

Fiscal Estimate - 2009 Session

Original
 Updated
 Corrected
 Supplemental

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|--|---|
| LRB Number 09-3644/1 | Introduction Number SB-368 |
| Description Medical use of marijuana, the regulation of marijuana distribution organizations, requiring the exercise of rule-making authority, making appropriations, and providing a penalty | |
| Fiscal Effect State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input checked="" type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs | |
| Local: <input checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts | |
| Fund Sources Affected Affected Ch. 20 Appropriations <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS | |
| Agency/Prepared By DHS/ Ellen Hadidian (608) 266-8155 | Authorized Signature Andy Forsaith (608) 266-7684 |
| Date 12/14/2009 | |

Fiscal Estimate Narratives

DHS 12/14/2009

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|---|------------------|---------------------|---------------|---------------|-----------------|
| LRB Number | 09-3644/1 | Introduction Number | SB-368 | Estimate Type | Original |
| Description Medical use of marijuana, the regulation of marijuana distribution organizations, requiring the exercise of rule-making authority, making appropriations, and providing a penalty | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

The bill requires the Department to (1) establish a registry and issue ID cards for medical users of marijuana and (2) license and regulate nonprofit "compassion centers" that provide marijuana for the purposes of medical use.

I. Registry of marijuana users

Individuals with debilitating medical conditions or their caregivers may apply to the Department to be permitted the legal use of marijuana for the medical condition. Under this bill, the Department must issue a registry identification card to qualifying patients who apply for inclusion in the registry by submitting to DHS a signed application and physician statement. The Department is required to verify the information submitted by the patient.

The Department is also required under the bill to promulgate rules specifying which debilitating medical conditions would allow a patient to be included in the registry. The conditions must include cancer, glaucoma, AIDS, a positive HIV test, and any chronic or debilitating disease that causes wasting away, severe pain, severe nausea, seizures, or the treatment of these conditions.

There are approximately 2.6 million individuals in Wisconsin who have a medical condition that might cause one of the effects listed in the bill as grounds for inclusion in the registry, including cancer, glaucoma, HIV, and other conditions with debilitating pain, such as arthritis or migraines.

Data from other states that have medical marijuana registries indicate that approximately 0.03% to .3% of the states' total population currently hold cards for the registry. It is assumed that the percentage range of card holders in Wisconsin would be similar.

Under the provisions of SB 368 individuals who apply for a registry card are required to pay a fee, to be set by the Department, of not more than \$150. The registry card must be renewed annually, so it is assumed that individuals applying for a card renewal must pay the fee each time.

The Department will have one-time costs to implement the registry program. This fiscal estimate assumes that these one-time costs must be GPR-funded, because they will be incurred before the registry is established and people submit applications and pay their fees. The one-time cost of establishing a database to house the registry for medical users of marijuana is estimated at \$300,000 GPR.

Under the provisions of SB 368, the ongoing costs of the registry are to be funded by fees charged to registrants. Wisconsin's total population is approximately 5.6 million. If the number of people who register for medical marijuana in Wisconsin is similar to that of other states, between 1,692 and 16,925 individuals could register. At a rate of \$150/person, fee revenue could vary from \$253,900 PR to \$2,538,700 PR, assuming the same number of people register every year. A fee of \$75/person would produce revenue of \$126,900 PR for 1,692 registrants and \$1,269,400 PR for 16,925 registrants. The Department will set the fee at a level sufficient to support the ongoing costs of the registry.

The Department would require 2.0 FTE to administer the medical marijuana registry. A 1.0 FTE Program and Policy Analyst – Senior will be required to perform the duties mandated by this bill, including rule promulgation, system development management, research, application verification for individuals and registration verification for corporations, and acting as a liaison to law enforcement agencies. A 1.0 Program Assistant will also be required to perform data entry for the system and respond to inquiries from patients. The cost of the 2.0 FTE positions equals \$99,200 annually. Approximately .07 FTE of an existing supervisor position will need to provide supervision of registry activities, at a cost of \$8,500 annually. In addition, approximately .15 FTE of an existing Chief Medical Officer position will be required to provide appropriate

medical consultation to the registry, at a cost of \$44,700 PR annually. The costs of these existing positions' time will need to be charged to the registry, as their existing funding cannot be used for registry activities. Estimated total registry staff costs resulting from SB 368 are \$152,400 PR. There will also be one-time costs of \$14,400 PR for the new positions.

SB 368 also requires the Department to provide identity cards to individuals who successfully apply to be included in the registry. The cost of issuing these cards is estimated to be \$5.00 per card. Assuming approximately 16,925 individuals register, the cost of the cards will be \$84,600 PR.

Ongoing system maintenance and hosting costs are estimated at \$30,000 PR annually for the registry database.

Total one-time costs of establishing the registry are estimated to be \$300,000 GPR and \$14,400 PR. The cost of maintaining the registry will be \$267,000 PR and 2.0 PR FTE annually.

II. Compassion Centers

The compassion centers created by SB 368 are nonprofit corporations that under law may distribute, deliver, or manufacture marijuana or drug paraphernalia to be used for medical purposes. The Department is required under this bill to provide licensing, regulation, record keeping, and security for the compassion centers.

It is assumed that 10 facilities will apply to become compassion centers. There will be an increased cost to the Department as the result of an additional workload regarding these centers, including survey work, complaint investigation, and the preparation of administrative rules. No provision is made in the bill for the Department to inspect facilities once they are licensed. It is assumed that the Department would make inspections only if there are complaints about a compassion center. The Department will likely fulfill the requirement to provide security for compassion centers by verifying, during inspections, that security measures are in place in the centers.

An additional .67 FTE would be required to handle the increased workload from this new requirement, at a cost of \$50,000 PR for 10 facilities. SB 368 provides that facilities applying for a license to become compassion centers must pay an application fee of \$250 and an annual fee of \$5,000. If 10 facilities apply to become compassion centers, it is estimated that annual revenue of \$50,000 will be sufficient to cover these costs.

In addition, it is estimated that it would require 500 hours of staff time at a cost of \$30,000 GPR on a one-time basis to develop the rules for this bill. The costs of staff time required to develop these rules will need to be charged to the registry, as existing funding cannot be used for registry activities. This cost cannot be absorbed by the Department. These costs must be funded with GPR because they will be incurred before the program is implemented.

III. Summary

The total estimated annual cost for this bill is \$317,000 PR and the total one-time costs would be \$330,000 GPR and \$14,400 PR. The PR costs will be covered by fees charged to registrants and compassion center licensing fees. The Department will set the registrant fee at a level sufficient to cover ongoing registry costs, provided there are enough registrants.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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| Description Medical use of marijuana, the regulation of marijuana distribution organizations, requiring the exercise of rule-making authority, making appropriations, and providing a penalty | | | |
| I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): One time costs of \$300,000 GPR to establish the registry, \$14,400 PR for FTE costs, and \$30,000 GPR for the cost of preparing administrative rules. | | | |
| II. Annualized Costs: | | Annualized Fiscal Impact on funds from: | |
| | | Increased Costs | Decreased Costs |
| A. State Costs by Category | | | |
| | State Operations - Salaries and Fringes | \$186,600 | \$ |
| | (FTE Position Changes) | (2.7 FTE) | |
| | State Operations - Other Costs | 130,400 | |
| | Local Assistance | | |
| | Aids to Individuals or Organizations | | |
| | TOTAL State Costs by Category | \$317,000 | \$ |
| B. State Costs by Source of Funds | | | |
| | GPR | | |
| | FED | | |
| | PRO/PRS | 317,000 | |
| | SEG/SEG-S | | |
| III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.) | | | |
| | | Increased Rev | Decreased Rev |
| | GPR Taxes | \$ | \$ |
| | GPR Earned | | |
| | FED | | |
| | PRO/PRS | | |
| | SEG/SEG-S | | |
| | TOTAL State Revenues | \$ | \$ |
| NET ANNUALIZED FISCAL IMPACT | | | |
| | | State | Local |
| | NET CHANGE IN COSTS | \$317,000 | \$ |
| | NET CHANGE IN REVENUE | \$ | \$ |
| Agency/Prepared By Authorized Signature Date | | | |
| DHS/ Ellen Hadidian (608) 266-8155 | | Andy Forsaith (608) 266-7684 | 12/14/2009 |