

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	763,603		873,441	
CASH FUNDS	411,200	411,200	561,200	561,200
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	1,174,803	411,200	1,434,641	561,200

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

This bill creates the Medical Cannabis Act. This bill allows for the use of cannabis in treating or alleviating symptoms associated with a variety of debilitating medical conditions.

One manufacturer in each Congressional District would need to be registered by July 1, 2018. One six month extension is allowed. Manufacturers would pay an application fee of \$25,000 and an annual fee of \$75,000 for the costs of regulating and inspecting the manufacturers. Up to four compassionate care centers per Congressional District would need to be registered by July 1 2018. One six-month extension is allowed. Compassionate care centers would pay an application of \$25,000 and an annual fee of \$25,000 for the costs of regulating and inspecting the centers. The Department of Health and Human Services would establish a patient registry. Designated care givers would also be allowed on the registry.

The manufacturer application fee is \$25,000. The revenue would be \$75,000 in FY 2017-18. The annual fees from the manufacturers are \$75,000 in FY 2018-19. Revenue would be \$225,000 each year. The application fee is \$25,000 for Compassionate Care Centers. Revenue would be \$300,000 assuming the maximum number of centers is established. Annual fees are \$25,000; generating an additional \$300,000 each fiscal year.

A seven-member Medical Cannabis Board is established. Travel and operating costs are estimated to be \$21,126 in FY 2017-18 and \$14,804 in FY 2018-19. The Department of Health and Human Services will need six regulatory FTEs. Staff and related operating costs will be \$417,477 in FY 2017-18 and \$508,637 FY 2018-19. The patient registry is estimated to cost \$500,000 in FY 18 and \$150,000 for ongoing maintenance. Contractual and other operating costs are estimated to be \$700,000 in FY 2017-18 and \$350,000 in FY 2018-19. Since adequate revenue is not generated to cover the projected costs, the shortfall would need to be covered by General Funds. The Department of Health and Human Services costs are projected to be \$763,603 General Funds and \$375,000 cash in FY 2017-18; and \$348,441 General Funds and \$525,000 cash in FY 2018-19.

The State Patrol estimates 800 criminal background checks will be conducted on designated caregivers and employees of the manufacturers and compassionate care centers. The cost of each background check is \$45.25. Total revenue would be \$36,200 annually. It is assumed the costs would equal the revenue from the background checks. The State Patrol also indicates the need for six additional officers and other enforcement staff. The Patrol is responsible for enforcement of all illegal use or possession of prescription drugs. Additional staff have not been requested when new drugs such as opioids are added to the drug schedule. For this reason no funding is included in this fiscal note for enforcement staff.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 622	AM:	AGENCY/POLT. SUB: Nebraska State Patrol (NSP)
REVIEWED BY: Elton Larson	DATE: 2/09/2017	PHONE: (402) 471-4173
COMMENTS: NSP analysis and estimate of fiscal impact appear reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 622	AM:	AGENCY/POLT. SUB: Dept. of Health and Human Services (DHHS)
REVIEWED BY: Elton Larson	DATE: 2/22/2017	PHONE: (402) 471-4173
COMMENTS: DHHS analysis and estimate of fiscal impact to the department appears reasonable.		

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) Pat Weber

Date Prepared:(4) 1-19-16

Phone: (5) 471-6351

	<u>FY 2017-2018</u>		<u>FY 2018-2019</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$660,414		\$256,137	
CASH FUNDS	\$496,910	\$375,000	\$687,546	\$525,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>\$1,157,324</u>	<u>\$375,000</u>	<u>\$943,683</u>	<u>\$525,000</u>

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 622 would establish the Medical Cannabis Act to authorize and regulate the prescription and medical use of cannabis for treatment of patients diagnosed with qualifying medical conditions. The Department of Health and Human Services would be required to establish and maintain a secure registry of patients with medical qualification. The bill provides for caregiver registration for patients unable to administer or acquire medical cannabis due to a developmental or physical disability. The Department would be required to register up to one manufacturer and four compassion centers and dispensaries per Congressional district. Manufacturers and compassion centers and dispensaries would be subject to Department regulation and inspection, as well as fees authorized under the Act. Fees collected under the Act would be deposited in the Medical Cannabis Regulation Fund, which would be established to support Department activities related to the Act. LB 622 would establish the Medical Cannabis Board. The seven board members would be reimbursed for expenses as provided in 81-1174 to 81-1177.

LB 622 would require the Department to add 6.00 FTE, including: 1.00 FTE DHHS Program Manager II, 1 FTE Health Licensing Coordinator, 1.00 FTE Health Licensing Specialist, 1.00 FTE IT Business Systems Analyst, 1.00 FTE Pharmacy Inspector, and 1.00 FTE Professional and Occupational Investigator/RN. All positions with the exception of the Professional and Occupational Investigator/RN would be in Program 262. The Investigator/RN would support the workload resulting from the anticipated increase in health care professionals being reported for failing drug tests at their place of employment. While some may be registered users, Investigations Unit would need to establish the facts in each case. This would be an added expense to the Professions and Occupations Cash Fund of \$121,910 in FY 2017-18 and \$162,546 in FY 2018-19. This position would not be in direct support of the Medical Cannabis Act.

Examinations and inspections required in Sec. 46 would likely require retention of outside professionals and specialists. This could include attorneys, appraisers, independent economists, independent accountants, and others. The Department estimates this expense at \$200,000 per year (Prog. 262).

LB 622 includes specific functionality requirements for the patient registry and verification system. The Department would be required to process patient applications, certifications of diagnosis of qualifying medical condition, disclosure agreements, and informed consent. The Department must develop and provide registry verification to the patient, to the participating health care practitioner, and to the compassion center and dispensary. It is unknown whether such a system currently exists or would need to be created. System procurement costs are estimated at \$500,000 in FY 2017-18 and ongoing maintenance costs at \$150,000 for FY 2018-19 (Prog. 262).

The Department estimates \$21,126 in travel-related expenses for the Medical Cannabis Board in FY 2017-18 for an estimated 12 meetings. The Department estimates eight meetings in FY 2018-19 at an expense of \$14,084. This estimate assumes an average 300-mile roundtrip and overnight stay for each meeting.

Indirect expenses are estimated at \$108,722 in FY 2017-18 and \$144,963 in FY 2018-19.

LB 622 would authorize the Department to establish and collect an annual fee not to exceed \$75,000 from a manufacturer for the cost of regulating and inspecting the manufacturer in that year. A fee up to \$25,000 per year from a compassion center and dispensary is authorized for the same purpose. An initial application fee of \$25,000 is authorized for each entity submitting an application for registration as a manufacturer or a compassion center and dispensary.

The Department would be required to register one manufacturer in each congressional district by July 1, 2018 unless the Medical Cannabis Board extends the deadline. Similarly, the Department would be required to register up to four compassion center and dispensaries in each congressional district by July 1, 2018. Assuming fifteen application fees paid in FY 2017-18, the Department would generate \$375,000 in revenue. The Department estimates \$525,000 in fee revenue in FY 2018-19 (\$75,000 per manufacturer; \$25,000 per dispenser). Fee revenue would be used to offset Department expenses. The source of the net is assumed to be general funds and the Professions and Occupations Cash Fund, in the case of the added Investigator/RN.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES: POSITION TITLE	NUMBER OF POSITIONS		2017-2018	2018-2019
	17-18	18-19	EXPENDITURES	EXPENDITURES
DHHS Program Manager II (Prog. 262)	0.75	1.00	\$44,284	\$59,045
Health Licensing Coordinator (Prog. 262)	0.75	1.00	\$30,138	\$40,184
Health Licensing Specialist (Prog. 262)	0.75	1.00	\$24,500	\$32,666
IT Business Systems Analyst (Prog. 262)	0.75	1.00	\$37,569	\$50,093
Pharmacy Inspector (Prog. 262)	0.75	1.00	\$68,205	\$90,940
Professional and Occupational Investigator/RN (Prog. 178)	0.75	1.00	\$39,415	\$52,553
Benefits.....			\$83,366	\$111,156
Operating.....			\$808,722	\$494,963
Travel.....			\$21,126	\$14,084
Capital Outlay.....				
Aid.....				
Capital Improvements.....				
TOTAL.....			\$1,157,324	\$945,683

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2017

LB⁽¹⁾ 622

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska State Patrol

Prepared by: ⁽³⁾ Carol Aversman Date Prepared: ⁽⁴⁾ 2-6-2017 Phone: ⁽⁵⁾ (402)471-4545

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2017-18</u>		<u>FY 2018-19</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$1,579,645		\$1,021,182	
CASH FUNDS	\$47,422	\$36,200	\$43,322	\$36,200
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>\$1,627,067</u>	<u>\$36,200</u>	<u>\$1,064,504</u>	<u>\$36,200</u>

Explanation of Estimate:

LB 622 allows for the adoption of the Medical Cannabis Act. The bill will result in additional law enforcement activities that will need to be carried out by the State Patrol in order to ensure that medical cannabis is only distributed and used in the manner intended by the bill. The State Patrol estimates that 12 additional employees will be needed to oversee this enforcement. An Investigative Officer will be needed in each of the six troop areas. The Division of Public Health of the Department of Health and Human Services have been designated as the agency responsible for maintaining the registry and overseeing the enrollment of patients in the program. However, they do not have authority to perform law enforcement functions. It is the Agency's interpretation that enforcement of the rules and regulations established for the program will be the responsibility of the State Patrol. For example, Section 39 of the bill states that if a compassion center and dispensary intentionally transfers or dispenses medical cannabis to a person other than an individual eligible under the program, they will be guilty of a Class IV felony. Similar provisions exist for the manufacturers of medical cannabis. Enforcing these sections will be the responsibility of the State Patrol. The bill also requires that registered designated caregivers, and employees of manufacturers, compassion centers, and dispensaries must be fingerprinted and that such fingerprints are to be transmitted to the State Patrol, with further transmission to the Federal Bureau of Investigation for a national criminal history record information check. The State Patrol will be required to undertake a search for Nebraska criminal history record information and shall issue a report to the DHHS containing the results of the information check. The State Patrol estimates that 800 record checks will be required. This estimate is based on inquiries of other states that have similar legislation.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
State Patrol Forensic Scientist	1	1	\$50,562	\$50,562
State Patrol Investigative Sergeant	1	1	\$82,050	\$82,050
State Patrol Investigative Officer	6	6	\$422,496	\$422,496
Staff Assistant I	1	1	\$30,233	\$30,233
State Patrol Crime Analyst	2	2	\$78,678	\$78,678
State Patrol Criminal Identification Records Technician	1	1	\$26,165	\$26,165
Benefits.....			\$241,564	\$241,564
Operating.....			\$122,756	\$122,756
Travel.....			\$10,000	\$10,000

Capital outlay.....	<u>\$532,563</u>	<u> </u>
Aid.....		
Capital improvements.....	<u>\$30,000</u>	<u> </u>
TOTAL.....	<u>\$1,627,067</u>	<u>\$1,064,504</u>