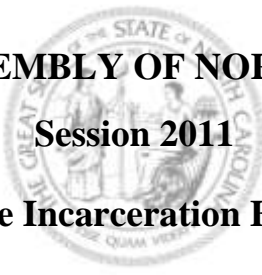


**GENERAL ASSEMBLY OF NORTH CAROLINA**



**Session 2011**

**Legislative Incarceration Fiscal Note**

**(G.S. 120-36.7)**

**BILL NUMBER:** House Bill 577 (First Edition)

**SHORT TITLE:** Medical Cannabis Act.

**SPONSOR(S):** Representatives Harrison, K. Alexander, and Keever

	<b>FISCAL IMPACT</b>				
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available (X)</b>		
	<b><u>FY 2011-12</u></b>	<b><u>FY 2012-13</u></b>	<b><u>FY 2013-14</u></b>	<b><u>FY 2014-15</u></b>	<b><u>FY 2015-16</u></b>
<b>REVENUE:</b>					
(\$ In Millions)	\$39.10	\$40.30	\$41.50	\$42.50	\$43.50
<b>RECEIPTS:</b>					
Department of Health & Human Services		No estimate available; See Assumptions & Methodology			
Dept. of Ag & Consumer Services		No estimate available; See Assumptions & Methodology			
<b>EXPENDITURES:</b>					
Judicial		No estimate available; See Assumptions & Methodology			
Department of Health & Human Services	\$297,540	\$273,940	\$273,940	\$273,940	\$273,940
Dept. of Agriculture & Consumer Services	\$243,668	\$244,827	\$258,170	\$270,944	\$281,830
University of North Carolina		No estimate available; See Assumptions & Methodology			

POSITIONS: (cumulative)	Yes (X)	No ( )	No Estimate Available (X)		
	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>
Judicial			No estimate available; See Assumptions & Methodology		
Department of Health & Human Services			No estimate available; See Assumptions & Methodology		
Dept. of Agriculture & Consumer Services	4	4	4	4	4
University of North Carolina			No estimate available; See Assumptions & Methodology		

**PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:** Judicial Branch; Department of Agriculture & Consumer Services; Department of Health & Human Services; University of North Carolina

**EFFECTIVE DATE:** The act is effective when it becomes law and applies to acts committed on or after that date.

*\*This fiscal analysis is independent of the impact of other criminal penalty bills being considered by the General Assembly, which could also increase the projected prison population and thus the availability of prison beds in future years. The Fiscal Research Division is tracking the cumulative effect of all criminal penalty bills on the prison system as well as the Judicial Department.*

**BILL SUMMARY:**

The proposed legislation adds new Article 43, the North Carolina Medical Cannabis Act, to G.S. Chapter 90.

This act provides broad civil and criminal immunity for a “qualified patient” or a “designated caregiver” for purchasing or possessing cannabis for medical use if the quantity does not exceed an “adequate supply” for the patient as determined by his or her physician. Adequate supply is defined by the act to, among other things, (1) apply only to cannabis from an intrastate source, (2) limit the permitted supply or garden space to an amount needed for a 3-month period, and to not more than 24 ounces, and (3) limit use to alleviating symptoms or effects of a debilitating medical condition (also defined in the act).

This bill requires the Department of Health and Human Services (DHHS) to issue “registry identification cards” to persons who qualify as qualified patients or designated caregivers, and provides that a card creates a rebuttable presumption of permissible use if the person does not possess more than an adequate supply. The act specifies conditions under which provisions of the act are applicable to minors.

The proposed legislation prohibits a school, employer, or landlord from refusing to enroll, employ, or lease to, or to otherwise penalize, a person because of his or her status under the act or the permissible possession or use of cannabis. The act also provides immunity and protection from penalties for licensed producers of medical cannabis and physicians for conduct consistent with the act. This bill provides other protections relating to conduct of law enforcement, child custody or visitation, constructive possession, and the unauthorized substances tax.

The act does not permit a person to control a motor vehicle, aircraft, or motorboat while impaired by cannabis; undertake any task under the influence of cannabis that would constitute negligence or malpractice; or smoke cannabis in a school bus or on public transportation, on school grounds, in a correctional facility, or in any public place in the state.

No government-sponsored medical assistance program or private health insurer is required by the act to cover costs of medical use of cannabis, and an employer is not required to accommodate use in the workplace. This proposed legislation makes fraudulent representation to law enforcement of any fact relating to medical use of cannabis to avoid arrest or prosecution a Class 2 misdemeanor punishable by a fine of up to \$500 and any other applicable penalty.

The bill specifies criteria and procedures for the department's issuance or renewal of registry identification cards and requires that it maintain a confidential list of persons to whom cards are issued. The proposed legislation allows DHHS to verify for law enforcement whether a card is valid and to report to law enforcement about falsified or fraudulent information submitted to the department. The act makes violation of the confidentiality of the information a Class 1 misdemeanor, subject to a fine of up to \$1,000.

The proposed legislation directs the Department of Agriculture and Consumer Services (DACS) to establish a medical cannabis supply system to provide a safe, regulated supply of quality medical cannabis for use by qualified patients with a valid registry identification card and to generate revenue sufficient to maintain and operate the system. The bill prohibits use of appropriations from the General Fund to establish or operate the system, which must be funded by authorized fees. The act establishes criteria for licensing of medical cannabis supply centers and producers of medical cannabis, as well as for suspending or revoking licenses. The bill requires the Department of Agriculture and Consumer Services to maintain a confidential list of licensees and specifies when it may release information to law enforcement.

The act requires the North Carolina Medical Care Commission to adopt rules to implement the supply system. The proposed legislation specifies when medical use of cannabis can be asserted as an affirmative defense to a criminal charge.

The bill also directs the University of North Carolina – subject to approval of the University's Board of Governors – to create the North Carolina Cannabis Research Program to undertake scientific research regarding the efficacy and safety of the medical use of cannabis.

The act makes conforming changes.

The act is effective when it becomes law and applies to acts committed on or after that date.

*SOURCE: BILL DIGEST H.B. 577 (03/31/0201)*

## **ASSUMPTIONS AND METHODOLOGY:**

### **Revenue**

HB 577, the legalization of medicinal marijuana, is expected to generate a total of \$39.1 million per fiscal year in tax revenue. This figure equals the total revenue generated in sales and use tax collections less the forgone tax revenue associated with a tax exemption for medicinal marijuana. The tax exemption on medicinal marijuana in North Carolina equals approximately \$1.6 million per year. This estimate assumes that North Carolina's per capita marijuana sales would equal 0.67 ounces per resident between the ages of 18-64, for a total of 3.86 million ounces per year. Despite the forgone Unauthorized Substances Tax, the state would collect a sales tax of 4.75% estimated at \$40.7 million per fiscal year on the sale of medicinal marijuana.

HB 577 provides a tax exemption for cannabis sold for medicinal purposes. Under current law, Article 2D of the General Statutes, the Unauthorized Substances Tax, cannabis sold in excess of 42.5 grams is subject to a tax of \$0.40 per gram. The tax applies to the weight of the marijuana stems and stalks as separated from the plant. Payment is due typically within 48 hours of receiving the product, and requires that the seller adhere a stamp to product as proof that the tax has been paid.

Several states have legalized and currently collect a sales tax on medicinal marijuana, including Colorado and California. While Colorado data reports sales tax collections without respect to volume, California applies two taxes to the sale of medicinal marijuana, a weight based tax and a tax based on price: the sales tax.

To estimate the fiscal impact of both the tax exemption and the application of a sales tax, Fiscal Research utilized data from the California Board of Equalization (BOE) and the U.S. Department of Health and Human Services, Office of Substance Abuse and Mental Health Services Administration. According to the BOE, California sells roughly 19.8 million ounces of medicinal marijuana each year.<sup>1</sup> Medicinal marijuana sales in California equal 0.86 ounces per capita (2009 population between the ages of 18-64) and generate roughly \$263 million dollars in sales tax revenue at a rate of six percent of the purchase price. California's total medicinal marijuana sales equal \$ 4.3 billion per fiscal year with medicinal marijuana sold at roughly \$221.08 per ounce.

According to the Office of Substance Abuse and Mental Health Services Administration, prior to the legalization of marijuana, California's illicit cannabis use was higher than the national average. In a 2002-2004 survey of California residents aged 12 or older, nearly 6.9% of California's residents used marijuana in some form within the last month. Comparatively, 6.1% of the nation and 5.4% of North Carolinians responded as using marijuana during the same time period.<sup>2</sup> Fiscal assumes that the prevalence of medicinal marijuana use in North Carolina would be similar in proportion to the prevalence of illicit drug use: 78.2% of the use observed in California.

The tax exemption for medicinal marijuana in North Carolina, based on California's data, would be equal to \$1.6 million per year. This estimate assumes that North Carolina's per capita marijuana sales would equal

---

<sup>1</sup> California State Board of Equalization, Staff Legislative Bill Analysis, Bill Number AB 390, Marijuana Fee. Available at: <http://www.boe.ca.gov/legdiv/pdf/ab0390-1dw.pdf>.

<sup>2</sup> U.S. Department of Health and Human Services, Office of Substance Abuse and Mental Health Services Administration, Marijuana Use in Past Month, Average Annual Rate of First Use of Marijuana, and Perceptions of Great Risk of Smoking Marijuana Once a Month among Persons Aged 12 or Older, by Substate Region: Percentages, Annual Averages Based on 2002, 2003, and 2004, Available at: <http://oas.samhsa.gov/subState2k6/mj.htm#NC>

0.67 ounces per resident between the ages of 18-64, for a total of 3.86 million ounces per year. In the absence of the Unauthorized Substances Tax, the state would collect a sales tax of 4.75%, for a total of \$40 million per fiscal year.

### **General**

The Sentencing and Policy Advisory Commission prepares prison population projections for each bill containing a criminal penalty. The Commission assumes for such bills that expanding existing, or creating new criminal offenses produces no deterrent or incapacitative effect on crime. Therefore, the Fiscal Research Division does not assume deterrent effects for any criminal penalty bill.

### **Department of Correction – Division of Prisons**

This bill enacts Article 43, North Carolina Medical Cannabis Act, of Chapter 90 of the General Statutes. The Article contains several new misdemeanor offenses.

Since the proposed HB 577 creates new offenses, the Sentencing Commission has no historical data from which to estimate the impact of this bill on the prison population. It is not known how many offenders might be convicted and sentenced under the proposed bill.

#### **§ 90-730.4. Prohibitions, restrictions, and limitations on medical use of cannabis.**

Subsection (d) of this statute would make it a Class 2 misdemeanor for any person to fraudulently represent to a law enforcement official any fact or circumstance relating to the medical use of cannabis to avoid arrest or prosecution. Violation is punishable by a fine of \$500.00 in addition to any other applicable penalties for making a false statement about the medical use of cannabis.

In FY 2009-10, 25 percent of Class 2 misdemeanor convictions resulted in active sentences. The average estimated time served for Class 2 convictions was 10 days. Offenders serving active sentences of 90 days or less are housed in county jails. Therefore, convictions under this proposed bill would not be expected to have a significant impact on the prison population. The impact on local jail populations is not known.

#### **§ 90-730.5. Registry identification cards for qualified patients and designated caregivers.**

Subsection (m) of this statute would make it a Class 1 misdemeanor for any person to breach the confidentiality of information obtained pursuant to this section. (The Department of Health and Human Services will maintain a list of names and other identifying information of persons to whom the Department has issued registry identification cards).

In FY 2009-10, 24 percent of Class 1 misdemeanor convictions resulted in active sentences. The average estimated time served for Class 1 convictions was 27 days. Offenders serving active sentences of 90 days or less are housed in county jails. Therefore, convictions under this proposed bill would not be expected to have a significant impact on the prison population. The impact on local jail populations is not known.

#### **§ 90-730.6. Regulated medical cannabis supply system.**

Subsection (p) of this statute would make it a Class 1 misdemeanor for any person to breach the confidentiality of information obtained pursuant to subsection (c), (d), or (e), of this section. (Subsections (c), (d), and (e), provide for the application and licensure of (1) medical cannabis centers, (2) producers of medical cannabis, and (3) producers of cannabis-infused products by the North Carolina Department of Agriculture and Consumer Services.)

In FY 2009-10, 24 percent of Class 1 misdemeanor convictions resulted in active sentences. The average estimated time served for Class 1 convictions was 27 days. Offenders serving active sentences of 90 days or

less are housed in county jails. Therefore, convictions under this proposed bill would not be expected to have a significant impact on the prison population. The impact on local jail populations is not known.

### **Judicial Branch**

The Administrative Office of the Courts (AOC) provides Fiscal Research with a fiscal impact analysis for most criminal penalty bills. For such bills, fiscal impact is typically based on the assumption that court time will increase due to anticipated increases in trials and corresponding increases in workload for judges, clerks, and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense.

AOC anticipates that the proposed legislation will impact the court system in the following ways:

1. ***Potential decrease in misdemeanor charges related to possession of marijuana.*** In 2010, there were nearly 40,000 defendants charged with misdemeanor possession of marijuana, and nearly 10,000 defendants charged with felony possession of marijuana. The number of offenses that would be lawful, licensed possession under the proposed legislation cannot be determined. However, due to current backlogs and shortages in the courts, there would be no monetary savings resulting from the reduction in charges.

2. ***New Class 1 and Class 2 misdemeanor charges.*** New charges would impose additional work on district court personnel. AOC cannot project whether the number of new charges would be outweighed by the reduction in charges described above. If there is a net increase in charges, the monetary value of the workload impact on court personnel would be \$130 per charge. Indigent defense costs are estimated at \$225 per indigent defendant.

3. ***Creation of an affirmative defense and new motion.*** New 90-730.7 creates an affirmative defense to several criminal charges, which is projected to increase hearing time and reduce pleas. New 90-730.7(e) provides that the affirmative defense can be filed as a motion, which will increase court time for pre-trial hearings on related charges. The number of charges impacted by this proposal cannot be projected.

4. ***Court determination of seized property.*** New 90-730.3(m) provides that the court make a determination of seized property. This requirement will require additional court time in an unknown number of cases.

AOC states that according to workload standards developed by the National Center for State Courts for North Carolina's court personnel, for FY 2010-11 the court system has shortages in several functional areas across the state. AOC therefore posits that any increase in workload could not be absorbed by existing staff.

In FY 2009-10, a typical felony case took approximately 216 days to dispose in Superior Court. A typical misdemeanor case took approximately 91 days to dispose in District Court. Any increase in judicial caseload without accompanying resources could be expected to further delay the disposition of cases.

### **Department of Health and Human Services (DHHS)**

Under this proposed legislation, the Department of Health and Human Services is to issue registry identification cards to qualified patients or designated providers after completing a thorough effort to verify the information contained in the registry is accurate and current. DHHS is to conduct this search and issue an identification card in a timely manner, no more than 45 days.

DHHS has the experience and capability to issue identification cards, since it issues identification cards to Medicaid recipients. However, DHHS may need additional staff to verify the accuracy of the registry's information and to issue registry identification cards to qualified patients or designated caregivers.

However, since the number of patients and designated providers is unknown at this time, the level of resources cannot be determined with sufficient accuracy.

**Department of Agriculture and Consumer Services (DACS)**

Under HB 577, the Department of Agriculture and Consumer Services (DACS) is tasked with implementing a medical cannabis supply system that licenses Medical Cannabis Centers, Producers of Medical Cannabis, and Producers of Cannabis-Infused Products. The nonrefundable license fee for each of these licenses would be \$5,000; renewals would also cost \$5,000 (also nonrefundable). In addition to the license fee, no later than 30 days after issuing or renewing a license, DACS must issue registry identification cards to the licensee and any employees of the licensee. DACS is directed to charge a \$10 fee for each identification card issued.

HB 577 also requires that each medical cannabis center or producer submit quarterly reports to DACS on all financial transactions and pay a monthly fee equal to 10% of gross revenues derived from the sale of cannabis and cannabis-infused products. Persons who hold a medical cannabis center license and either one of the cannabis producer licenses, or both, and who operate a retail medical cannabis center and one or more production sites, must pay the Department 15% of gross revenue derived from the retail sale of cannabis or cannabis-infused products.

*Revenue*

Table 1 summaries the revenue sources to be collected by DACS.

Table 1: Summary of DACS Revenue Sources from Medical Cannabis

	<b>License &amp; Renewal Fee*</b>	<b>Registry ID Card</b>	<b>Monthly Fee**</b>
Medical Cannabis Center	\$5,000	\$10 / ID card	10% of gross revenue
Cannabis Producer	\$5,000	\$10 / ID card	10% of gross revenue
Cannabis-Infused Product Producer	\$5,000	\$10 / ID card	10% of gross revenue
Combination	All applicable	\$10 / ID card	15% of gross revenue

\* Nonrefundable

\*\* Gross revenue derived from the sale of cannabis or cannabis-infused produces. Pertains only to the retail sale of these products for those with a combination of licenses.

HB 577 stipulates that DACS must use these revenues in the following order of priority:

1. Costs associated with establishing and operating the medical cannabis supply system;
2. The registry system established under G.S. 90-730.5;
3. The Medical Cannabis Research Program established under G.S. 90-730.9; and
4. Other department programs.

The Department was not able to provide an estimate of the revenue collected from these licenses and monthly fees. Fiscal Research Staff contacted the National Conference of State Legislature (NCSL) seeking fiscal information on other states with medical cannabis provisions, and NCSL provided a survey of State Medical Marijuana Programs recently conducted by the Marijuana Policy Project.<sup>3</sup> Of the 15 states included in the survey, legislation enacted in six of the states (Colorado, Washington D.C., Maine, New Jersey, New Mexico, and Rhode Island) includes provisions for state regulated dispensaries. Of these six states, only three have dispensaries that are currently operating (Colorado, Maine, and New Mexico);

<sup>3</sup> This survey was conducted by the Marijuana Policy Project in November, 2010. NCSL has no self-produced surveys related to fiscal information on medical marijuana.

Washington D.C., New Jersey, and Rhode Island expect to have dispensaries open during 2011. Table 2 summarizes the state dispensary information available for these six states and provides information on the supply system proposed in HB 577. As shown in the table, each state’s program operates very differently, resulting in little data off of which to base a revenue estimate. Thus, the Fiscal Research Division concurs with DACS that there is not enough data available to estimate revenue from these licenses and monthly fees.

Table 2: Summary of State Dispensary Information

State	# of Dispensaries	Level of Staffing	Relevant Fees	Annual Revenues	Annual Expense
North Carolina	TBD	Up to 4 FTE	- Center/ Producer License fee: \$5,000; - ID Card: \$10 / card; - 10% Gross Revenue producers, cntr - 15% of Gross Revenue combined prod/ cntr	TBD	TBD
<b>Operating Dispensaries</b>					
Colorado	717	Unknown	- State dispensary fee: \$7,500-\$18,000; - City dispensary fees vary	\$8,500,000	Unknown
Maine	8	2 FTE	- \$15,000 annually per dispensary (\$1,000 retained on denied applications) - \$25/year for staff ID cards	\$160,000	Unknown
New Mexico	17	1.5 FTE	-\$100 application fee for producers (considering rules to increase application fees) - \$5,000-\$30,000 annual fee for producers	Unknown	Unknown
<b>Dispensaries Expected in 2011</b>					
D.C.	5	Unknown	- \$5,000 fee for dispensaries/ growers; - \$5,000 registration for cultivators; - \$10,000 registration for dispensaries.	Unknown	Unknown
New Jersey	6	Unknown	Unknown	Unknown	Unknown
Rhode Island	1 to 3	1.2 FTE	- \$250 application fee; - \$5,000 registration fee; -\$75 staff fee	\$170,945	Unknown

*Expenditures*

DACS estimates that they will need four new positions – one Agricultural Program Specialist, two Drug Specialists, and one Information Processing Technician – as well as additional operating funds to implement the medical cannabis supply system required by HB 577. The total personal and operating cost to support these positions is \$312,886 in FY 2011-12. This includes salaries, benefits, and operating expenses.

The Department has asked that the salary for the positions be set above the salary grade minimum. DACS has indicated that the additional salary is needed for each of the positions in order to attract experienced personnel with the skills required to initiate and implement a program with little training. This is to ensure that the program is up and running as quickly as possible. The total difference in FY 2011-12 between the salary and requested and the salary grade minimum is \$45,862 (\$54,191 including benefits). Table 3



provides a five year forecast of expected expenses for DACS' portion of responsibilities within HB 577; this forecast includes expected personnel costs and operating costs and is adjusted for inflation.

Table 3: Total Expected Expenditures as Requested by the Department of Agriculture & Consumer Services

<b>Salary &amp; Benefits</b>							
<b>Position Title</b>	<b>FTE</b>	<b>Salary Grade</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
Agricultural Program Specialist	1	74	\$ 74,942	\$ 80,198	\$ 85,797	\$ 90,452	\$ 94,370
Drug Specialist	2	71	132,841	142,073	151,908	160,085	166,967
Information Proc. Tech.	1	63	47,468	50,661	54,063	56,891	59,271
<i>Total Salaries &amp; Benefits</i>			<i>255,251</i>	<i>272,931</i>	<i>291,768</i>	<i>307,429</i>	<i>320,608</i>
<b>Operating Expenses</b>							
Travel			\$ 30,055	\$ 30,972	\$ 31,898	\$ 32,686	\$ 33,499
Communications & Data Processing			4,734	4,878	5,024	5,148	5,277
Other Services			1,000	1,031	1,061	1,088	1,115
Supplies			8,000	8,244	6,429	6,588	6,752
Equipment (Furniture, Computers, etc.)			11,946				
Computer Software			1,400				
Membership Dues & Subscriptions			500	515	531	544	557
<i>Total Operating</i>			<i>57,635</i>	<i>45,640</i>	<i>44,943</i>	<i>46,054</i>	<i>47,200</i>
<b>Total Expenditures</b>			<b>\$ 312,886</b>	<b>\$ 318,571</b>	<b>\$ 336,712</b>	<b>\$ 353,482</b>	<b>\$ 367,808</b>

Evidence from other states that operate dispensaries and provide ID cards would appear to indicate that the department does need four full-time positions and corresponding operating expenses. Yet, without additional details on exactly how those programs operate and the duties required of their staff, Fiscal Research cannot conclusively determine that DACS would need fewer staff than proposed. However, it is the policy of the General Assembly to fund positions at the salary grade minimum unless market conditions indicate that the position could not be filled at that rate.

In addition, Fiscal Research feels that vehicles will be needed to reach the inspection sites. Presumably, most Medical Cannabis Centers and Cannabis-infused product producers would be reachable by sedan; a 4x4 may be needed to inspect certain Cannabis producers. Motor Fleet Management (MFM) costs per mile for a sedan are up to \$0.10 per mile cheaper than the \$0.40 per mile assumed by the department. Accordingly, Fiscal Research has reduced travel expenses by 50%, leaving more than enough travel funds for three staff to drive over 1,050 miles (the minimum required to have an assigned MFM vehicle) per month using two SUVs.

Using these adjustments, Fiscal Research expects the program to cost \$243,668 in FY 2011-12, down from DACS' estimate of \$312,886. Table 4 provides updated personnel and operating cost information based on Fiscal Research's analysis of the program.

Table 4: Total Expected Expenditures, Fiscal Research Division

<b>Salary &amp; Benefits</b>							
<b>Position Title</b>	<b>FTE</b>	<b>Salary Grade</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
Agricultural Program Specialist	1	74	\$ 57,712	\$ 61,674	\$ 65,896	\$ 69,405	\$ 72,358
Drug Specialist	2	71	103,559	110,592	118,086	124,316	129,559
Information Proc. Tech.	1	63	39,790	42,406	45,194	47,512	49,463
<i>Total Salaries &amp; Benefits</i>			<i>201,060</i>	<i>214,673</i>	<i>229,176</i>	<i>241,233</i>	<i>251,380</i>
<b>Operating Expenses</b>							
Travel			\$15,028	\$15,486	\$15,949	\$16,343	\$16,750
Communications & Data Processing			4,734	4,878	5,024	5,148	5,277
Other Services			1,000	1,031	1,061	1,088	1,115
Supplies			8,000	8,244	6,429	6,588	6,752
Equipment (Furniture, Computers, etc.)			11,946				
Computer Software			1,400				
Membership Dues & Subscriptions			500	515.25	530.655975	543.7631776	557.3028807
<i>Total Operating</i>			<i>42,608</i>	<i>30,154</i>	<i>28,995</i>	<i>29,711</i>	<i>30,450</i>
<b>Total Expenditures</b>			<b>\$243,668</b>	<b>\$244,827</b>	<b>\$258,170</b>	<b>\$270,944</b>	<b>\$281,830</b>

**University of North Carolina**

The bill directs the University of North Carolina to create the North Carolina Cannabis Research Program if such a program is approved by the University’s Board of Governors. Assuming passage of this bill and permission granted by the Board of Governors, the bill grants the University broad flexibility to determine the program’s magnitude. Specifically, the bill does not mandate the number of staff or facilities, and it does not direct a timeframe under which the Program must conduct the research.

The bill directs that the University’s research may include best practices for the safe and efficient cultivation of cannabis. Consequently, the University of North Carolina notes that the program, if undertaken, may involve both medical research and an agronomics component. The University estimated that it could operate such a program with two staff positions: a professor of psychiatry and a research assistant. Fiscal Research notes that this is consistent with the staffing model used at the Center for Medicinal Cannabis Research (CMCR) operated at the University of California San Diego, but that the California CMCR involves only medical and not agronomic research. Consequently, Fiscal Research believes that an additional full- or part-time staff position dedicated to agronomics could be necessary.

Based on the University’s estimated staffing model, salary and benefits costs are shown in the table below:

Table 5: University of North Carolina Total Expected Personnel Expenditures

<b>Salary &amp; Benefits</b>						
<b>Position Title</b>	<b>FTE</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
Professor	1	\$ 182,117	200,275	214,450	226,235	236,152
Research Assistant.	1	\$78,444	83,882	89,676	94,493	98,546
<b>Total Salaries &amp; Benefits</b>		<i>260,561</i>	<i>284,157</i>	<i>304,126</i>	<i>\$320,728</i>	<i>\$334,968</i>

In addition to these salary costs, the University would incur other costs including those related to facilities, medicinal and agronomic equipment and supplies, and administrative support. The University has estimated that operating costs for the program could approximate those shown in the following table.

Table 6: University of North Carolina Estimate Operating Costs

<b>Operating Expenses</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
Recurring, Medical Research	\$1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Recurring, Agronomic Research	\$250,000	250,000	250,000	250,000	250,000
Non-Recurring, Agronomic Research	\$250,000	0	0	0	0
<b>Total Operating Expenses</b>	<b>\$1,500,000</b>	<b>1,250,000</b>	<b>1,250,000</b>	<b>1,250,000</b>	<b>1,250,000</b>

Without additional detail from the University regarding these operating cost estimates, the Fiscal Research Division cannot determine their accuracy with any degree of certainty. However, it is noted that the Center for Medicinal Cannabis Research at the University of California San Diego was established with a \$3 million appropriation, allocated at \$1 million per year for three years. As mentioned previously, that center’s research excludes the agronomic research component included in this bill.

**Department of Health and Human Services**

The Department of Health and Human Services is to issue registry identification cards to qualified patients or designated providers after completing a thorough effort to verify the information contained in the registry is accurate and current. DHHS is to conduct this search and issue an identification card in a timely manner, no more than 45 days.

DHHS has the experience and capability to issue identification cards, since it issues identification cards to Medicaid recipients. However, DHHS may need additional staff to verify the accuracy of registry’s information and to issue registry identification cards to qualified patients or designated caregivers. However, since the number of patients and designated providers is unknown at this time the level of resources cannot be determined with sufficient accuracy. The best estimate at this time is that 4 FTE registered nurse positions - Facility Survey Consultant I - Pay Grade 73, may be required to perform the functions required in the bill.

	<b>*2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Total Requirements	\$297,540	\$273,940	\$273,940	\$273,940
Total Receipts	0	0	0	0
Appropriation	297,540	273,940	273,940	273,940
Total Positions	4.00	4.00	4.00	4.00

\*2011-12 Figure includes salary, fringe benefits and one-time start-up costs of \$5,900/position (office equipment, computer, etc.).

**SOURCES OF DATA:** North Carolina Sentencing and Policy Advisory Commission; Judicial Branch; Department of Agriculture & Consumer Services; Department of Health & Human Services; University of North Carolina; University of California San Diego.

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910

**PREPARED BY:** Rick Shreve, Lanier McRee, Denise Harb, Lee Dixon, and Sandra Johnson

**APPROVED BY:** Lynn Muchmore, Director  
Fiscal Research Division

**DATE:** April 21, 2011



**Signed Copy Located in the NCGA Principal Clerk's Offices**