

**Testimony**  
**Appropriations Committee**  
**Senate Bill 2344**  
**Tuesday, February 21, 2017**  
**North Dakota Department of Health**

Good morning, Chairman Holmberg and members of the Appropriations Committee. My name is Arvy Smith, and I am the Deputy State Health Officer of the North Dakota Department of Health (DoH). I am here to provide information regarding the fiscal note for Senate Bill 2344 regarding a medical marijuana program in North Dakota.

In summary the fiscal note for SB 2344 shows the following:

<b><u>DoH</u></b>	<b><u>2017-19</u></b>	<b><u>2019-21</u></b>
Expenses	2,390,165	2,940,081
Revenue	<u>1,307,500</u>	<u>2,940,081</u>
General Fund App Needed	1,082,665	0
<b><u>Attorney General</u></b>		
Expenses	162,085	346,516
Revenue	<u>0</u>	<u>0</u>
General Fund App Needed	162,085	346,516

In the 2017-19 biennium, there won't be two years of revenue and there will be some start-up costs so one-time general funding of \$1,082,665 is needed. This is based on 12 FTE and associated operating costs. By the 2019-21 biennium, the revenue must be sufficient to cover all costs so the general fund need is \$0 for the DoH. When fully operational we estimate the need for 15 FTE.

The cost for the Attorney General is to conduct the criminal background checks. While the designated caregivers and compassion centers or the agents must pay for the background checks, those fees are deposited directly to the general fund, not to the Attorney General's Office.

The fiscal note also shows that revenue to the general fund and the state aid distribution fund is estimated at \$1,700,000 in the 2017-19 biennium and \$3,400,000 in the 2019-21 biennium (91.3% to the general fund and 8.7% to the state aid distribution fund). The Tax Department is unable to calculate the amount of income tax that will be generated as a result of this legislation.

The DoH appropriation bill, SB 2004 contains an appropriation of \$1,691,376 from the general fund and \$4,525,508 for a total of \$6,216,884 and 13 FTE. I am not sure of the status of an appropriation for the Attorney General's Office.

The fiscal note is significantly lower than the original fiscal note for the measure that passed and lower than what was included in the executive budget for two reasons. First, in looking at other states' programs we learned that we can obtain the management information system at a much lower cost than we first expected. Second, SB 2344 eliminates the ability of qualifying patients and designated caregivers to grow their own marijuana for medical use. In estimating the number of potential qualifying patients and caregivers, we noted from other states' information that those that did not allow individuals to grow their own marijuana had lower numbers of patients and caregivers. This fiscal note revises the numbers down to 3,800 qualifying patients and 1,900 designated caregivers each year, reducing the number of criminal background checks that need to be done. This also greatly reduces the amount of regulation by the DoH, the attorney General's Office and local law enforcement. It is important to note that if the ability of caregivers and patients to grow their own is reinstated, costs will increase significantly for all three entities.

The assumptions used to calculate the fiscal note for each biennium are included in the fiscal note. It is very difficult to estimate the numbers of qualified patients and designated caregivers that will pursue. Looking at other states, some were as low as .6 per 1,000 population and one was as high as 15.7 per 1,000 population. It appeared that those that allowed patients and caregivers to grow their own had higher numbers of registrants. Registrations are lower where the number of conditions covered and the forms of use are significantly restricted. Based on this information, we assumed 5 qualifying patients per 1,000 population, and assumed that half of the qualifying patients would have a designated caregiver resulting in 3,800 qualifying patients and 1,900 designated caregivers each year. The fiscal note assumed a \$200 per year registration fee for qualifying patients, designated caregivers and compassion center agents, \$80,000 per two years registration fee for manufacturing facilities and \$60,000 per two years registration fee for dispensaries.

This concludes my testimony. I am happy to answer any questions you may have.