



SF 506 – Medical Cannabis (LSB2665SV.1)

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Fiscal Note Version – As amended and passed by the Senate

Description

Senate File 506 reclassifies marijuana, including tetrahydrocannabinols, as a Schedule II Controlled Substance and establishes a Compassionate Use of Medical Cannabis Act.

The Bill requires the Department of Public Health (DPH) to do the following:

- License a maximum of four medical cannabis manufacturers by December 1, 2017.
- License 12 medical cannabis dispensaries by April 2, 2018. These dispensaries must begin supplying medical cannabis on July 16, 2018.
- Issue medical cannabis registration cards to patients with an eligible debilitating medical condition diagnosis and their caregivers.

A Medical Cannabis Advisory Board is established to review additional debilitating medical conditions, advise DPH, and make other recommendations related to program effectiveness.

Background

Iowa Code chapter **124D**, the Medical Cannabidiol Act of 2014, will sunset July 1, 2017.

Assumptions

- Of the Iowa residents with eligible debilitating medical conditions as defined in the Bill, an estimated 1.7% (12,555) may apply for a medical cannabis registration card per year. Additionally, an estimated 760 caregivers will apply for cards.
- The timing and size of the workload for processing registration cards is unknown. Medical cannabis will not be available for purchase in Iowa until July 2018. Half of the eligible patients might apply in the first year.
- The DPH reports that under the current program, it takes 45 to 60 minutes to process a registration card application. The Department of Transportation incurs an expense of \$10 per card issued.
- The Bill sets a \$100 fee for the medical cannabis registration card. If the patient attests to receiving Social Security Disability benefits or Supplemental Security Insurance payments, or is enrolled in Medicaid, the fee is \$25. An estimated 16.9% of applicants will qualify for the reduced fee. The caregiver card application fee is \$25.
- It is unknown how many business entities will apply to become licensed medical cannabis manufacturers and medical cannabis dispensaries. The application fee for manufacturers and dispensaries is \$15,000. Comparisons to other states are difficult to determine due to provisions allowing patients to grow their own cannabis plants, or unrestricted cultivation and production. Generally, other states have experienced many applicants per limited medical cannabis manufacturing and dispensary license. It is assumed there will be six initial manufacturer applications and 16 initial dispensary applications. Only successful licensees will apply in the second year.
- The DPH will require staff and funding to implement and administer the program before there is sufficient fee revenue available to sustain the program. There will also be costs associated with providing promotional materials and education to health care providers;

processing applications; confidential database development, updates, and maintenance for patients, manufacturers, and dispensaries; confidential database development for the medical cannabis inventory and delivery tracking system; drug formulary development; board administration; and oversight.

- Based on the licensing timelines in the Bill, manufacturer application fees will probably not be submitted until sometime in October 2017, and dispensary fees will probably not be submitted until sometime in January 2018. The DPH will also assess the manufacturers and dispensaries appropriate fees associated with the costs of regulation or inspection.
- The reclassification of marijuana from a Schedule I Controlled Substance to a Schedule II Controlled Substance will not have an effect on criminal penalties currently set forth in the Code of Iowa.
- The State Hygienic Laboratory will contract with a manufacturer for the testing of medical cannabis for content, contamination, and consistency. The manufacturer will pay the cost of laboratory testing, but the hygienic lab will incur costs associated with developing the testing methodology before it begins charging a fee for testing products.
- The [Chronic Conditions](#) General Fund appropriation includes \$22,100 for the current program.

Fiscal Impact

Program Fiscal Impact

The following table outlines the estimated budget of the medical cannabis program.

Proposed Budget for the Medical Cannabis Program - SF 506		
	FY 2018	FY 2019
Revenue		
General Fund Appropriation	\$ 22,100	\$ 22,100
Card Application Fees	557,500	1,115,000
Manufacturer and Dispenser Fees	392,000	308,000
Total Revenue	\$ 971,600	\$ 1,445,100
Expenditures		
<u>Department of Public Health</u>		
Salary	\$ 215,000	\$ 255,000
Support & Other Costs	334,000	304,000
Confidential Databases	920,000	296,000
Total Department of Public Health	\$ 1,469,000	\$ 855,000
<u>Department of Transportation</u>		
Card Issuance	\$ 66,500	\$ 133,000
<u>Board of Regents</u>		
State Hygienic Lab Testing Methodology Development	\$ 100,000	\$ 0
Total Expenditures	\$ 1,635,500	\$ 988,000
Net Impact	\$ -663,900	\$ 457,100
Full-Time Equivalent (FTEs) Positions Needed	4.7	4.7

Due to the delay in fee revenue, initial work associated with reviewing licensing, writing rules, developing databases, developing drug formularies, providing education and promotional materials to medical professionals and patients, and processing applications, the first-year initial funding needs are estimated at \$1.5 million over the current appropriation. The second year will likely be fee sustainable.

Minority Impact

This Bill creates new penalties for possessing or using medical cannabis in violation of new Iowa Code chapter 124E. Since these would be new crimes, there is no historical data and no minority impact can be determined. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Minority Impact Memo](#), dated January 30, 2017, for information related to minorities in the criminal justice system.

Correctional Impact

The correctional impact of SF 506 cannot be estimated because the Bill creates new penalties for crimes of possessing or using medical cannabis in violation of new Iowa Code chapter 124E. There is no data to provide a correctional impact projection. The table below shows estimates for sentencing to State prison, parole, probation, or Community-Based Corrections residential facilities; length of stay (LOS) under those supervisions; and supervision marginal costs per day for convictions of Class B, C, and D felonies, aggravated misdemeanors, serious misdemeanors, and simple misdemeanors. Refer to the LSA memo addressed to the General Assembly, [Correctional Impact Memo](#), dated January 30, 2017, for information related to the correctional system.

Sentencing Estimates and LOS

	Percent to Prison	Avg LOS Prison (months)	FY 16 Marginal Cost/Day Prison	Avg LOS Parole (months)	Percent to Probation	Avg LOS Probation (months)	FY 16 Avg Cost/Day Parole & Probation	Percent to CBC	FY 16 Marginal Cost/Day CBC	Percent to County Jail	Avg LOS County Jail (days)	Marginal Cost/Day Jail
Class B Felony (Non-Persons)	86.0%	33.5	\$18.51	33.4	29.1%	34.2	\$4.59	6.0%	\$10.28	56.0%	N/A	\$15.00
Class C Felony (Non-Persons)	75.0%	19.5	\$18.51	19.4	65.0%	34.9	\$4.59	12.0%	\$10.28	25.0%	N/A	\$15.00
Class D Felony (Non-Persons)	74.0%	11.7	\$18.51	13	67.0%	31.6	\$4.59	11.0%	\$10.28	27.0%	N/A	\$15.00
Aggrav Misd (Non-Persons)	20.0%	7	\$18.51	6.2	33.0%	19.8	\$4.59	2.0%	\$10.28	39.0%	27	\$15.00
Serious Misd (Non-Persons)	2.0%	5.9	\$18.51	N/A	60.0%	16.1	\$4.59	1.0%	\$10.28	72.0%	14	\$15.00
Simple Misd (Non-Persons)	N/A	N/A	\$18.51	N/A	N/A	N/A	\$4.59	N/A	\$10.28	N/A	6	\$15.00

Correctional Fiscal Impact

The correctional fiscal impact for the new violations cannot be estimated because the number of possible convictions cannot be estimated. The State's cost for one conviction under the Bill would range from:

- \$9,500 to \$33,700 for a Class B Felony.
- \$7,500 to \$18,600 for a Class C Felony.
- \$6,300 to \$12,300 for a Class D Felony.
- \$3,100 to \$7,000 for an aggravated misdemeanor.
- \$250 to \$4,200 for a serious misdemeanor.
- \$30 to \$330 for a simple misdemeanor.

Sources

Iowa Department of Public Health
Department of Human Rights, Division of Criminal and Juvenile Justice Planning
Department of Corrections
Office of the State Court Administrator
Office of the State Public Defender
Department of Transportation
Board of Regents

/s/ Holly M. Lyons

April 18, 2017

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.
