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**SF 484** – Medical Cannabis Program (LSB2576SV.1)  
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Fiscal Note Version – As amended and passed by the Senate

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### **Description**

**Senate File 484**, as amended and passed by the Senate, creates a Medical Cannabis Act and provides for civil penalties, criminal penalties, and fees. A patient with a debilitating medical condition will obtain certification from their health care practitioner and use this to submit an application to the Iowa Department of Public Health (DPH) for a medical cannabis registration card. Debilitating medical conditions are defined as cancer, multiple sclerosis, epilepsy, AIDS or HIV, glaucoma, hepatitis C, Crohn's disease or ulcerative colitis, amyotrophic lateral sclerosis, Ehlers-Danlos syndrome, post-traumatic stress syndrome, severe chronic pain caused by underlying medical conditions not responsive to conventional treatment or conventional treatment that produces debilitating side effects, and any other chronic or debilitating disease or medical condition approved by the DPH. A health care practitioner is defined as a licensed doctor, licensed physician assistant, or licensed advanced registered nurse practitioner.

The Bill provides for a maximum of four licenses to manufacture medical cannabis, issued by the DPH. The DPH will also license a maximum of 12 dispensaries located across Iowa. Selections for both of these licenses will be conducted through a competitive bidding procedure. A Cannabis Medical Advisory Board is established to review additional debilitating medical conditions for approval, advise the DPH, and provide other general oversight. The Bill repeals the Medical Cannabidiol Act in Iowa Code chapter **124D**.

### **Background**

Possession of Medical Cannabidiol for patients diagnosed with intractable epilepsy was enacted in 2014 Iowa Acts chapter **1125**. As of April 1, 2015, the **Medical Cannabidiol Act Registration Card Program** had received 21 applications for cannabidiol registration cards; 20 applications were approved and one was denied. These applications have resulted in the approval of 50 registration cards and 29 have been issued.

### **Assumptions**

- For the number of Iowa residents with chronic conditions outlined in the Bill, the DPH estimates 7.7% (9,808 patients) will apply for Medical Cannabis Cards.
- The Bill sets the fee for Medical Cannabis Registration Cards at \$100. If the patient attests to receiving Social Security Disability benefits, Supplemental Security Insurance payments, or is enrolled in Medical Assistance, the fee is \$25. The DPH estimates 11.7% of the anticipated applicants will qualify for the reduced fee.
- The Department of Transportation reports that it costs an estimated \$10 per card issued.
- It is unknown how many business entities will apply to become licensed medical cannabis manufacturers and medical cannabis dispensaries. Comparisons to other states are difficult due to provisions allowing patients to grow their cannabis plants, or unrestricted cultivation and production. Generally, other states have experienced many applications per Medical Cannabis manufacturing or dispensary license, as high as seven applications per eligible license. This *Fiscal Note* assumes three applications per eligible license in the first year and

only renewals for licensees in the second year. The application fee is \$7,500 for licensure for manufacturers and \$5,000 for dispensaries.

- The Chronic Conditions appropriation to the DPH includes \$25,000 for the Medical Cannabidiol Program. It is assumed the appropriation will continue.
- The DPH will require staff to implement and administer the Program. There will also be costs associated with promotion and education to health care providers; processing applications; database development, update, and maintenance; drug formulary development; board administration; and oversight.
- The Department of Transportation will incur costs for updating the database for issuing Medical Cannabis registration cards.
- Based on the timelines for licensure in the Bill, fee revenue for manufacturing applications will likely not be available until the second quarter of FY 2016. Dispensary application fees will likely not be received until the third quarter. Registration card application fees will not become available until after that.
- The Board of Regents reported no fiscal impact associated with the report required in the Bill.
- To implement a real-time statewide medical cannabis registry management sale tracking system that is available to medical cannabis dispensaries on a 24-hour-a-day, seven-day-a-week basis, the DPH will need to either develop or purchase a system capable of this function. It is assumed an information system of this scale will be similar to the initial cost of the Immunization Registry Information System (IRIS) operated by the DPH.

### **Fiscal Impact**

The following table outlines the estimated budget of the Medical Cannabis Program.

	<b>Estimated FY 2016</b>	<b>Estimated FY 2017</b>
<b>Resources</b>		
General Fund	\$ 25,000	\$ 25,000
Manufacturing License Application Fees	90,000	30,000
Dispensary License Application Fees	180,000	60,000
Registration Card Application and Renewal Fees	894,700	894,700
<b>Total Resources</b>	<b>\$ 1,189,700</b>	<b>\$ 1,009,700</b>
<b>Expenses</b>		
Salaries		
Program Administrator (EO2: 1.0 FTE)	\$ 75,748	\$ 75,748
Clerk Specialists (2.25 FTE to start, 3.0 FTE)	101,901	135,867
Supervision (PSE 3: 0.1 FTE)	8,322	8,322
Support Expenditures and Processing	327,162	292,416
Capital Outlay		
DPH Database Development	1,290,902	651,590
DOT Database and Card Development	60,000	0
<b>Total Expenses</b>	<b>\$ 1,864,035</b>	<b>\$ 1,163,943</b>
<b>Net Impact</b>	<b>\$ -674,335</b>	<b>\$ -154,243</b>
EO2 - Executive Officer 2		
PSE 3 - Public Service Executive 3		

Due to the delay in fee revenue and initial work associated with reviewing licensing, developing and updating databases, developing drug formularies, provider education and promotion, and processing applications, first-year initial funding needs are estimated at \$1.7 million.

**Correctional Impact**

It is unknown at this time how many violations under Iowa Code chapters [124](#) (Controlled Substances) and [453B](#) (Excise Tax on Unlawful Dealing in Certain Substances) will occur.

**Sources**

Iowa Department of Public Health  
Department of Transportation  
Criminal and Juvenile Justice Planning Division  
Board of Regents

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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