it will be deemed valid.

- (2) Sets out the production process and testing that needs to take place before it will be deemed valid.

195.960.3(1) Each harvest and production batch of medical cannabis concentrate and product shall be tested by a medical cannabis testing facility for salmonella sp., Escherichia coli and other bile tolerant bacteria.

- (2) Each harvest batch shall be tested for filth and other visible contamination.
- (3) Each production batch of solvent-based cannabis concentrate shall be tested for residual solvent contamination.

195.960.4(1) ATC may require additional tests on a harvest or production batch.

(2)(a) Sets out a waiver to testing production batches in (1) above if the facility does not wholesaler or transfer any portion of the production batch to manufacture medical cannabis product, except that a solvent-based medical cannabis concentrate shall still be submitted for a residual solvent contaminant test.

(b) If only CO<sub>2</sub> was used on a product batch, residual solvent testing is not required.

195.960.5(1)(a) When a facility makes a material change to its cultivation or production process, the first five harvest or production batches must be revalidated.

(b) A material change includes if a facility uses a different pesticide.

(c) Using a new solvent is considered a material change.

(d) Licensee shall notify the medical cannabis testing facility of the material change.

(e) When a harvest or production batch is required for testing due to a material change, the facility may not wholesale, transfer or process into medical cannabis concentrate or product being tested.

(2) If six of ten tests batches produced fail contaminant testing, the facility will have to revalidate its process.

195.960.6 Medical cannabis-infused products shall not be exempt from state or local sales tax.

195.961.1 Levies a two percent retail sales tax on the sale of medical cannabis at medical cannabis centers for the privilege of engaging in business. Sellers of medical cannabis shall report to the director of revenue, on forms provided by the director of revenue, the total gross receipts for sales of medical cannabis at retail, and remit to the director of revenue two percent of their gross receipts.

195.961.2 After retaining no more than five percent of its actual collection costs, the department of revenue shall deposit one-half percent of tax collections into the Missouri Veterans' Health and Care Fund, one-half percent into the Missouri Public Safety Fund, one-half percent into the Missouri Drug Treatment Fund, and one-half percent into the Early Childhood Development, Education and Care Fund created by section 161.125. Licensees will be allowed approved credits for returns provided the tax was paid on the returned item and the purchaser received the refund or credit.

(1) Creates the Missouri Veterans' Health and Care Fund consisting of certain taxes and fees collected under this section. The interest earned on investments shall be credited to the fund. The money remaining in the fund does not revert to general revenue at the end of the year. This is a dedicated fund and shall stand appropriated as follows:

(a) An amount necessary for the department to carry out this section.

(b) Remainder of funds shall be transferred to the Missouri Veterans Commission for health and care services for military veterans.

- (c) The money in this fund shall provide additional funding for the purposes listed above and shall not replace existing funding.
- (2) Creates the Missouri Public Safety Fund consisting of certain taxes and fees collected under this section. The interest earned on investments shall be credited to the fund. The money remaining in the fund does not revert to general revenue at the end of the year. This is a dedicated fund and shall stand appropriated as follows:
  - (a) An amount necessary for the department to carry out this section.
  - (b) Remainder of funds shall be allocated evenly to all police departments, fire protection districts, and fire departments in Missouri that have medical cannabis centers or medical cannabis cultivation and production facilities within their geographic boundaries.
  - (c) The money in this fund shall provide additional funding for the purposes listed above and shall not replace existing funding.
- (3) Creates the Missouri Drug Treatment Fund consisting of certain taxes and fees collected under this section. The interest earned on investments shall be credited to the fund. The money remaining in the fund does not revert to general revenue at the end of the year. This is a dedicated fund and shall stand appropriated as follows:
  - (a) An amount necessary for the department to carry out this section.
  - (b) Remainder of funds shall be allocated evenly to all Missouri Drug Treatment Centers funded by the state of Missouri.
  - (c) The money in this fund shall provide additional funding for the purposes listed above and shall not replace existing funding.
- (4) Gives department of revenue authority to establish, revise, and amend rules necessary to carry into effect the retail sales tax on medical cannabis and to issue forms, instructions and other documents necessary for tax collections.

195.961.3 Sections 144.010 through 144.527 apply to the administration of tax imposed in this section.

195.963.1(1) Creates the Medical Cannabis License Cash Fund that will consist of all money collected by ATC under the Missouri Patient Care Act. The fund will be dedicated solely for the administration of the Act.

- (2) The money in the fund does not revert back to general revenue at the end of the fiscal year.
- (3) The interest earned on investments shall be credited to the fund.
- (4) Creates a Medical Cannabis Program Account as an account within the medical cannabis license cash fund and will consist of all funds collected by DHSS under section 195.981 that deals with the physician and patient side of this act.

195.963.2(1) The nonrefundable application fee for a medical cannabis center license and a medical cannabis cultivation and production facility is \$12,500 each, and the annual license fee is \$12,500 each and must be submitted with the license application.

- (2) ATC shall establish all other fees for processing applications that are submitted to ATC, such as applications;
  - (a) To change location.
  - (b) Transfer of ownership.
  - (c) License renewal and expired license renewal applications.
  - (d) Licenses, i.e. medical cannabis testing facility licenses, occupational licenses and registrations.
- (3) The fees that ATC charges should reflect the actual direct and indirect costs to ATC in the administration and enforcement of the Missouri Patient Care Act.
- (4) ATC can charge applicants a fee for the cost of each fingerprint analysis and background investigation undertaken to qualify new officers, directors, managers, or employees.
- (5) At least annually, ATC will review the amount of fees and adjust the amount to reflect actual costs.

195.963.3 ATC shall establish a basic subpoena fee that will include meals, mileage, and lodging for each day of attendance as a result of a subpoena.

195.963.4 The subpoena fee will not be applicable to any federal, state, or local government agency.

195.966.1 Except for the fees charged by DHSS and the local licensing authority, all fees and fines under this act shall be paid to ATC, who will credit it to the medical cannabis license cash fund.

195.966.2 ATC expenditures shall be paid out of appropriations from the medical cannabis license cash fund.

195.969.1 Local licensing authorities can charge a fee for applications and licenses in an amount determined by them, but not to exceed ten percent of the state fees.

195.969.2 Local license fees shall be paid to the treasurer of the municipality or county where the licensed premises are located in advance of the approval, denial or renewal of the license.

195.972.1 ATC and local licensing authorities may suspend or revoke a license for violations by the licensee or any agents or employees of the licensee. Licensee must be given an opportunity for a public hearing. Both have the power to administer oaths and issue subpoenas to require the presence of people or for the production of records.

195.972.2 ATC or the local licensing authority shall provide written notifications to licensee regarding the suspension, revocation, fine and the required notice of the hearing. A suspension shall not be longer than six months, unless a summary suspension. The fees will not be returned to the licensee. A license can be summarily suspended without notice pending any prosecution, investigation or public hearing in the case of an immediate risk

or threat to public safety (195.984). Nothing in this section prevents the summary suspension of a license.

195.972.3(1) A licensee that has their license suspended for 14 days or less can petition to pay a fine in lieu of having the license suspended and both state and local licensing authorities may stay the suspension, investigate, or grant the petition if:

- (a) The public welfare and morals are not impaired, and the fine achieves the desired disciplinary purposes.
  - (b) The books and records are kept in such a manner that the loss of revenue had the licensee suffered if the suspension had gone into effect is known or can be estimated accurately.
  - (c) The licensee has not had his or her license suspended or revoked, nor had any suspension stayed during the two years immediately preceding.
- (2) The fine shall not be less than \$500 or more than \$100,000.
- (3) Payment of a fine shall be by cash, certified check or cashier's check.

195.972.4 Fines paid to the local licensing authority should be credited to the general fund. Fines paid to ATC shall be credited to the medical cannabis license cash fund (I question the effect of fines being credited to the agency that is imposing the fine as it could create the appearance that a fine is being imposed for revenue enhancement as faced by the many St. Louis municipalities as a result of traffic violations funding their operations.)

195.972.5 Stays of a suspension as a result of a licensee petitioning to pay a fine in lieu of a suspension granted are limited to those necessary while the authority completes its investigation to determine the amount of fine, or if a fine will replace the stay.

195.972.6 If the authority does not find that a stay is appropriate, the suspension shall go into effect on the operative date set by ATC or the local licensing authority.

195.972.7 Local licensing authorities are required to report all actions taken to impose fines, suspensions and revocations to ATC. ATC shall report the preceding year's actions in which fines, suspensions or revocations were imposed by local licensing authorities and ATC by January 15<sup>th</sup> and shall file a copy with the House of Representatives and the Senate, and six copies for the legislative library.

195.975.1 Licensees must keep a complete set of records which shall be open during all business hours for inspection and examination by ATC. ATC can require any licensee to furnish information to determine the business transactions of the license and can appoint an auditor to have access to such records which the licensee will pay for.

195.975.2 The licensed premises shall be subject to inspection and investigation by ATC or local licensing authorities during all business hours, or other time of apparent activity. Upon demand, locked areas must be made available for inspection without delay.

195.975.3 Licensee must keep books and records for the current tax year and the three immediately prior tax years.

195.978.1 Except as otherwise provided, it is unlawful for a person:

- (1) To consume medical cannabis in a licensed medical cannabis center or for the licensee to allow it to be consumed on the licensed premise.
- (2) To permit or fail to prevent the use of a registry identification by any person for the unlawful purchasing of medical cannabis.
- (3) To buy, sell, transfer, give away, or acquire medical cannabis except as allowed under this act.

195.978.2 It is unlawful for a licensed person to:

- (1) Be in a limited-access area unless the person's license badge is displayed.
- (2) Fail to designate areas of ingress and egress for limited-access areas and post signs as required.
- (3) Fail to report a transfer of location or ownership of license.
- (4) Fail to report the name of or a change in managers.

195.978.3 It is unlawful for any licensee under this act to:

- (1) Sell more than two and one-half ounces of cannabis flower or its equivalent during a sales transaction to a qualifying patient.
- (2) Display any signs that are not consistent with local laws or regulations.
- (3) Use advertising material that is misleading, deceptive, false, or appeals to minors.
- (4)(a) Sell to a person not licensed by DHSS or to a person without a valid patient registry identification card. A person under 21 years of age shall not be employed to sell or dispense medical cannabis, or grow or cultivate it.  
(b) If a licensee has reasonable cause to believe a person is using a fraudulent ID card to obtain medical cannabis, the licensee shall be authorized to confiscate the card if possible. They shall within 72 hours turn it over to the DHSS or local law enforcement. Failing to confiscate the ID card and turning it in does not constitute a criminal offense.
- (5) Offer for sale or solicit an order for medical cannabis in person except within the licensed premises.
- (6) Have on the premises medical cannabis that is not permitted for sale by the license.
- (7) Buy medical cannabis from a person not licensed to sell as provided by this act.
- (8) Sell medical cannabis except in the permanent location designated in the license for sale.
- (9) Require a licensee to make delivery to any premises other than the specific licensed premises where it is to be sold.
- (10) Sell, serve, or distribute medical cannabis at any time other than between the hours of 8:00 a.m. and 7:00 p.m. seven days a week.

195.978.4 Except as otherwise provided, it is unlawful for:

- (1) A licensee to sell, deliver or cause to be delivered to a licensee any medical cannabis not grown upon its licensed premises.
- (2) A licensee to sell, possess or permit sale of medical cannabis not grown upon its licensed premises.

**A violation of the above subsection shall be grounds for immediate revocation of the license.**

195.978.5 A physician who makes patient referrals may not receive anything of value from the licensees, and a licensee cannot offer anything of value to a physician making patient referrals.

195.978.6 Violations under this section (195.978) result in a person being guilty of a class A misdemeanor.

195.981 Relates to DHSS's role in ensuring patients who are suffering legitimate debilitating medical conditions are able to gain access to medical cannabis and that those who aren't suffering cannot get it through this act. They are responsible for registering patients and primary caregivers. (DHSS should respond to this section).

195.982 Provides that no adverse action by the state or any agency, board, or subdivision thereof shall be taken against any individual or entity acting in accordance with this act. Nothing in this section provides immunity for negligence.

195.984.1(1) ATC may summarily suspend a license prior to a hearing to restrict operations to protect the public health, safety or welfare.

(2) If ATC determines that a licensee or the products prepared pose an immediate or serious threat to the public, based upon inspections, affidavits or other evidence, ATC can summarily suspend a license:

(a) Requiring cessation or restriction of any or all licensee operations and restricting use of the medical cannabis produced.

(b) Placing restrictions to the extent to avert a continued threat pending final investigation results.

(3) The summary suspension shall be in effect until ATC rescinds or amends it or they take final action on a pending complaint and issue a final decision.

195.984.2 DHSS may summarily suspend any registration pending further proceedings for denial of renewal or revocation of a registration if they determine that continued registration poses an imminent danger to the public.

195.985.1 Rules promulgated under this act by DHSS and ATC will become effective only if they comply with Chapter 536.

195.985.2 Provisions of sections 195.900 to 195.985 are severable.

Section 195.903.1 makes ATC the state Regulatory and Licensing Authority.

Section 195.903.2 prevents any general revenue funds from being used to fund the operation of the act, and prevents ATC from expending GR money for the operation of these sections. ATC 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 ATC to acquire staff and money to begin processing applications, funds will have to be appropriated in some manner to fund the start up.

Section 195.903.2 allows the state supervisor to employ such FTE as may be necessary; therefore, ATC would add staff at four district offices (Kansas City, St. Louis, Springfield, and Jefferson City) as follows: 1 Staff Attorney, 7 Senior Office Support Assistants, 4 Executive I, 4 Agricultural Experts, 24 Special Agents, 4 District Supervisors and 4 Auditors.

**District Supervisor** – 4 – ATC would locate a District Supervisor in each office to oversee the activities of six Agent/Special Agents located in the field offices.

**Special Agents** – 24 – 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. ATC currently has 5 districts.

**Senior Office Support Assistant (SOSA)** – 7 – The SOSA would be assisting in 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.

**Executive I** – 4 – The Executive I's would be working with the administrative and licensing sections to process licenses, data entry, track statistics, and facilitate the composition of the reports required by law. They would in addition be utilized to assist in the payroll and payables of processing the increased transactions.

**Auditor** – 4 – The Auditor would audit the monthly sales tax reports of the medical cannabis licensees, and 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.

**Agricultural Expert** – 4 – ATC 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.

**Staff Attorney** – 1 – This person would be responsible for sorting through the large complex language of the bill, and interpreting the statutes and assisting with the promulgation of new rules to implement the act.

Expense and Equipment would be necessary for staff as outlined in the expense and equipment fiscal portion to include basic office equipment, laptops and telephone equipment. Agents will need law enforcement equipment to include weapons, ammunition, ballistic vests, vehicles, travel expenses, etc. ATC would need an identification printer scanner to create identification cards for occupational licenses.

In addition ATC 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 ATC's responsibilities and duties under this law. ATC is responsible for setting out requirements for inspections, investigations, searches and seizures. ATC 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. ATC must set out the strict security requirements for licensed premises, regulation of the storage of, warehouse for, and transportation of medical cannabis. Sanitary requirements must be set. ATC must set labeling standards, recordkeeping standards, licensing procedures, and monthly reporting and payment of sales tax. ATC must prepare rules to prohibit misrepresentation and unfair practices in this new industry.

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

#### ITSD ASSUMPTIONS

It is assumed that the new system will be required to carry out the provisions of the proposed legislation. ITSD would contract for the development of a single system to support the requirements of the Department of Health and Senior Services and for the Department of Public Safety. The estimated hours for development to support the requirement of the Department of Public Safety are based on a similar system implemented for the Department of Public Safety. The application would be hosted in the State Data Center (SDC) on existing shared hosting systems and those costs are included in the on-going costs. First year funding is unknown as section 195.903.2 prevents general revenue funds from being used, but following years will be supported by the Medical Cannabis License Cash Fund. Total estimated cost of the system is \$715,797 with \$365,472 for requirements of the Department of Health and Senior Services and \$350,325 for the requirements of the Department of Public Safety.

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 4.09 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. It sets out a schedule of fees which include a \$4,000 annual fee for a processors license and the same for a dispensary license. In January 2017 Oregon reported having 307 licensed dispensaries collecting \$1,228,000 in licensing fees, and 121 processing centers collecting \$484,000 in licensing fees. There does not appear to be a fee for a testing facility, they only need to be certified. Oregon also charges a registration fee of \$200 for marijuana growers and a \$200 registration fee for patients, which appears to be a one-time fee. The patient fee can be reduced if a patient meets certain qualifications.

**Nevada's** (population 2.94 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 staffs 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's annual budget for FY'15 for the medical marijuana establishment (MME) program budget was \$1.1 million. Revenue is as of yet unknown.

**Colorado** (population 5.54 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. Medical marijuana taxes and fees have been quite lucrative, both at the city and state levels. Revenues from state and city tax, registry and licensing medical marijuana exceeded \$20 million in FY'12. The Medical Marijuana Enforcement Division (MMED) collected \$3.78 million in fees in FY'11 and FY'12. 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's fees ranging from \$3,750 to \$14,000 depending on the centers 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'12.

Colorado's Expenditures for their Medical Marijuana Enforcement Division

<b><u>Fiscal Year</u></b>	<b><u>Total Program Expenditure</u></b>	<b><u>FTE</u></b>
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, California, Connecticut, Delaware, District of Columbia, Hawaii, Illinois, Maine, Maryland, Massachusetts, Minnesota, New Hampshire, New Jersey, New Mexico, North Dakota, Ohio, Pennsylvania, Rhode Island, Vermont, Washington and West Virginia.

Alaska, Arkansas, Florida, Michigan, Montana and New York have a medical marijuana law and registers patients and caregivers, but there are not state-registered dispensaries. Washington is the only one of the 21 states that does not provide for a registry card.

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 **Missouri 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 unknown fiscal impact.

Changes to Missouri's state driving laws could impact some federal commercial drivers' license laws.

Failure to comply with 49 C.F.R. 384.225 and 384.226 could result in a withholding of Missouri's federal-aid highway funds apportioned to it under each of Title 23, United States Code (U.S.C.), sections 104(b)(1), (b)(3), and (b)(4). The federal funds impacted consist of national highway performance program funds, highway safety improvement program funds, and congestion mitigation and air quality improvement funds. The withholding amount would be four percent for the first year of non-compliance and eight percent for the second and subsequent years.

Officials from the **Office of Administration** indicated:

This proposal amends Chapters 192, 195, 263 and 311, RSMo to legalize medical marijuana. Section 195.903.1 designates the Division of Alcohol and Tobacco Control within the Department of Public Safety as the state licensing authority for regulating and controlling the licensing of the cultivation, manufacture, distribution, testing, possession, and sale of medical cannabis in Missouri. Section 195.909 authorizes local licensing authorities (i.e. governing bodies designated by municipal or county charter or ordinance), upon scheduling a public hearing, to issue local licenses for medical cannabis centers and medical cannabis cultivation and production facilities. Section 195.957.1 designates the Department of Health and Senior Services (DHSS) as the state agency

responsible for regulating and controlling the manufacturing of medical cannabis-infused products. Section 195.981.2 requires DHSS to create regulations governing the issuance of cannabis registry identification cards to patients with qualifying conditions.

If approved, the proposal will be enacted on January 1, 2019. Section 195.906.2(2) requires the division to file regulations by March 6, 2019. Section 195.921.2 states the division shall make license application forms and instructions available within 180 days of the effective date of this section which would be July 1, 2019. The division shall begin accepting license applications no later than 240 days after the effective date of this section, which would be September 1, 2019. Applications shall be approved or denied by the division no later than 120 days after their submission, which would be January 1, 2020.

Section 195.918.1(1) and (2) state the division may limit the number of medical cannabis centers and medical cannabis cultivation and production facilities, but that limit may not be less than one license per every 100,000 inhabitants of Missouri, according to the most recent U.S. Census. Licenses shall be valid for one year from its date of issuance and shall be renewable. At least one medical cannabis center license shall be issued for each medical cannabis cultivation and production facility license. Applicants for a medical cannabis center license may be approved for an additional two medical center licenses, which will not be counted toward the statewide limit. Medical cannabis center licenses shall be valid for one year from its date of issuance and renewable. Section 195.918.1(3) states the division shall geographically disburse, in consultation with DHSS, licenses according to demographics of the state and patient demand in order to ensure access. If the number of licenses needed to ensure patient access exceeds the statewide limit, a medical cannabis cultivation and production facility licensee may be approved for up to an additional two medical cannabis center licenses, subject to approval. For the purposes of this estimate, B&P assumes that license limits are adequate to ensure patient access.

The limits on facility types and the estimated number of facilities are shown in Table 1 below.

<b>Table 1: Estimated Number of Facilities</b>			
<b>Section</b>	<b>Facility License Type</b>	<b>Limit*</b>	<b>Number</b>
195.918.1(1)	Medical Cannabis Cultivation and Production Facility	Not less than one per every 100,000 Missouri inhabitants	60
195.918.1(2)	Medical Cannabis Center	Not less than one per every 100,000 Missouri inhabitants	60

*\*The number of inhabitants is based on the most recent U.S. Census.*

Section 195.906.1 allows the issuance of medical cannabis center licenses and medical cannabis cultivation and production facility licenses by the Division of Alcohol and Tobacco Control. Section 195.963.2(1) establishes application and annual license fees for medical cannabis center licenses and medical cannabis cultivation and production facility licenses. These fees are shown in Table 2 below.

<b>Table 2: Facility License and Annual Fees</b>				
<b>Section</b>	<b>Facility License Type</b>	<b>Initial Application Fee</b>	<b>Annual License Fee</b>	<b>License Renewal Period</b>
195.963.2	Medical Cannabis Center	\$12,500	\$12,500	Annual
195.963.2	Medical Cannabis Cultivation and Production Facility	\$12,500	\$12,500*	Annual

*\*The proposal states the annual license fee for a Medical Cannabis Cultivation and Production Facility is “twelve thousand five thousand dollars”. B&P assumes this is a typo and should be “twelve thousand five hundred dollars”.*

<b>Table 3: License and Annual Fees by Facility Type</b>			
<b>Patient and Facility Type</b>	<b>Revenue Generated by Application and License Fees</b>		
	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Medical Cannabis Center*	\$1,500,000	\$759,000	\$759,000
Medical Cannabis Cultivation and Production Facility*	\$1,500,000	\$759,000	\$759,000
<b>Total</b>	<b>\$3,000,000</b>	<b>\$1,518,000</b>	<b>\$1,518,000</b>

\* Assumes a 1.2% turnover rate in facility licenses.

B&P used information from the Arizona Department of Health Services to determine that, on average, 1.2% of businesses close per year. B&P further assumed that new facilities would apply for any open licenses, and thus be subject to the initial application fee.

Section 195.961.1 creates a sales tax on the retail sale of medical cannabis of 2% of the retail price. Section 195.961.2 allows the Department of Revenue (DOR) to retain no more than 5% for collection costs. The remainder is to be deposited as follows:

- 0.5% into the Missouri Veterans' Health and Care Fund;
- 0.5% into the Missouri Public Safety Fund;
- 0.5% into the Missouri Drug Treatment Fund; and
- 0.5% into the Early Childhood Development, Education and Care Fund.

Section 195.961.2(1) establishes the Missouri Veterans' Health and Care Fund in the state treasury. The fund is to stand appropriated without further legislative action. The department is to receive an amount to carry out this section. The remainder is to be transferred to the Missouri Veterans Commission for health and care services for military veterans – capital improvements of the Missouri Veteran's Homes, mental health services, job training, housing assistance, etc.

Section 195.961.2(2) establishes the Missouri Public Safety Fund in the state treasury. The fund is to stand appropriated without further legislative action. The department is to receive an amount to carry out this section. The remainder is to be allocated evenly to all police departments, fire protection districts, and fire departments in Missouri that have medical cannabis centers or cultivation and production facilities within their geographic boundaries. The additional funding provided shall not replace existing dedicated funding.

Section 195.961.2(3) establishes the Missouri Drug Treatment Fund in the state treasury. The fund is to stand appropriated without further legislative action. The department is to receive an amount to carry out this section. The remainder shall be allocated evenly to all Missouri Drug Treatment Centers that are funded by the State of Missouri. The additional funding provided shall not replace existing dedicated funding.

B&P determined that Arizona has a similar medical marijuana law in terms of illnesses that qualify for treatment. Based on this similarity, B&P was able to base some estimates for Missouri from trends seen in Arizona since medical marijuana was approved in 2012.

<b>Table 4: Sales Tax Revenues</b>			
<b>Sales Tax Fund</b>	<b>Revenue Generated by Sales Tax</b>		
	<b>FY 2020*</b>	<b>FY 2021*</b>	<b>FY 2022*</b>
Veterans Health Care Fund	\$275,000	\$550,000	\$779,000
Public Safety Fund	\$275,000	\$550,000	\$779,000
Drug Treatment Fund	\$275,000	\$550,000	\$779,000
Early Childhood Development, Education and Care Fund	\$275,000	\$550,000	\$779,000
<b>Total</b>	<b>\$1,100,000</b>	<b>\$2,200,000</b>	<b>\$3,116,000</b>

*\*Based on sales data from Arizona during 2014 and 2015.*

Section 195.963.1(1) establishes the Medical Cannabis License Cash Fund in the state treasury. The fund shall be used solely in the administration of Sections 195.900 to 195.985. Section 195.963.1(4) establishes the Medical Cannabis Program Account within the Medical Cannabis License Cash Fund. The account shall contain moneys collected from patients applying for cannabis registry identification cards. Section 195.981.14 allows DHSS to collect fees from patients that apply to the medical cannabis program for a cannabis registry identification card. Section 195.981.8(4) states that patient registry identification cards shall be valid for one year. This amount is to be established by DHSS through rule; therefore, no estimate is provided.

Section 195.963.2(2) allows the division to establish other fees for processing various types of applications, licenses, notices, or reports required to be submitted to the state licensing authority. Section 195.963.2(4) allows the division to charge applicants a fee for the cost of each fingerprint analysis and background investigation undertaken to qualify new officers, directors, managers, or employees. Section 195.963.3 requires the division to establish a basic fee that shall be paid at the time of service of any subpoena upon the division. Section 195.972.3(2) states that fines related to the suspension of a license shall not be less than \$500 or more than \$100,000. B&P is unable to provide an estimate of revenues from these fees and fines. Section 195.966.1 states that except as otherwise provided, all fees and fines shall be credited to the Medical Cannabis License Cash Fund.

Table 5 provides a summary of revenue to be collected from licensing fees and sales tax. Because the proposal is subject to voter approval, additional revenues from the sales tax and licensing fees will not impact TSR or the calculation under Article X, Section 18(e) of the Missouri Constitution.

<b>Table 5: Summary of Revenue Generated by Medical Marijuana Taxes and Fees</b>			
<b>Revenue Source</b>	<b>Revenue Generated by License Fees</b>		
	<b>FY 2020</b>	<b>FY 2021*</b>	<b>FY 2022*</b>
<u>Application* and Annual License Fees</u>			
Medical Cannabis Center	1,500,000	759,000	759,000
Medical Cannabis Cultivation and Production Facility	1,500,000	759,000	759,000
<b>Total License and Annual Fees:</b>	<b>3,000,000</b>	<b>1,518,000</b>	<b>1,518,000</b>
<u>Sales Tax**</u>			
Veterans Health Care Fund	275,000	550,000	779,000
Public Safety Fund	275,000	550,000	779,000
Drug Treatment Fund	275,000	550,000	779,000
Early Childhood Development, Education and Care Fund	275,000	550,000	779,000
<b>Total Sales Tax:</b>	<b>1,100,000</b>	<b>2,200,000</b>	<b>3,116,000</b>
<b>Total Revenue to Medical Cannabis License Cash Fund</b>	<b>4,100,000</b>	<b>3,718,000</b>	<b>4,634,000</b>
<b>Total Local Application and License Fees^</b>	<b>300,000</b>	<b>152,000</b>	<b>152,000</b>

\* Assumes a 1.2% turnover rate in facility licenses

\*\* Based on sales data from Arizona during 2014 and 2015

^ Assumes locals set fees at the maximum 10% of state application and license fees

Officials from the **Office of State Courts Administrator** indicated:.

The proposed initiative petition would amend Chapters 192, 195, 263 and 311. This section would be known as the "Missouri Patient Care Act". It is intended to make changes necessary to protect patients, their caregivers and their physicians from civil and criminal penalties.

The average of all marijuana related charge codes from 2011 to 2015 for Circuit case types is 14,122 per year. The average of all marijuana related charge codes from 2011 to 2015 for Associate case types is 10,982.

The following Criminal Court Costs could be affected by this petition:

<b>Criminal Court Costs</b>		
<b>Felony Case Costs</b>	<b>Amount of Cost</b>	<b>Disburse to State/County</b>
Basic Civil Legal Services Fund surcharge	\$10.00	State of Missouri - Basic Civil Legal Services Fund
Clerk Fee	\$45.00	State of Missouri - General Revenue \$36, County \$9
County Fee	\$75.00	County
Court Automation Fund Fee	\$7.00	State of Missouri -Statewide Court Automation Fund
Court Reporter fee (All Circuit Division Cases)	\$15.00	State of Missouri - General Revenue
Crime Victims' Compensation Fund surcharge	\$7.50	State of Missouri - Crime Victims' Compensation Fund
DNA Profiling Analysis Fund surcharge	\$30.00	State of Missouri - DNA Profiling Analysis Fund
Brain Injury Fund surcharge	\$2.00	State of Missouri - Head Injury Fund
Independent Living Center Fund surcharge	\$1.00	State of Missouri - Independent Living Center Fund
Motorcycle Safety Trust Fund surcharge	\$1.00	State of Missouri - Motorcycle Safety Trust Fund
Peace Officer Standards & Training (POST) Commission surcharge	\$1.00	State of Missouri - Peace Officer Standards & Training Fund
Prosecuting Attorney and Circuit Attorneys' Retirement Fund	\$4.00	Pros. Attorney Retirement Fund
Prosecuting Attorney Training Fund surcharge	\$1.00	State of Missouri - Prosecuting Attorney Training Fund
Sheriffs' Fee	\$75.00	County
Sheriffs' Retirement Fund surcharge (except 21st Circuit)	\$3.00	Sheriffs' Retirement Fund
Spinal Cord Injury Fund surcharge	<u>\$2.00</u>	State of Missouri - Spinal Cord Injury Fund
<b>Total</b>	<b>\$279.50</b>	
<b>Misdemeanor Case Costs</b>		

Basic Civil Legal Services Fund surcharge	\$8.00	State of Missouri - Basic Civil Legal Services Fund
Clerk Fee	\$15.00	\$12 State of Missouri / \$3 County
County Fee	\$25.00	County
Court Automation Fund Fee	\$7.00	State of Missouri - Court Automation Fund
Crime Victims' Compensation Fund surcharge	\$7.50	State of Missouri - Crime Victims' Compensation Fund
DNA Profiling Analysis Fund surcharge	\$15.00	State of Missouri - DNA Profiling Analysis Fund
Brain Injury Fund surcharge	\$2.00	State of Missouri - Brain Injury Fund
Independent Living Center Fund surcharge	\$1.00	State of Missouri - Independent Living Center Fund
Motorcycle Safety Trust Fund surcharge	\$1.00	State of Missouri - Motorcycle Safety Trust Fund
Peace Officer Standards and Training (POST) Commission surcharge	\$1.00	State of Missouri - Peace Officer Standards & Training Fund
Prosecuting Attorney and Circuit Attorneys' Retirement Fund	\$4.00	Pros. Attorney Retirement Fund
Prosecuting Attorney Training Fund surcharge	\$1.00	\$0.50 State of Missouri / \$0.50 County
Sheriffs' fee	\$10.00	County
Sheriffs' Retirement Fund surcharge (except 21st Circuit)	\$3.00	Sheriffs' Retirement fund
Spinal Cord Injury Fund Surcharge	\$2.00	State of Missouri - Spinal Cord Injury Fund
<b>Total</b>	<b>\$102.50</b>	
<b>Municipal Case (Filed in Associate Division) Costs</b>		
Clerk Fee	\$15.00	\$12 State of Missouri / \$3 County
Court Automation Fund Fee	\$7.00	State of Missouri - Court Automation Fund
Crime Victims' Compensation Fund surcharge	\$7.50	State of Missouri - Crime Victims' Compensation Fund
Peace Officer Standards and Training (POST) Commission surcharge	\$1.00	State of Missouri - Peace Officer Standards & Training Fund

Sheriffs' Retirement Fund surcharge	\$3.00	Sheriffs' Retirement Fund
<b>Total</b>	<b>\$33.50</b>	
<b>Criminal Costs Not Included Above</b>		
Drug Testing by a State Lab	\$150.00	State of Missouri
Drug Testing by a Private Lab	Actual Costs	County Reimbursement
Law Enforcement Arrest Costs:		
Highway Patrol		Amt. Approved by the Court
Local (County)		Amt. Approved by the Court
Municipal		Amt. Approved by the Court

The decrease in the court fees, depending on the number of cases, will result in an unknown loss to the courts.

They also assume there will be an unknown decrease in caseload for the courts because the courts will no longer process these cases; however, at this time they are unable to calculate the decrease.

Any significant increase or decrease will be reflected in future budget requests.

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

Officials from the **Secretary of State's office** indicated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. Their office 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 their office for Administrative Rules is less than \$2,500. Their office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize 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 their office can sustain with their core budget. Therefore, they reserve 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.

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 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. These measures filled approximately 15 pages of text, for an estimated publication cost of \$160,000 per page. The full text of petition 2018-271 occupies 49 pages of language. Based on the estimated cost of \$160,000 per page, this petition alone would cost approximately \$3,600,000-\$3,800,000 to publish in all necessary local newspapers in FY 2019. This would be in addition to the cost of publishing any other ballot measures which are certified for the 2018 ballot.

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 our 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 have an impact on their office. It creates several new Class A misdemeanors for which, should indigent persons be accused of, public defenders would be required to provide representation. For the purpose of the initiative petition and as a result of excessive caseloads, they CANNOT assume existing staff will provide competent, effective representation for any new cases where indigent persons are charged with the proposed new crimes relating to the legalization of medical marijuana in the State of Missouri.. The Missouri State Public Defender System is currently providing legal representation in caseloads in excess of recognized standards. The State Public Defender will continue to request sufficient appropriations to provide competent and effective representation in all criminal cases where the right to counsel attaches.

Officials from the **State Treasurer's office** indicated given the potential source of the tax and fees proposed in this initiative petition, and the known banking issues involving this industry, they are unable to determine the potential fiscal impact of this initiative petition upon their office.

Even where cannabis dispensaries have been legalized and are regulated by states, federal authorities still prohibit banks and credit card companies from transporting, transmitting, accepting deposits from, or transacting business involving funds known to have been derived from marijuana distribution. For this reason, these businesses tend to have great difficulty obtaining and maintaining traditional bank accounts, and it's not clear whether

this difficulty would extend to the state's attempts to deposit tax funds derived from these businesses in the state's own bank accounts. Further, these businesses also tend to transact their business in cash, including when paying their taxes, so that instead of seeing modest amounts of cash deposits each day, the state could suddenly be faced with hundreds of thousands of dollars, or more. This would require considerably altering their security practices.

Despite knowing of all of these issues in other states, the continuing uncertainty about how or if these issues will ultimately be resolved, and whether they would face the same problems here, makes it impossible for them to even estimate the potential fiscal impact of this initiative, and those like it.

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 this amendment will have no fiscal impact on their city.

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

Officials from **University of Central Missouri** indicated they do not cultivate, manufacture, store, or sell marijuana for medical or other purposes so this will not affect them.

Officials from **Missouri State University** indicated no fiscal impact for their university.

Officials from **Missouri Southern State University** indicated they do not anticipate any fiscal impact from this initiative petition.

Officials from the **Missouri Veterans Commission** indicated they have no position on this initiative petition. They are pleased to receive any funding which appropriately comes to them to support the Veterans Programs currently administered by the Commission.

The State Auditor's office did not receive a response from the **Department of Elementary and Secondary Education**, the **Department of Labor and Industrial Relations**, **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**, **University of Missouri**, **St. Louis Community College**, **Harris-Stowe State University**, **Lincoln University**, **Missouri Western State University**, **Northwest Missouri State University**, **Southeast Missouri State University**, **Truman State University**, and the **Missouri Association of Fire Protection Districts**.

## **Fiscal Note Summary**

State government entities estimate initial and one-time costs of \$2.6 million, annual costs of \$10 million, and annual revenues of at least \$10 million. Local government entities estimate no annual costs and are expected to have at least \$152,000 in annual revenues.