

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2149 E 2S HB	<b>Title:</b> Medical marijuana
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## Estimated Cash Receipts

Agency Name	2013-15		2015-17		2017-19	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of Attorney General	0	119,981	0	159,976	0	139,978
Liquor Control Board	0	8,367	0	100,400	0	100,400
<b>Total \$</b>	<b>0</b>	<b>128,348</b>	<b>0</b>	<b>260,376</b>	<b>0</b>	<b>240,378</b>

## Estimated Expenditures

Agency Name	2013-15			2015-17			2017-19		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of Attorney General	.5	0	119,981	.5	0	159,976	.5	0	139,978
Liquor Control Board	.8	0	50,838	6.0	0	970,196	6.0	0	871,858
Department of Health	11.0	2,950,000	3,028,000	38.2	6,259,000	6,379,000	22.0	3,780,000	3,900,000
<b>Total</b>	<b>12.3</b>	<b>\$2,950,000</b>	<b>\$3,198,819</b>	<b>44.7</b>	<b>\$6,259,000</b>	<b>\$7,509,172</b>	<b>28.5</b>	<b>\$3,780,000</b>	<b>\$4,911,836</b>

## Estimated Capital Budget Impact

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

<http://www.ofm.wa.gov/tax/default.asp>

<b>Prepared by:</b> Trisha Newport, OFM	<b>Phone:</b> (360) 902-0417	<b>Date Published:</b> Pending Distribution
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID: 37618

FNS029 Multi Agency rollup

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2149 E 2S HB	<b>Title:</b> Medical marijuana	<b>Agency:</b> 100-Office of Attorney General
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2014	FY 2015	2013-15	2015-17	2017-19
Legal Services Revolving Account-State 405-1		119,981	119,981	159,976	139,978
<b>Total \$</b>		119,981	119,981	159,976	139,978

### Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.0	0.9	0.5	0.5	0.5
<b>Account</b>					
Legal Services Revolving Account-State 405-1	0	119,981	119,981	159,976	139,978
<b>Total \$</b>	0	119,981	119,981	159,976	139,978

### Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/18/2014
Agency Preparation: Cam Comfort	Phone: (360) 664-9429	Date: 02/18/2014
Agency Approval: Brendan VanderVelde	Phone: 360 586-2104	Date: 02/18/2014
OFM Review: Chris Stanley	Phone: (360) 902-9810	Date: 02/18/2014

Request # 2014-159-1

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Section 1 amends RCW 69.51A.005 to replace “cannabis” throughout with “marijuana.”

Section 2 amends RCW 69.51A.010 to add definitions for “department,” “marijuana,” “marijuana processor,” “marijuana producer,” “marijuana-infused products,” “marijuana retailer,” and “useable marijuana,” and revise the definitions of “medical use of marijuana,” “terminal or debilitating medical condition,” and “valid documentation.” The definition of “qualifying patient” in RCW 69.51A.010 is revised to include a person that has been directly referred to a health care professional from the principle health care professional treating the patient’s terminal or debilitating medical condition.

Section 3 adds a new section to RCW 69.51A to impose on the Department of Health (DOH), by May 1, 2015, various obligations related to issuing qualifying patient recognition cards and designated provider recognition cards, and adopting application forms and procedures for issuing, renewing, and canceling such cards. DOH also is required to adopt attestation forms and procedures for health care professionals, establish and maintain a system for safeguarding the records of individuals applying for or holding qualifying patient recognition cards or designated provider recognition cards, adopt rules to define the maximum size marijuana plants authorized under sections 5 and 12 of this act, and adopt rules and guidelines as necessary to implement this chapter. In subsection (3)(b)(i) relating to application forms, “telephone number” has been replaced with “date of birth.”

Section 4 adds a new section to RCW 69.51A listing the criteria that, after May 1, 2015, a qualifying patient must meet to receive a qualifying patient recognition card and that a designated provider must meet to receive a designated provider recognition card. Section 4 also addresses the information that must be contained on the face of the cards and provides that such cards expire no later than one year from the date that the valid documentation was authorized and are not transferable. Finally, section 4 addresses the situation when a qualifying patient’s health care professional determines that a patient’s terminal or debilitating medical condition justifies an extraordinary demand for the possession and purchase of useable marijuana and marijuana plants.

Section 5 adds a new section to RCW 69.51A to provide that an individual who holds a valid qualifying patient recognition card or a designated provider recognition card may assert the protections available under RCW 69.51A.040 and purchase the amounts approved under section 4 from a licensed marijuana retailer that holds a medical marijuana endorsement. Section 5 also provides an individual may possess or purchase an amount of useable marijuana or number of marijuana plants that does not exceed an amount of useable marijuana or number of marijuana plants specified by his or her health care professional in the patient’s valid documentation if an extraordinary demand has been approved. A health care professional that authorizes an excess amount/number must attest to DOH. The required contents of such attestation are provided. Subsection (3)(a)(ii) is added to allow a health care professional to attest that he or she is a health care professional who has examined the patient upon a direct referral from the principle health care professional treating the patient’s terminal or debilitating medical condition that is the basis for issuing the valid documentation.

Section 6 adds a new section to RCW 69.51A to require DOH to establish and maintain a system for safeguarding the records of qualifying patients that have applied for a qualifying patient recognition card under section 4 and designated providers that have applied for a designated provider recognition card under section 4.

Such information maintained by DOH is confidential and not subject to disclosure, with seven exceptions.

Section 7 adds a new section to RCW 69.51A addressing qualified patients who are less than 18 years of age.

Section 8 amends RCW 69.51.020 to replace “cannabis” throughout with “marijuana.”

Section 9 amends RCW 69.51A.025 to replace “cannabis” with “marijuana.”

Section 10 amends RCW 69.51A.030 to replace “cannabis” throughout with “marijuana.” Additional conditions for health care professionals with respect to providing a patient with valid documentation authorizing the medical use of marijuana are added with respect to patients less than 18 years of age. Additional restrictions applying to health care professionals are added as well.

Section 11 adds a new section to RCW 69.51A to require DOH to convene a work group of representatives of the Medical Quality Assurance Commission, Board of Osteopathic Medicine and Surgery, the Nursing Care Quality Assurance Commission, the Board of Naturopathy, and an association representing physicians to develop practice guidelines for health care professionals, and lists certain areas that the guidelines must address. DOH must make the guidelines and training and practice standards broadly available.

Sections 12 amends RCW 69.51A.040 to add the qualification of holding a valid recognition card and to replace “cannabis” throughout with “marijuana.” The number of marijuana plants and amounts of useable marijuana and marijuana product that qualifying patients and designated providers may possess and not be arrested, prosecuted, or subject to other criminal sanctions or civil consequences, is revised.

Section 13 adds a new section to RCW 69.51A to require DOH, in collaboration with the Liquor Control Board (LCB), to report to the Governor and Legislature by November 15, 2019, regarding the need for qualifying patients and designated providers to be able to possess their own marijuana plants as allowed under RCW 69.51A.040.

Section 14 amends RCW 69.51A.055 to provide that the arrest and prosecution protections established in RCW 69.51A.040 may not be asserted in a pretrial release by a court in a case involving alcohol or drug intoxication or abuse. In addition, section (1)(b) related to affirmative defenses and section (3) which placed certain restrictions on who may be licensed as a licensed provider are deleted.

Section 15 amends RCW 69.51A.060 to replace “cannabis” throughout with “marijuana” and delete a reference to the affirmative defense under RCW 69.51A.043.

Section 16 amends RCW 69.51A.100 to add a reference to DOH procedures.

Section 17 amends RCW 69.51A.110 to replace “cannabis” throughout with “marijuana.”

Section 18 amends RCW 69.51A.120 to replace “cannabis” with “marijuana.”

Section 19 adds a new section to RCW 69.51A to provide that all valid documentation issued prior to the effective date of this section expires May 1, 2015.

Section 20 amends RCW 69.51A.900 to replace “cannabis” with “marijuana.”

Section 21 adds a new section to RCW 69.50 to allow licensed marijuana retailers, after May 1, 2015, to apply to the LCB for a medical marijuana endorsement to sell qualities of useable marijuana and marijuana-infused products up to the amount authorized in RCW 69.51A.040 to any individual who holds a qualifying patient recognition card or designated provider recognition card. A separate medical marijuana endorsement is required for each location at which a marijuana retailer intends to function pursuant to a medical marijuana endorsement. Each medical marijuana endorsement must be renewed annually. Conditions are provided to obtain a medical marijuana endorsement. LCB must adopt rules related to the issuance, denial, suspension, or cancellation of new and renewal medical marijuana endorsements to marijuana retail licenses, and adopt rules for the general operation of marijuana retailers that hold a medical marijuana endorsement. LCB must also conduct periodic reassessments of the maximum number of retail outlet licenses and adjust the number and geographic distribution to assure that the needs of qualifying patients are being met. The first reassessment must be completed no later than March 1, 2015.

Section 22 adds a new section to RCW 69.50 to require license marijuana retailers holding medical marijuana endorsements, prior to selling marijuana, to verify the identity of an individual holding a qualifying patient recognition card or designated provider recognition card and the authenticity of the card according to rules established by the LCB. The retail sale of useable marijuana and marijuana-infused products in accordance with the amounts permitted in RCW 69.51A.040 and the rules adopted to implement and enforce it, but a validly licensed marijuana retailer that holds medical marijuana endorsement or any of its employees, shall not be a criminal or civil offense under Washington state law.

Section 23 is a new section repealing RCW 69.51A.070 and .200.

Section 24 is a new section repealing, effective May 1, 2015, RCW 69.51A.043, .045, .047, .090, .085, and .140.

Section 25 is a new section providing that Section 12 takes effect May 1, 2015.

In order to provide legal services for DOH and LCB, the Attorney General’s Office (AGO) estimates a workload impact of 0.6 Assistant Attorney General (AAG) and 0.3 Legal Assistant (LA) at a cost of \$119,981 in Fiscal Year (FY) 2015, 0.4 AAG and 0.1 LA at a cost of \$79,988 in FY2016 and FY2017, and 0.35 AAG and 0.1 LA at a cost of \$69,989 in FY2017 and in each FY thereafter.

This bill is assumed effective 90 days after the end of the 2014 legislative session, except Section 25 which is assumed effective on May 1, 2015.

## **II. B - Cash receipts Impact**

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

Funds are assumed to be appropriated Legal Service Revolving Account dollars. Legal services costs incurred by the AGO will be billed through the revolving fund to the client agency.

The client agencies are assumed to be DOH and LCB. The AGO will bill DOH and LCB for legal services rendered.

Please note that these cash receipts represent the AGO authority to bill and are not a direct appropriation to the AGO. The direct appropriation is reflected in the client agencies' fiscal note. Appropriation authority is necessary in the AGO budget.

DOH will be billed for 0.5 AAG and 0.3 LA in FY2015 and 0.3 AAG and 0.1 LA in FY2016 and each FY thereafter at a cost of:

FY2015 LSRF: \$99,984

FY2016 and in each FY thereafter LSRF \$59,991

LCB will be billed for 0.1 AAG in FY2015 through FY2017, and 0.05 AAG in FY2018 and in each FY thereafter at a cost of:

FY2015, FY2016 and FY2017 LSRF: \$19,997

FY2018 and in each FY thereafter LSRF \$9,998

## **II. C - Expenditures**

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

In order to provide legal services for the DOH and LCB, the AGO estimates a workload impact of 0.6 AAG and 0.3 LA at a cost of \$119,981 in FY2015, 0.4 AAG and 0.1 LA at a cost of \$79,988 in FY2016, and 0.35 AAG and 0.1 LA at a cost of \$69,989 in FY2017 and in each FY thereafter.

AGO Assumptions: Legal services associated with the enactment of this bill are assumed to begin on July 1, 2014.

### **ASSUMPTIONS FOR AHD WORKLOAD PROVIDED TO DOH:**

1. We assume we will bill DOH for legal services based on the enactment of this bill.
2. We assume legal services are a result of Section 4 as DOH will start issuing those medical marijuana cards by May 1, 2015. We assume DOH will deny cards to those that do not meet the criteria in the law, and cancel cards for designated providers if notified by the patient that the person is no longer a designated provider or on its own initiative. We assume denials or cancellations of the cards will result in a hearing opportunity under the Administrative Procedures Act.
3. We assume legal services are a required for advice to a workgroup across several boards and commissions charged with developing practice standards for authorizing medical marijuana.
4. We assume legal services for advice on the rulemaking associated with DOH's responsibilities to issue recognition cards to patients authorized to use medical marijuana and their designated providers.
5. We assume 0.5 AAG and 0.3 LA in FY2015, 0.3 AAG and 0.1 LA in FY2016 and in each FY thereafter.

### **ASSUMPTIONS FOR LAL WORKLOAD PROVIDED TO LCB:**

1. We assume we will bill LCB for legal services based on the enactment of this bill.
2. We assume legal services for advice to LCB on rulemaking for issuance and cancellation of medical marijuana endorsements and general operation of retailers that hold endorsements in FY2015.
3. We assume advice to LCB on Final Orders in litigation under the Administrative Procedures Act for denials and cancellations of endorsements for marijuana retail licenses in FY2016 and in each FY thereafter.
4. We assume a change in reasoning from previous versions of this bill. We assume litigation needs will abate after the first three years following enactment of this bill and a slight reduction in AAG legal services beginning in FY2018.
5. We assume workload impact of 0.1 AAG in FY2015, FY2016 and FY2017, and 0.05 AAG in FY2018 and in each FY thereafter.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years		0.9	0.5	0.5	0.5
A-Salaries and Wages		65,610	65,610	78,962	70,156
B-Employee Benefits		19,402	19,402	22,570	20,162
C-Professional Service Contracts					
E-Goods and Other Services		32,269	32,269	55,244	46,310
G-Travel		900	900	1,200	1,550
J-Capital Outlays		1,800	1,800	2,000	1,800
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total:</b>	\$0	\$119,981	\$119,981	\$159,976	\$139,978

#### III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
Assistant Attorney General	88,056		0.6	0.3	0.4	0.4
Legal Assistant II	42,588		0.3	0.2	0.1	0.1
<b>Total FTE's</b>	130,644		0.9	0.5	0.5	0.5

#### III. C - Expenditures By Program (optional)

Program	FY 2014	FY 2015	2013-15	2015-17	2017-19
Agriculture & Health Division (AHD)		99,984	99,984	119,982	119,982
License & Administrative Law Division (LAL)		19,997	19,997	39,994	19,996
<b>Total \$</b>		119,981	119,981	159,976	139,978

### Part IV: Capital Budget Impact

NONE

Request # 2014-159-1

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

None.



# Individual State Agency Fiscal Note

Revised

<b>Bill Number:</b> 2149 E 2S HB	<b>Title:</b> Medical marijuana	<b>Agency:</b> 195-Liquor Control Board
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2014	FY 2015	2013-15	2015-17	2017-19
Dedicated Marijuana Account-State 315-1		8,367	8,367	100,400	100,400
<b>Total \$</b>		8,367	8,367	100,400	100,400

### Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.0	1.6	0.8	6.0	6.0
<b>Account</b>					
Dedicated Marijuana Account-State 315-1	0	50,838	50,838	970,196	871,858
<b>Total \$</b>	0	50,838	50,838	970,196	871,858

### Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/18/2014
Agency Preparation: Colin O'Neill	Phone: (360) 664-1675	Date: 02/21/2014
Agency Approval: Michael Kashmar	Phone: 360-664-1690	Date: 02/21/2014
OFM Review: Chris Stanley	Phone: (360) 902-9810	Date: 02/21/2014

Request # 2149 E2SHB-1

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Section 21 of this bill would allow any licensed marijuana retailer, effective May 1st, 2015, to apply for a medical marijuana endorsement to sell marijuana to holders of a valid patient recognition card.

The fee for such an endorsement would be \$200 per year per location.

Section 21(1c) - No more than 5% of all licensed marijuana retailers that hold medical endorsements may be classified as only serving the medical market.

Section 21(4d) - The Liquor Control Board is required to conduct periodic reassessments of the maximum number of retail outlets and adjust the number and geographic distribution to ensure that the needs of qualifying patients are being met. The first reassessment is due no later than March 1st, 2015.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

Effective May 1st, 2015, holders of marijuana retailer licenses would be allowed to apply for a medical marijuana endorsement. This endorsement would cost \$200 per location per year.

Assumes 75% of the currently allowed 334 retailers would apply for this endorsement.  $251 \times \$200$  is \$50,200 per year. FY 2015 has two months of revenue ( $2 \text{ months} \times 251 \times \$200 = \$8,367$ ).

Increased tax revenue from sales is indeterminate at this time.

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

Note: This note has been revised to reflect more accurate projections of costs.

Board Office: The State Attorney General's office is assuming there will be legal costs incurred to provide legal services to the Liquor Control Board, and would bill the LCB \$19,997 in years FY15-FY17. In FY18 and thereafter, the AG would bill \$9,998 per year. In FY15, this would be for advice on rulemaking for the issuance and cancellation of medical marijuana endorsements and general operation of retailers holding endorsements. In FY16 and thereafter, the advice would be for Final Orders in litigation for denials and cancellations of endorsement for marijuana retail licenses. The AG's office assumes litigation needs will decrease after the first three years following enactment of the bill, leading to a slight reduction in AAG legal services beginning in FY18.

Licensing Division: ongoing support & admin of applications; \$96,104 FY15, \$104,938 each year thereafter (detail below):

Development and implementation of the medical marijuana endorsement, ongoing support of existing licensees,

and administration of new applications and license records.

Staffing changes will require lead-time for training. Hiring will be initiated approximately October 2014 and will be for a Licensing Specialist 3 and a Customer Service Specialist 2. In FY15, Licensing salary and benefit costs are projected to be \$74,724 and \$99,638 each year thereafter. Goods and services are projected to be \$5,300 per year. One-time costs are projected to be \$16,080 in capital outlays in FY15.

Enforcement Division - The impact to Enforcement from licensing changes is estimated to be \$399,333 in FY16 and \$320,993 in FY17 and succeeding years (detail below):

The level of oversight will need to be increased. Based on the assumptions of approximately 250 retailers securing a medical marijuana endorsement, the level of oversight will need to be increased and current FTE models will not support the additional oversight. Enforcement estimates three additional Liquor Enforcement Officer 2's and an Office Assistant 3 will be necessary to handle the increased workload of additional annual checks, surveillance, and complaint investigations. Beginning FY16, salary and benefit costs are assumed to be \$287,263 per year. Goods & services (rent, telecommunications, supplies, etc) are assumed to be \$59,200 in FY16 and \$31,630 each year thereafter. Travel is estimated at \$14,100 in FY16 (higher because of new officers attending the Academy) and \$2,100 each year thereafter. Capital outlay one-time costs in FY16 are assumed to be \$38,770.

Information Technology Impacts - estimated to be \$384,737 in FY15 (detail below)

-IT workload impact to modify the licensing system to create a license type and an endorsement for medical marijuana. - .08 FTE Information Technology Specialist 5 - \$8,307.

-Contractor modifications to the Marijuana license application workflow system to accommodate a new license type (\$168,090), a new endorsement (\$158,340)

-Modifications to the Seed-To-Sale Traceability system to allow tracking sales of medical marijuana, & developing custom reports for medical marijuana sales, and medical marijuana card information. - \$50,000

Note this estimate does not include real-time connectivity to the Department of Health system for validation of a patient or provider recognition card.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years		1.6	0.8	6.0	6.0
A-Salaries and Wages		57,733	57,733	547,808	547,808
B-Employee Benefits		25,298	25,298	225,994	225,994
C-Professional Service Contracts		376,430	376,430		
E-Goods and Other Services		25,297	25,297	141,424	93,856
G-Travel				16,200	4,200
J-Capital Outlays		16,080	16,080	38,770	
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total:</b>	\$0	\$500,838	\$500,838	\$970,196	\$871,858

**III. B - Detail:** List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
Customer Service Specialist 2	31,956		0.8	0.4	1.0	1.0
Information Technology Specialist 5	80,892		0.1	0.0		
Licensing Specialist 3	36,756		0.8	0.4	1.0	1.0
Liquor Enforcement Officer 2	57,240				3.0	3.0
Office Assistant 3	33,468				1.0	1.0
<b>Total FTE's</b>	240,312		1.6	0.8	6.0	6.0

**III. C - Expenditures By Program (optional)**

Program	FY 2014	FY 2015	2013-15	2015-17	2017-19
Board Office (010)		19,997	19,997	39,994	19,996
Licensing (050)		96,104	96,104	209,876	209,876
Enforcement Division (060)				720,326	641,986
Information Technology (070)		384,737	384,737		
<b>Total \$</b>		500,838	500,838	970,196	871,858

**Part IV: Capital Budget Impact**

NONE

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Section 21 requires the Liquor Control Board to establish rules related to the issuance, denial, suspension and cancellation of new and renewal medical marijuana endorsements to marijuana retail licenses, including ensuring that no more than 5% of marijuana retailers holding medical endorsements are classified as medical-only. The rules should also address procedures for the consideration of a medical marijuana endorsement submitted concurrently with a marijuana retailer license.

Rules must also be adopted for the recording of sales to qualifying patients and designated providers for sales tax exemption purposes.

Section 22 requires the Liquor Control Board to establish rules for a medical marijuana endorsement holder requiring them to verify the identify of an individual attempting a purchase of marijuana using a patient recognition card, and the authenticity of that card.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2149 E 2S HB	<b>Title:</b> Medical marijuana	<b>Agency:</b> 303-Department of Health
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.0	22.0	11.0	38.2	22.0
<b>Account</b>					
General Fund-State 001-1	0	2,950,000	2,950,000	6,259,000	3,780,000
Health Professions Account-State 02G-1	0	78,000	78,000	120,000	120,000
<b>Total \$</b>	0	3,028,000	3,028,000	6,379,000	3,900,000

### Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/18/2014
Agency Preparation: Donna Compton	Phone: (360) 236-4557	Date: 02/20/2014
Agency Approval: Ryan Black	Phone: 236-3007	Date: 02/20/2014
OFM Review: Trisha Newport	Phone: (360) 902-0417	Date: 02/21/2014

Request # -1

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

THIS FISCAL IMPACT IS THE SAME AS THE LATEST FISCAL NOTE, FOR 2SHB 2149, FN14-078.

This bill amends Chapter 69.51A RCW, the Washington State Medical Use of Marijuana Act.

Section 3: By May 1, 2015 the Department of Health (department) will adopt rules to establish a system to issue recognition (ID) cards to medical marijuana (MMJ) patients and designated providers. Rules will also define the maximum size of marijuana plants authorized in sections five and twelve. The department will then adopt the application forms and procedures necessary to obtain those ID cards. The department will also establish and maintain a database system to safeguard the records of individuals and providers applying for or holding those ID cards.

Section 4: At a minimum the department will ensure ID cards contain the individual's name, date of birth, card expiration date, and for provider ID cards the name of the qualifying patient the designated provider represents. In addition cards may note the amount of usable cannabis authorized for possession or purchase if specific conditions are met. The department will invalidate previous patient ID cards and issue a new card when extraordinary demand for additional marijuana is justified by the provider and submitted to the department separately from the original patient application.

Section 6: The department will establish and maintain a secure and confidential system for safeguarding the records of qualifying patients and designated providers that have applied for ID cards. These records are exempt from disclosure except in specific situations to specified individuals and state agencies listed in the bill.

Section 11: The department will convene a workgroup consisting of representatives from the Medical Quality Assurance Commission (MQAC), Board of Osteopathic Medicine and Surgery (BOMS), Nursing Care Quality Assurance Commission (NCQAC), Board of Naturopathy, and an association of representing physicians to develop MMJ practice guidelines. The guidelines must be broadly available and include: patient assessment for qualifying condition; proper MMJ examination; dosing criteria; developing a treatment plan for MMJ; communicating with the patient on MMJ and other options; maintaining records; and any other necessary issues to provide appropriate care to medical marijuana patients. The work group will also consider training and practice standards for employees of licensed retailers that have a MMJ endorsement. These standards will address: selecting marijuana types, product use, fulfilling orders, safe handling, and a definition of medical-grade marijuana.

Section 13: The department, in collaboration with the Liquor Control Board, will submit a report to the governor and legislature by November 15, 2019. This report will detail: the adequacy of the commercial marijuana supply; the distances between MMJ patients/designated providers and the nearest licensed marijuana retailer; the number of patients that "may be experiencing hardship" in purchasing safe and adequate MMJ; the extent to which the cost of patients/designated providers using marijuana retailers impedes access; and law enforcement data on the extent to which MMJ has been illegally diverted to nonmedical use.

Section 23: Repeals parts of Chapter 69.51A, including the MQAC requirement (with BOMS consultation) to

evaluate petitions to approve new medical marijuana conditions and local authority to enforce zoning and similar requirements.

## **II. B - Cash receipts Impact**

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

NONE

## **II. C - Expenditures**

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

### **Rulemaking**

Section 3: There will be one-time rulemaking costs in fiscal year (FY) 2015 to adopt rules to establish and administrator a MMJ ID card system. The department will conduct four stakeholder meetings geographically throughout the state. Due to the complexity and interest around the medical use of marijuana the department will use a facilitator at these meetings. Based on the department's experience with the medical marijuana (sixty-day supply rules completed in 2008), the department assumes many interested parties will consider the medical use of marijuana a controversial subject. The department anticipates the involvement of many constituent groups, professions, and interested parties. Rulemaking will also require two formal rule hearings, one in eastern Washington and one in western Washington. Larger than normal facilities will be required for the stakeholder meetings and rule hearings. Based on the department's experience with the sixty-day supply rules, the department assumes security will be required at all hearings. Security and facilitator costs are estimated to be \$20,000 and \$40,000 respectively.

Total one-time costs in FY 2015 for rulemaking will include staff and associated costs, two personal services contracts for a facilitator and security personnel, Office of Attorney General (OAG) time estimated at \$80,000, and travel, for a total of 0.9 FTE and \$227,000 in FY 2015. Costs directly related to the legislation will be paid out of the state General Fund. Whereas costs related to the practices of the boards and commissions will be paid out of the department's Health Profession's Account. Rulemaking costs will paid out of the state General Fund.

### **Program Administration and Management**

Sections 3, 11 & 13: Starting in FY 2015 the department will convene a workgroup to develop MMJ practice guidelines. The department assumes this workgroup will be ongoing and address MMJ issues and respond to questions from patients, providers and other agencies. The department also assumes this program will require similar staffing and related costs as the pain management rules from HB 2876 in 2010. The department anticipates six Seattle area meetings in 2015 and three meetings per year thereafter. The meetings are expected to last approximately four hours each and will be attended by representatives from MQAC, NCQAC, BOMS, and the Board of Naturopathy. Staff will be required for implementing the new database system for qualifying patients and designated providers. This will include developing the initial applications, renewal templates, licenses, websites, and updating DOH Integrated Licensing and Regulatory System (ILRS) which includes licensing, enforcement modules, and reports.

Staff is required to maintain the database and act as a resource for constituents. Program administration and management costs in FY 2015 include Office of Attorney General costs of \$40,000 and staff and associated costs for a total of 1.8 FTE and \$208,000. Of this amount \$130,000 will be paid out of the state General Fund and \$78,000 will be paid out of the department's Health Profession Account. FY 2016 includes Office of Attorney General costs of \$80,000 for a total of 1.7 FTE and \$245,000. Of this amount \$167,000 will be paid out of the state General Fund and \$78,000 will be paid out of the department's Health Profession Account. FY 2017 and ongoing will have Office of Attorney General costs of \$70,000 for a total of 1.5 FTE and \$217,000. Of this amount \$139,000 will be paid out of the state General Fund and \$78,000 will be paid out of the department's Health Profession Account.

Using the state of Colorado and its population the following estimates were developed for the number of annual registrations:

FY 2015 – 50,000 registrations  
FY 2016 – 147,500 registrations  
FY 2017 – 140,125 registrations  
FY 2018 – 133,119 registrations  
FY 2019 – 126,463 registrations

#### Licensing and Registration

Sections 3 & 4: The department's assumptions to develop the database and ID card system are based upon similar estimates calculated in 2011 for SB 5073. However, registration numbers were increased based upon information from the state of Colorado, which is the only other state besides Washington that has legalized marijuana for recreational purposes. The department assumes the population of Washington State will have a similar composition of medical and recreational marijuana users as Colorado State. Extrapolating the information we received from Colorado's MMJ registry the department estimates 150,000 patients and designated providers will register. By comparison the 2011 staffing numbers in SB 5073 were for approximately 22,000 registrants.

Staff will ensure applicants qualify and meet the initial screening criteria outlined in the bill and established during the rulemaking process. They will match application forms with provider authorizations, review forms for appropriate signatures and completeness, scan these documents and create a physical file, and then enter the patient or provider data into the database. This process occurs for both patient and provider applications. Staff will print and mail the ID card within 30 days of receiving the completed application. Staff will also provide technical assistance by responding to phone calls, emails and reissuing lost or stolen ID cards. The department assumes five percent of annual card holders will request to have their ID cards reissued.

This bill becomes effective May 1, 2015. The department assumes 33 percent of eligible patients and providers will register in the first two months (FY15) of the program. Costs in FY 2015 are associated with the receipt, review, and processing of these 50,000 applications. Costs in FY 2015 will include staff and associated costs, one-time small equipment costs for new staff, and postage for a total of 14.6 FTE and \$1,152,000.

FY 2016 is the first full year of the program and costs reflect the work to process 100,000 new applications and 47,500 renewals. The department expects renewals to decrease by five percent per year for the first four years



before leveling off at 126,463 renewals in FY 2019. The department's five percent decrease is based on the assumption some patients switch to recreational market and leave the database. Licensing and registration staff will also provide ongoing technical assistance and records management. Costs for FY 2016 will be 48.2 FTE and \$3,656,000; FY 2017 will be 19.2 FTE and \$1,422,000; FY 2018 will be 18.3 FTE and \$1,359,000; and FY 2019 and ongoing will be 17.5 FTE and \$1,306,000. Licensing and registration costs will be paid out of the state General Fund.

#### Database System with Law Enforcement\Retailer Look-Up:

Section 6: In FY 2015, the department will acquire an additional ILRS license and use contractor resources to build the Retailer/Law Enforcement Online Lookup components for the system. This will provide a secure and confidential environment for the medical marijuana verification database. The system will meet the requirements of the National Institute of Standards and Technology and provide proper audit trails.

The system will be designed to issue patient authorization cards, accept applications, and submissions of revocations as well as tracking possession limits. The online system will allow retailers, law enforcement and other entities identified in the bill to access the system through a secure portal using their issued credentials. This access will allow them to validate the authenticity of credentials, the prescribing health care provider, and the amount authorized for possession. The database will be developed by contractors and closely monitored by department IT staff. The database programming code will be required to pass rigid validation and testing for security, penetration, performance, and industry standards for system and code development. Multiple tools are used by the department for security, performance, penetration, syntax and architectural design testing.

The database will interact with two other systems which will increase its complexity. The equipment and licensing cost to develop this component of the system in FY 2015 is \$949,257 of which \$313,253 is for contractor costs and \$213,000 is for the second ILRS instance. Equipment cost of \$423,004 is expected to include: sixteen servers, sixteen operating system licenses, two MS-SQL server licenses, storage area network expansion, backup capacity, off-site storage for back-ups, and a disaster recovery site implementation located in Eastern Washington.

IT best practices for a system with a lookup component as specified in this bill calls for a configuration with four hardware environments. There is a development environment which consists of four servers, backup capacity, Storage Area Network (SAN) storage, and server licenses for \$85,541. There is a quality assurance environment which consists of four servers, backup capacity, SAN storage, and server licenses for \$88,441. There is a production environment which consists of four servers, backup capacity, SAN storage, data and server licenses for \$114,441. And there is a disaster recovery failover environment which consists of four servers, backup capacity, SAN storage, data and server licenses, replication software, and a core switch with expansion for \$134,581.

The system also requires an additional license for the imaging component used to index, store and retrieve documents affiliated with the approval, review and compliant processing for the business process. This license will cost \$27,000 in FY 2015 and \$8,000 in subsequent years for the maintenance agreement.

In FY 2015 department will install a new instance of ILRS for the database and create a process to pull health care provider information from the current system. This will remove any maintenance requirements on the

credentials for health care providers authorized to use the database. In FY 2016 and ongoing the IT staff will be responsible for contractor management, ILRS support and upgrades, and maintenance of the medical marijuana database. During this time frame department IT staff will also design and build the initial set of interfaces needed to provide data to business and other authorized entities. These interfaces will allow entities to effectively manage the program, provide reports required by the bill, and complete any data interface required for efficient and effective system operation.

The project's complexity is increased because the system overlays the department's next phase of major ILRS and state/agency network upgrades. This decreases capacity for department IT staff to support new work and increases the department's reliance on independent contractors. This bill requires the department to consult with a variety of stakeholders to develop practice guidelines. When these guidelines are completed modifications to the system may be necessary. Using separate instance of ILRS will make modifications much simpler. Data in the system may be released in aggregate form for analysis, but it is exempt from public disclosure under Chapter 42.56 RCW.

Development and implementation costs include hiring an independent contractor, researching Software as a Service (SaaS) solutions, and supporting department staff and associated costs. Total costs for FY 2015 will be 4.4 FTE and \$1,441,000. Costs for FY 2016 will be 3.4 FTE and \$531,000. Ongoing costs starting in FY 2017 will be 2.3 FTE and \$344,000. Costs to create and maintain the database system will be paid out of the state General Fund.

## Report

Section 13: Requires the department to submit a report to the governor and legislature by November 15, 2019. This report will be prepared in collaboration with the Liquor Control Board. To obtain the data required for this report the department will contract with an independent survey firm. The survey is anticipated to poll approximately 40,000 registered MMJ patients. The contractor will conduct the initial survey, any follow-up surveys, and provide analysis.

Total one-time costs in FY 2019 for the report will include staff and associated costs, a personal services contract for the independent survey firm of \$120,000 for a total of 0.2 FTE and \$149,000. The costs to produce this report will be paid out of the state General Fund.

## Petition Evaluation

Section 23: Over the past fifteen years there have been fifteen petitions to approve new medical conditions related to medical marijuana. This bill repeals parts of chapter 69.51A RCW, including the MQAC consultation requirement with BOMS to evaluate petitions for new approved conditions. With the elimination of the petition process the department expects a cost savings of 0.2 FTE and \$18,000 in FY 2016 and each year thereafter. This cost savings will be in the department's Health Professions Account and not the state General Fund.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years		22.0	11.0	38.2	22.0
A-Salaries and Wages		1,163,000	1,163,000	3,708,000	2,106,000
B-Employee Benefits		359,000	359,000	1,149,000	652,000
C-Professional Service Contracts		373,000	373,000	280,000	306,000
E-Goods and Other Services		387,000	387,000	1,110,000	744,000
G-Travel		4,000	4,000	2,000	2,000
J-Capital Outlays		715,000	715,000	32,000	33,000
T-Intra-Agency Reimbursements		27,000	27,000	98,000	57,000
9-					
<b>Total:</b>	\$0	\$3,028,000	\$3,028,000	\$6,379,000	\$3,900,000

### III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
Board Member FTE @ 250 per day			0.1	0.1		
Board Member FTE @ 50 per day			0.1	0.1		
Fiscal Analyst 2	45,828		2.9	1.5	4.4	2.6
FORMS & RECORDS ANALYST 1	36,756		2.0	1.0	3.6	1.2
HEALTH SVCS CONSLT 1	44,712		6.8	3.4	17.3	15.1
HEALTH SVCS CONSLT 2	53,148		4.8	2.4	9.1	0.3
HEALTH SVCS CONSLT 3	61,632		0.4	0.2	0.8	0.1
HEALTH SVCS CONSLT 4	68,016		1.3	0.7	0.9	1.0
INFO TECH SYSTEMS/APP SPEC	87,096		1.1	0.6	0.2	0.2
6						
INFORMATION TECH SPEC 3	64,740		0.6	0.3	1.0	1.0
INFORMATION TECH SPEC 4	71,496		1.0	0.5	0.7	0.4
INFORMATION TECH SPEC 5	78,900		0.5	0.3	0.3	0.2
WMS02	78,900		0.3	0.2	0.1	0.1
WMS03	87,096		0.1	0.1		
<b>Total FTE's</b>	778,320		22.0	11.0	38.2	22.0

## Part IV: Capital Budget Impact

NONE

NONE

## Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Section 3: Directs the department to develop rules to establish and administrator a MMJ ID card system and create a secure and confidential registration system for qualifying patients and designated providers. These rules will establish the implementation, maintenance, and timely upgrading of the ID card system. Rules will define the maximum allowable size of marijuana plants.