

FISCAL NOTE
Requested by Legislative Council
02/20/2017

Amendment to: SB 2344

- 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.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$1,600,000	\$1,457,500	\$3,204,000	\$3,810,000
Expenditures	\$52,840		\$1,244,750	\$1,307,500	\$346,516	\$2,940,081
Appropriations			\$162,085		\$346,516	

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

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 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 Bill creates and reenacts sections of NDCC relating to the implementation of the North Dakota Compassionate Care Act to authorize medical marijuana, provide for a continuing appropriation and declare an emergency.

- 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.*

The bill is amended and does not allow for individuals to petition the DoH to add conditions to the list of debilitating conditions. This change will decrease the DoH's costs for legal fees and personnel time to handle such requests. Also, changes were made that waived the registration fee where the patient is a minor, living in the designated caregiver home and the designated caregiver is the patient's parent or legal guardian. This will impact the amount of revenue collected.

Based on research of other states that have implemented medical marijuana the Department of Health (DoH) based the number of qualifying patients on 5 for every 1000 individuals in the state or 3,800 patients for a full biennium of implementation which would be 2019 – 2021. We estimated the number of patients to be 1,900 during the initial biennium of operation - 2017 – 2019. It was estimated that 50% of the patients would have a caregiver.

Sections 3 and 4 of the bill indicate a \$200 fee which can be charged for an application each year for a qualifying patient and designated caregiver.

Section 4 of the bill also requires designated caregivers to have a criminal background check. These expenditures will be incurred by the Attorney General's Office - Bureau of Criminal Investigation and must be paid by the applicant. This revenue would be deposited into the state general fund.

Section 10 identifies the cost for replacement cards - \$25 fee.

Section 12 identifies the number of Compassion Centers that may operate as a manufacturing facility (4) and the number of Compassion Centers that may operate as a dispensary (8). The DoH is allowed to register additional dispensaries if determined that additional dispensaries are necessary to increase access to usable marijuana.

Section 14 sets the nonrefundable application fee for a Compassion Center at \$5,000, while Sections 15 and 16 provide for a registration of \$80,000 for growers and \$60,000 for dispensaries. Compassion Centers register once every two years.

Section 28 establishes the registration fee for all agents of a Compassion Center at an amount of \$200 with an annual renewal. Lost cards for agents are replaced at \$25 per card.

Section 30 establishes a penalty of \$150 for cardholders failing to provide proper notification of changes identified in section 30.

Section 42 requires the revenue generated by the DoH to be sufficient to cover all costs of the Department beginning with the 2019-2021 biennium.

Section 2. #1 defines the allowable amount of marijuana for medical use. A registered qualifying patient may not purchase or have purchased by a registered caregiver more than two and one-half ounces of usable marijuana in a thirty-day period. This sale of product will result in sales tax revenue that will be deposited into the general fund and the state aid distribution fund as estimated by the Office of the State Tax Commissioner. However, The Office of Tax Commissioner is unable to estimate the potential income tax revenue that could result from the provisions of this bill. There is not enough information available to make assumptions about the profitability of the growers or dispensaries in the first years of operation.

Contact was made with Workforce Safety and Insurance and the Department of Human Services and the bill is determined to have no or minimal fiscal impact on these agencies. Contact was also made with the BCI and they indicated that with the approved patients and the caregivers not growing the marijuana and the "audits" being conducted of the compassion centers only, the cost to Law Enforcement is greatly minimized. The marijuana testing and all fees are the responsibility of the registered card holders (patient, care giver or compassion center connected employee.

Response for law enforcement assistance, at the compassion center or with a care giver should not be any different for law enforcement as a call for service from a citizen complaint.

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.

2015-2017 - We do not anticipate collecting any revenues in the current biennium.

2017-2019

DoH:

Compassion Centers (CC) Revenue:

Grow Only Application Fees \$5,000 – assume 16 apply \$ 80,000

Grow Only Registration Fees \$80,000 assume 4 \$320,000

Dispensary Application Fees \$5,000 – assume 8 apply \$40,000

Dispensary Registration Fees \$60,000 – assume 4 \$240,000

Add'l Dispensary Application fee \$5,000 – assume none

Add'l Dispensary Registration fee \$60,000 – assume none

Qualified Patients / Designated Caregivers/ CC Agents:

Qualified Patient – 1900 - \$200 fee \$380,000

Designated Caregiver – 950 - \$200 fee

(less 50 caregivers each year where the fee is waived) \$180,000

Agents of Compassion Center – 300 - \$200 fee \$60,000

Replacement Cards - 150 - \$25 \$3,750

Failure to notify DoH of changes 25 - \$150 \$3,750

Total DoH Revenue - Compassionate Care Fund \$1,307,500

Office of the State Tax Commissioner:

Using patient and consumption assumptions consistent with the Health Department, the Office of Tax Commissioner estimates an increase in sales and use tax revenue of \$1.7 million in the 2017-19 biennium, with approximately 91.3% deposited in the state general fund or \$1.55 million and approximately 8.7% deposited in the state aid distribution fund or \$150,000.

Office of the Attorney General:

Revenue from background checks - \$50,000 to be deposited to the general fund.

2019-2021

DoH:

Compassion Centers (CC) Revenue:

Grow Only Application Fees \$5,000 – assume 16 apply \$ 80,000

Grow Only Registration Fees \$80,000 assume 4 \$320,000

Dispensary Application Fees \$5,000 – assume 16 apply \$80,000

Dispensary Registration Fees \$60,000 – assume 8 \$480,000

Add'l Dispensary Application fee \$5,000 – assume 4 \$20,000

Add'l Dispensary Registration fee \$60,000 – assume 2 \$120,000
Qualified Patients / Designated Caregivers/ CC Agents:
Qualified Patient – 3800 reg. both years - \$200 fee \$1,520,000
Designated Caregiver – 1900 reg. both years - \$200 fee
(less 100 caregivers each year where the fee is waived) \$720,000
Agents of CC – 350 reg. both years - \$200 fee \$140,000
Replacement Cards - 300 per year - \$25 \$15,000
Failure to notify DoH of changes 50 per year - \$150 \$15,000
Total DoH Revenue - Compassionate Care Fund \$3,510,000

Office of the State Tax Commissioner:

Using patient and consumption assumptions consistent with the Health Department, the Office of Tax Commissioner estimates an increase in sales and use tax revenue of \$3.4 million in the 2019-21 biennium, with approximately 91.3% deposited in the state general fund or \$3.1 million and approximately 8.7% deposited in the state aid distribution fund or \$300,000.

Office of the Attorney General:

Revenue from background checks - \$104,000 to be deposited to the state general fund.

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.*

2015-2017

DoH – Expenditures are estimated to be \$52,840, which reflects the costs of hiring the Director of the Medical Marijuana program. Other costs have yet to be determined.

2017-2019:

DoH

Total expenditures estimated - \$2,390,165 and 12 FTE. The expenditures include ongoing expenditures: salary and wages of \$1,452,786 and operating costs (rent, ITD data processing and phone, travel, printing, postage, system maintenance / storage) totaling \$641,652. One-time equipment / furniture under \$5,000 for new employees of \$44,905 and one-time capital costs of \$250,822 for a card registration IT system and space / security upgrades.

Attorney General's Office

One FTE - \$123,597 and related operating costs of \$38,488 to process the background checks for a total of \$162,085.

Total combined costs of \$2,552,250.

2019-2021:

DoH

Total expenditures estimated - \$2,940,081 and 15 FTE. The expenditures include ongoing expenditures: salary and wages of \$2,126,515 and operating costs (rent, ITD data processing and phone, travel, printing, postage, system maintenance / storage) totaling \$813,566.

Attorney General's Office

Two FTE - \$265,692 and related operating costs of \$80,824 to process the background checks for a total of \$346,516.

Total combined costs of \$3,286,597.

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.*

Section 43 declares the act to be an emergency measure. Expenditures may be made during the 2015-2017 biennium at an estimated amount of \$52,840. No adjustment to 2015-2017 is needed.

The general fund expenditure amounts reflected in this fiscal note have been included in the DoH's appropriation bill - SB 2004 so no additional appropriation is needed. The expenditure amounts for the Attorney General's Office

would require an appropriation. Section 41 of the bill provides a continuing appropriation to the DoH of moneys deposited to the Compassionate Care Fund so an appropriation of this funding for expenditures is not necessary but has been included in SB 2004.

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