

FISCAL NOTE
Requested by Legislative Council
02/13/2015

Revised
Amendment to: 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			\$1,798,271	\$56,330	\$3,657,812	\$56,330
Expenditures			\$1,854,601		\$3,714,142	
Appropriations			\$1,854,601		\$3,714,142	

- 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).*

The Engrossed 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, and provides an effective date.

- 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.

The fiscal impact on local law enforcement is not included in this fiscal note as the impact is unable to be determined at this time.

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. 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.

All fiscal impacts that can be estimated are based on the June 30, 2016 effective date.

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.*

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 in year 2 of the biennium from an estimated 4,068 caregivers and 8,135 patients at \$119 for total revenue of \$1.45 million.

DoH will collect registration fees from medical cannabis facilities annually. The fee can be increased each year by inflation. \$175,000 is estimated to be collected in 2015-17 in year 2 based on 35 facilities at \$5,000

DoH estimates \$40,000 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 \$188,870 in fees charged for background checks. \$132,540 will be deposited into the general fund and \$56,330 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 \$54 for total revenue of \$2.6 million.

Yr 1 – 8,136 caregivers Yr 2 – 8,136 renewals and 500 new caregivers

Yr 1 – 16,270 patients Yr 2 – 16,270 renewals and 100 new patients

DoH will collect registration fees from medical cannabis facilities annually. The fee can be increased each year by inflation. \$758,375 is estimated to be collected in 2017-19.

Yr 1 – 70 facilities at (\$5,150 inflated 3%) - \$360,500

Yr 2 – 70 facilities renewing at \$5,305 (3%) inflation and 5 new facilities - \$397,875

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 \$188,870 in fees charged for background checks. \$132,540 will be deposited into the general fund and \$56,330 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 8 new staff to handle the registration of qualified patients and caregivers by the end of the biennium. 6 new FTE are needed to handle the Medical Marijuana Enforcement. Operating costs for these 14 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 4,068 caregivers and an estimated 350 employees of 35 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 \$1,712,987 include salary costs of \$943,341 and operating costs of \$769,646.

BCI total expenses of \$141,614 include salary costs for 1.5 new FTE to process the increase in background checks of \$91,820 along with operating cost associated with these new FTE of \$49,794.

2017-19:

DoH costs include the need for 5 additional staff to assist in the area responsible for the registration of qualified patients and caregivers and 3 additional staff to assist in the medical marijuana enforcement program along with the continuation of the 14 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%, along with one-time computer and office furniture costs for the new FTE. Note: background checks include an additional 4,068 caregivers, an estimated 350 employees of 35 medical cannabis establishments, and another estimated 1000 background checks.

DoH total expenses of \$3,464,544 include salary costs for the 22 FTE of \$2,914,709 and operating costs of \$549,835.

BCI total expenses of \$249,598 include continued salary costs for the 1.5 FTE of \$205,981 along with operating cost associated with the FTE of \$43,617.

- 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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