

FISCAL NOTE
Requested by Legislative Council
01/19/2015

Revised
 Bill/Resolution No.: HB 1430

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$3,745,924	\$114,750	\$3,541,002	\$86,492
Expenditures			\$3,860,674		\$3,627,494	
Appropriations			\$3,860,674		\$3,627,494	

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This Bill creates a new chapter of NDCC relating to the use of medical marijuana and designates the Department of Health (DoH) to oversee the registration of caregivers and patients and the licensing and regulation of medical cannabis establishments.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Throughout the new chapter the responsibilities of the DoH include the adoption of rules to oversee the program, issuing and tracking the registry cards for patients and caregivers, along with registering and issuing registration certificates to the prospective medical cannabis establishments. In our research we noted that this new legislation was most similar to the state of Colorado's medical cannabis program. We used a ratio of our population to that of Colorado's to arrive at the basis for the number of patients, caregivers and medical cannabis establishments.

Criminal background checks will be processed by the Bureau of Criminal Investigations (BCI) division of the Attorney General's Office. Background checks are included for caregivers and any principal officer, board member, agent, volunteer or employee of a medical cannabis establishment.

Section 19-24-05 further requires the DoH to consider petitions to add serious conditions or the condition's treatment to the list of debilitating medical conditions as defined under section 19-24-01(8) in the same chapter. This is far beyond the current capacity of the DoH to do the research and laboratory testing necessary in place of the Food and Drug Administration (FDA) to add such conditions or treatment and would place a tremendous liability on the state. The needed resources are unable to be estimated at this time and these costs are not reflected in this fiscal note.

The new legislation also defines a cannabis testing facility which is to be registered with the DoH to address the safety and potency of cannabis. At this time we are unable to estimate the costs associated with testing the safety and potency of cannabis and these costs are not reflected in this fiscal note.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The bill requires that fees collected are sufficient to cover all costs of implementation and administration of this chapter and limits licenses of medical cannabis establishments at \$5,000 per year.

For the 2015 – 17 biennium:

DoH will collect fees for registration cards from caregivers and patients estimated to be collected annually at \$77 for total revenue of \$2.8 million.

Yr 1 – 4,068 caregivers Yr 2 – 4,068 renewals and 4,068 new caregivers

Yr 1 – 8,135 patients Yr 2 – 8,135 renewals and 8,135 new patients

DoH will collect registration fees from medical cannabis facilities annually. The fee can be increased each year by inflation. \$535,500 is estimated to be collected in 2015-17.

Yr 1 – 35 facilities at \$5,000 - \$175,000 Yr 2 – facilities renewing at 5,150 (inflated 3%) - \$180,250 and 35 new facilities - \$180,250

DoH estimates \$120,000 will be collected in replacement cards over the biennium at \$20 a card as outlined in section 19-24-10 (3).

All DoH revenue will be deposited to the general fund since the bill does not specify otherwise.

BCI estimates collecting \$384,750 in fees charged for background checks. \$270,000 will be deposited into the general fund and \$114,750 into the special fund as the cost for FBI fingerprinting expense is considered special revenue.

For the 2017 – 19 biennium:

DoH will collect fees for registration cards from caregivers and patients estimated to be collected annually at \$47 for total revenue of \$2.38 million.

Yr 1 – 8,636 caregivers (incl. 500 new) Yr 2 – 8,636 renewals and 500 new caregivers

Yr 1 – 16,370 patients (incl. 100 new) Yr 2 – 16,370 renewals and 100 new patients

DoH will collect registration fees from medical cannabis facilities annually. The fee can be increased each year by inflation. \$834,995 is estimated to be collected in 2017-19.

Yr 1 – 75 facilities (5 new) at (\$5,305 inflated 3%) - \$397,875 Yr 2 – 75 facilities renewing at \$5,464 (3%) inflation and 5 new facilities - \$437,120

DoH estimates \$120,000 will be collected in replacement cards over the biennium at \$20 a card as outlined in section 19-24-10 (3).

BCI estimates collecting \$290,000 in fees charged for background checks. \$203,508 will be deposited into the general fund and \$86,492 into the special fund as the cost for FBI fingerprinting expense is considered special revenue.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

2015 – 17:

DoH costs include 13 new staff to handle the registration of qualified patients and caregivers by the end of the biennium. 8 of those FTE would be needed on July 1, 2015 with an additional 5 joining July 1, 2016. 9 new FTE are needed to handle the Medical Marijuana Enforcement program by the end of the biennium. 6 of those FTE would be needed on July 1, 2015 with an additional 3 joining July 1, 2016. Operating costs for these 22 FTE include one-time computer and office furniture costs, rent, data processing and telephone costs. Additionally, there will be travel costs for the enforcement program staff, postage and printing related to the registration cards, one-time costs for the development of a registry to track the patients, caregivers and medical cannabis establishments, and subsequent software maintenance. Background checks will be required for 8,136 caregivers and an estimated 700 employees of 70 medical cannabis establishments at \$42.75 for each background check. The department is also required to have an advisory committee with 9 members as outlined in section 19-24-20. The department will be responsible to reimburse meeting expenses for 6 of these 9 individuals.

DoH total expenses of \$3,473,040 include salary costs of \$2,350,295 and operating costs of \$1,122,745.

BCI total expenses of \$387,634 include salary costs for 2.5 new FTE to process the increase in background checks of \$296,647 along with operating cost associated with these new FTE of \$90,987.

2017-19:

DoH costs include the continuation of the 22 FTE inflated by 4%, the continuation of the operation costs for the FTE, the cost of the advisory committee, and the cost of background checks all inflated by 3%. Note: background checks were reduced to 1000.

DoH total expenses of \$3,244,019 which include salary costs for the 22 FTE of \$2,914,709 and operating costs of \$329,310.

BCI total expenses of \$383,475 include continued salary costs for the 2.5 FTE of \$332,447 along with operating cost associated with the FTE of \$51,028.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

These expenditures are not included in the Executive Budget for the DoH (HB 1004) or the Office of the Attorney General (BCI) (SB 2003). Therefore, an appropriation would be needed.

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Date Prepared: 01/30/2015

Department of Health
Fiscal Note HB 1430
2015 - 2017 Biennium

Category	Salaries/ Fringe	IT Equip under \$5,000	Office Equip Under \$5,000	Lease - Build.	IT Data Processing	IT - Telephone	Various Operating	Total Costs
Registration of Qualified Patients and Caregivers								
1 - Division Director	201,794	1,250	2,000	3,216	2,101	672		211,033
2 - Professional Staff Members - both yrs	280,694	2,500	4,000	3,430	4,202	1,344		296,170
1 - Professional Staff Members - add 2nd yr	70,732	1,250	2,000	858	1,050	336		76,226
1 - Lead Admin Staff - both yrs	112,446	1,250	2,000	1,715	2,101	672		120,184
3 - Admin Staff - both yrs	294,246	3,750	6,000	5,145	6,303	2,016		317,460
4 - Admin Staff - add 2nd yr	197,556	5,000	8,000	3,432	4,200	1,344		219,532
1 - IT professional	140,347	1,250	2,000	1,715	2,101	672		148,085
	1,297,815	16,250	26,000	19,511	22,058	7,056		1,388,690
Medical Marijuana Enforcement Program								
1 - Program Lead	150,736	1,250	2,000	1,715	2,101	672		158,474
3 - Professional Staff Members - both yrs	421,041	3,750	6,000	5,145	6,303	2,016		444,255
2 - Professional Staff Members - add 2nd yr	141,464	2,500	4,000	1,716	2,100	672		152,452
1 - Admin Staff - both yrs	98,082	1,250	2,000	1,715	2,101	672		105,820
1 - Admin Staff - add 2nd yr	49,389	1,250	2,000	858	1,050	336		54,883
1 - Attorney - <i>would serve both areas</i>	191,768	1,250	2,000	3,216	2,101	672		201,007
	1,052,480	11,250	18,000	14,365	15,756	5,040		1,116,891
Advisory Council							5,140	
6 members travel expenses								
Other Expenses								
Travel for enforcement staff							25,000	
Office supplies for all new staff							10,000	
Postage related to registration cards							3,080	
Printing of Registration cards							1,500	
Registry - \$480,000 and maintenance of \$65,000 per year							545,000	
Background checks							377,739	
							967,459	967,459
Total Department of Health Costs	2,350,295	27,500	44,000	33,876	37,814	12,096	967,459	3,473,040
					<i>total operating</i>		1,122,745	
BCI background checks								
Salaries - 2.5 FTE	296,647						90,987	
Operating								
Total BCI costs	296,647	-	-	-	-	-	90,987	387,634
Lab Costs								
<i>unable to estimate</i>								
Research Costs								
<i>unable to estimate</i>								
Total overall Costs	2,646,942	27,500	44,000	33,876	37,814	12,096	1,058,446	3,860,674

Department of Health
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2017 - 2019 Biennium

Category	Salaries/ Fringe	Lease - Build.	IT Data Processing	IT - Telephone	Various Operating	Total Costs
Registration of Qualified Patients and Caregivers						
1 - Division Director	209,866	3,312	2,164	692		216,034
3 - Professional Staff Members	437,883	5,298	6,492	2,076		451,749
1 - Lead Admin Staff	116,944	1,766	2,164	692		121,566
7 - Admin Staff	714,035	12,362	15,148	4,844		746,389
1 - IT professional	145,961	1,766	2,164	692		150,583
	1,624,689	24,504	28,132	8,996		1,686,321
Medical Marijuana Enforcement Program						
1 - Program Lead	156,766	1,766	2,164	692		161,388
5 - Professional Staff Members	729,805	8,830	10,820	3,460		752,915
2 - Admin Staff	204,010	3,532	4,328	1,384		213,254
1 - Attorney - would serve both areas	199,439	3,312	2,164	692		205,607
	1,290,020	17,440	19,476	6,228		1,333,164
Advisory Council					5,294	
6 members' travel expenses						
Other Expenses						
Travel for enforcement staff					25,750	
Office supplies for all new staff					10,300	
Postage related to registration cards					6,160	
Printing of Registration cards					3,000	
Registry - maintenance of \$65,000 / yr					130,000	
Background checks - 1000 @ \$44.03					44,030	
					224,534	224,534
Total Department of Health Costs	2,914,709	41,944	47,608	15,224	224,534	3,244,019
			total operating		329,310	
BCI background checks						
Salaries - 2.5 FTE	332,447				51,028	
Operating					51,028	
Total BCI costs	332,447	-	-	-		383,475
Lab Costs						
unable to estimate						
Research Costs						
unable to estimate						
Total overall Costs	3,247,156	41,944	47,608	15,224	275,562	3,627,494

**Department of Health
Fiscal Note HB 1430
Revenue**

2015-17 DoH Costs 3,860,674

Medical Marijuana Facilities - 5000 annual fee - can be increased annually by inflation

Yr 1 - 35 * 5000	175,000
Yr 2 - 35 renewal * 5150 (3% inflation)	180,250
Yr 2 - 35 new * 5150	180,250
	<u>535,500</u>

Estimated replacement cards	120,000
Revenue rec'd by BCI	384,750

Remaining costs to be covered 2,820,424

Caregivers - 50% yr 1	4,068
Caregivers - 50% year 2 with 1st yr renewals	8,136
Patients - 50% yr 1	8,135
Patients - 50% year 2 with 1st yr renewals	16,270
total registration cards to be issued for the biennium	<u>36,609</u>

Cost per registration card annual renewal	77.04	\$ 77.00
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2017-19 Costs 3,627,494

Medical Marijuana Facilities - Fees can be increased annually by inflation

Yr 1 - 75 * 5305 (inflated by 3%)	397,875
Yr 2 - 75 renewal + 5 new * 5464 (inflated by 3%)	437,120
	<u>834,995</u>

Estimated replacement cards	120,000
Revenue rec'd by BCI	290,000

Remaining costs to be covered 2,382,499

Caregivers 500 add'l each year - Yr 1	8,636
Caregivers 500 add'l each year - Yr 2	9,136
Patients - 100 add'l each year - Yr 1	16,370
Patients - 100 add'l each year - Yr 2	16,470
total registration cards to be issued for the biennium	<u>50,612</u>

Cost per registration card	47.07	\$ 47.00
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