NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Fiscal Note

Short Title: NC Compassionate Care Act.
Bill Number: Senate Bill 3 (Third Edition)
Sponsor(s): Sen. Bill Rabon, Sen. Michael V. Lee, and Sen. Paul A. Lowe, Jr.

FISCAL IMPACT OF S.B. 3, V.3 ($ in millions)

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
State Impact					
General Fund Revenue	-	-	-	-	-
Less Expenditures	-	-	-	-	-
General Fund Impact	**Partial Estimate Available - Refer to Fiscal Analysis Section**				

NET STATE IMPACT	**Partial Estimate Available - Refer to Fiscal Analysis Section**

FISCAL IMPACT SUMMARY

S.B. 3 establishes the North Carolina Medical Cannabis Program. The bill specifies that the General Assembly may appropriate funds for the initial development and implementation of the medical cannabis supply system, but that ongoing operating costs would be funded solely by the fees authorized in the bill. Due to uncertainty about the behavior of suppliers and patients, Fiscal Research is unable to estimate the number of authorized entities that would engage in North Carolina's medical cannabis market. Thus, Fiscal Research's estimates of the project's impact to the General Fund are uncertain. Estimates for parts of the bill for which data is available have been provided in the Fiscal Analysis below.

Revenue

The bill would increase revenue for the State, with revenue generated from patient & caregiver medical cannabis registry fees, supplier license fees, supplier background check fees, fines, and gross receipts fees. It is anticipated that over time, patient & caregiver registry card application fees and gross receipt fees will generate most of the revenue associated with administering this program.

Table 2: Five-Year Estimated Revenue for Program Components ($ in millions)

Revenue	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
1. Patient & caregiver card application fees	-	15.1	15.1	15.1	15.1
2. 10% Gross revenue fee revenue	-	-	3.0	14.2	29.3
3. Supplier application fee	-	No estimate available			
4. Center application fee	-	No estimate available			
5. Production facility application fee	-	No estimate available			
6. Independent testing laboratory licensing fee	-	No estimate available			
7. Miscellaneous Fines	No estimate available				
8. Supplier renewal fee	-	-	Under 100K/year		
9. Center renewal fee	-	-	Under 80K/ year		
10. Production facility renewal fee	-	-	No estimate available		
11. Director and Employee ID Fee	-	-	No estimate available		
TOTAL REVENUE	**0.0**	**15.1**	**18.1**	**29.3**	**44.4**
Numbers may not sum due to rounding.					

Expenditures

The bill would increase expenditures by the Department of Health and Human Services (DHHS) due to the costs of creating and implementing a medical cannabis oversight program. DHHS expenditures would occur in three program areas: Program Leadership, Legal, and Oversight; Patient Registry/Trend Analysis; and Supplier Regulation.

The bill would require the State Bureau of Investigation (SBI) to facilitate background checks for personnel attached to the production and sale of medical cannabis. The bill also requires SBI to consult on security at production facilities or medical cannabis centers and authorizes SBI to conduct random inspections of these facilities.

The bill requires the North Carolina Policy Collaboratory (Collaboratory) at the University of North Carolina at Chapel Hill to create a cannabis research program, which would increase expenditures by the UNC System to meet the stated research objectives.

Note: The bill provides broad civil and criminal immunity for qualified individuals for purchasing or possessing cannabis for medical use and contains three criminal penalties. These provisions may impact the Administrative Office of the Courts, Indigent Defense Services, and the Department of Public Safety, but potential fiscal impacts from these legal changes are not included in this memo.

Table 3: Five-Year Estimated Expenditures for Program Components ($ in millions)

Expenditures	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
1. HHS: Program Leadership, Legal, and Oversight	(9.5)	(9.8)	(10.1)	(10.4)	(10.7)
2. HHS: Patient Registry/Trend Analysis	(7.6)	(17.5)	(18.2)	(19.0)	(19.7)
3. HHS: Supplier Regulation	(14.8)	(16.8)	(17.4)	(17.9)	(18.5)
4. NC State Bureau of Investigation	(1.9)	(1.3)	(1.3)	(1.3)	(1.3)
5. North Carolina Collaboratory	(0.2)	(0.6)	(1.0)	(1.4)	(1.5)
TOTAL EXPENDITURES	**(34.0)**	**(46.0)**	**(48.0)**	**(50.1)**	**(51.7)**

Numbers may not sum due to rounding.

Table 4: Five-Year Estimates of FTE

Agency	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
HHS Positions	132.75	271.00	271.00	271.00	271.00
NC State Bureau of Investigation	9.0	9.0	9.0	9.0	9.0
North Carolina Collaboratory	3.0	4.0	4.0	4.0	4.0
TOTAL FTE	**143.75***	**284.0***	**284.0**	**284.0**	**284.0**

* Cost estimates assume that some FTES start mid-year.

FISCAL ANALYSIS

North Carolina Medical Cannabis Program Fund

G.S. 90-113.135 establishes the North Carolina Medical Cannabis Program Fund. All fees and revenue generated by the Medical Cannabis Program are deposited into the Fund to cover the direct and indirect costs associated with the implementation, administration, and enforcement of the Medical Cannabis Program. Revenue generated beyond the amount needed to implement, administer, and enforce the program is to be distributed annually to the State General Fund.

Assumptions about the implementation timeline and its impact on revenue and expenditures

S.B. 3 creates a Medical Cannabis Production Commission and requires the Commission to adopt rules to establish a Medical Cannabis Supply System; the system would authorize suppliers to produce cannabis and cannabis-infused products in licensed facilities and distribute them through medical cannabis centers. The Commission shall adopt rules to establish qualifications and requirements for licensure of suppliers. The Commission must hold their first meeting not later than 60 days after the effective date of this act and adopt rules within 270 days of the first meeting. It will not be possible to evaluate license applications from potential suppliers until the relevant rulemaking is completed.

Because of the time required for the rulemaking process, this analysis assumes that DHHS will

begin collecting supplier applications and associated fees towards the end of FY 2023-24 (year 1). The Bill requires suppliers to begin cultivation within 120 days of receiving a medical cannabis supplier license and provides an additional 270 days after initiating cultivation for the supplier to begin selling cannabis and cannabis-infused products in medical cannabis centers. Provided that there are no significant legal, production, or product safety issues that extend this timeline, the State could expect to see the first regulated dispensary sales towards the end of the year 2 or the beginning of year 3. (See technical consideration 1,2, and 3).

The bill also requires the Department of Health and Human Services to adopt rules within 270 days to establish requirements for issuing registry identification cards to qualified patients and designated caregivers. Since the initial or renewal registry identification card expires 12 months after the date of issuance, this analysis assumes that applicants will wait until medical cannabis is available to apply for a registry card. Therefore, DHHS would begin processing applications for registry ID cards and collecting application fees in FY 2024-25 (year 2), shortly before the first batch of medical cannabis becomes available for sale. (See technical consideration 4).

REVENUES

Fee Revenue

Supplier License Fees

Section 1 directs DHHS to establish a regulated Medical Cannabis Supply System to license medical cannabis suppliers. Each supplier must operate both a "production facility" and at least one "medical cannabis center" as defined in the bill. The licensing fees outlined in the bill are listed in Table 4:

Table 5: Initial and Renewal Fees for Cannabis Production/Distribution Licenses

	Initial Application Fee	Annual Renewal Fee
Medical Cannabis Supplier	$50,000	$10,000; maximum of 10 suppliers-fees received annually
Cannabis Center	$5,000	$1,000; maximum of 80 centers-fees received annually
Cannabis Production Facility	$5,000	$1,000
Director & Employee ID Card	$250	$250

The minimum cost for the initial supplier license application is $60,000 ($50,000 for the supplier license and $5,000 each for one production facility and one cannabis center to be operated under the license). Due to the high cost of an initial application, this analysis assumes that only entities qualified to perform the tasks specified in the bill will apply for a supplier license. Based on available data, it is not possible to forecast how many entities might apply for license, how quickly

those entities might expand their operations to the maximum number of allowable centers, or how many employees a supplier might employ.

Background Check Fees

The bill would require the State Bureau of Investigation (SBI) to facilitate background checks for personnel attached to the production and sale of medical cannabis. Individuals who are North Carolina residents would be subject to a name-based State criminal records check, while individuals who have not lived in the State during the five preceding years would be subject to a national fingerprint record check. SBI charges $38 for national fingerprint background checks and $10 for name-based State criminal records checks. These fees are sufficient to cover their associated costs, and SBI anticipates that any additional costs for the background checks required under this bill will be covered by the fees. However, since there is no estimate available for the number of personnel who would be subject to background checks due to S.B. 3, Fiscal Research cannot provide a revenue estimate for this provision.

New fines

The bill authorizes DHHS to impose a fine of up to $10,000 on suppliers who violate specified business practices, required disclosures, standards, or safety procedures. As there is no way to anticipate the number of violations the collective of suppliers may have. There is no estimate available for the revenue generated by this fine. This bill also includes fines for various infractions and misdemeanors, the potential fiscal impacts from these legal changes are not included in this memo.

Independent testing laboratory licensing fee

The bill requires DHHS to establish standards for and license up to five independent testing laboratories to test cannabis and cannabis-infused products that are to be sold in the State. DHHS is directed to establish the amount of the licensing fee payable by the independent laboratory to DHHS. As the fee is not established, there is no estimate of the revenue generated by laboratory licensing fees.

Registry Identification Card Fees

The bill would require DHHS to issue a registry identification card to any individual who demonstrates that they have a qualifying debilitating medical condition ("qualifying patient"). DHHS would also be required to issue registry identification cards to up to two designated caregivers for each qualifying patient.

The bill specifies that a $50 fee applies to each of the following:

- Issuance of a patient registry identification card
- Issuance of a caregiver card
- Change of address
- Change of caregiver
- Lost card replacement.

DHHS anticipates processing approximately 300,000 applications for cards each year. This includes initial and replacement cards for qualified patients and their caregivers, as well as

applications that are rejected because the applicant does not meet program qualifications.

10% Gross Revenue Fee

Section 1 of the bill, in part, creates G.S. 90-113.122, requiring each licensed supplier to pay the Department of Health and Human Services a monthly fee of 10% of its gross revenue derived from the sale of medical cannabis. To estimate the amount of gross revenue subject to the fee, the Fiscal Research Division examined the experiences of other states that have legalized medicinal cannabis.

The amount of time it has taken states to implement medical cannabis laws has varied widely, but this analysis estimates that it will take between two and three years between a law's enactment and the first dispensary sales. For this analysis, we assume that dispensaries will begin remitting fee revenue in FY 2025-26.

To estimate the possible fee revenue generated by this section, the Fiscal Research Division looked at data from the states of Florida and Arizona, both of which operate medical cannabis programs. Florida's law is the most similar to the proposed North Carolina program, because neither Florida nor S.B. 3 directly authorize medical cannabis for chronic pain. In Arizona, over 90% of registered patients have "chronic pain" as their qualifying health condition. Although Florida's program does not authorize chronic pain as a qualifying health condition, the two states have similar rates of registration for medical cannabis ID cards. This close similarity in card registration despite the difference in qualifying health conditions may suggest that North Carolina's experience is likely to mimic that of these two other states, because omitting "chronic pain" did not appear to reduce Florida's card registrations.

The following estimates assume that in the first years of the program, North Carolina's number of cardholders will follow a similar pattern as these two states; that North Carolina's ounces per user will follow the pattern in Arizona's first years of implementation (Florida data not available); and that based on publicly available data from PriceofWeed.com, medical cannabis will sell for $287/ounce.

Table 6: Estimate for Gross Revenue Fee

Fiscal Year	Qualified Patients	Ounces per Qualified Patient	Retail Sales ($287/Ounce)	Fee Revenue (10% of Sales)
FY 2025-26	47,000	2.21	$29.9 million	$3.0 million
FY 2026-27	94,000	5.26	$142.1 million	$14.2 million
FY 2027-28	154,000	6.63	$293.4 million	$29.3 million
FY 2028-29	214,000	8.20	$504.3 million	$50.4 million

While this fiscal memo only projects overall revenue and expenditures for the first five years from the bill's effective date (i.e., through FY 2027 -28). Based on the experiences in other states, Table

6 projects significant revenue growth over the first four years that the program is in operation. The significant projected FY 2028-29 revenue growth goes beyond the 5-year scope of this memo.

Tax Revenue

Sales and Use Tax

Under North Carolina tax law, sales of tangible personal property are subject to sales or use taxes unless the tangible personal property is specifically exempted from tax in statute. Section 3 of the bill amends G.S. 105-164.13 to exempt from sales tax "cannabis or cannabis-infused products sold by a medical cannabis center to a registry identification cardholder." There is no revenue impact from this exemption because the products are not currently taxable under State and local sales and use taxes.

Unauthorized Substances Tax

The bill effectively exempts medical cannabis from the Unauthorized Substances Tax authorized in Article 2D of G. S. 105. Under G.S. 105-113.107, marijuana and other cannabis products in excess of 42.5 grams are currently taxable under the Unauthorized Substances Tax, at a rate of $3.50 per gram ($102 per ounce). This tax also applies to other controlled substances, including illicit alcoholic beverages. This tax is generally assessed upon arrest of an individual in possession of a controlled substance and law enforcement is required to report unauthorized substances on which the excise tax has not been paid. Seventy-five percent (75%) of the money collected is returned to the state or local law enforcement agency whose investigation led to the assessment. The remaining twenty-five percent (25%) of the money collected is credited to the General Fund. The Unauthorized Substance Tax has generated an average of $8.6 million in annual net collections during the past five fiscal years. The share of this revenue that was obtained from the tax on marijuana is unknown. Because we expect unauthorized cannabis sales to continue despite the State-level decriminalization of medical cannabis, we do not expect any significant impact on this revenue source.

EXPENDITURES

Department of Health and Human Services

Because of the many new functions that DHHS would perform under the bill, the Department reported that it would create a new operational area (e.g., an office or division) to accomplish the tasks required by S.B. 3. The following section breaks down required DHHS tasks within S.B. 3 into three major areas: Program Leadership, Legal, and Oversight; Patient Registry and Registry Trend Analysis; and Supplier Regulation. Each area includes a brief description of the area subtasks, as well as the FTE that the Department believes will be required to fulfill the responsibilities within that area.

Area One: Program Leadership, Legal, and Oversight

Estimated FTE cost: $3.2 million
Estimated operating cost: $6.3 million

- Leadership staff: DHHS reports that the following leadership and administrative staff would be required to support the program: director, operations manager, budget staff, communications staff, policy staff, IT staff, auditing staff, and support staff.

- Legal staff: DHHS anticipates the need for additional legal staff to support the development, evaluation, and promulgation of regulation, policies, standards, and associated legal analysis and to respond to questions and legal challenges related to the implementation of S.B. 3.

- Public Awareness Campaign**:** DHHS anticipates needing two staff members to oversee an ongoing Public Awareness Campaign to educate suppliers, the public, and health providers about the regulations, health and safety considerations related to medical cannabis. The Department anticipates needing $2 million for a contract to cover educational outreach.

- Rent, utilities, and other miscellaneous operating costs.

Table 7: DHHS Estimates of Positions for Area 1- Program Leadership, Legal, and Oversight

Position Description	FTE	Average Annual Salary	Total Salary & Benefits (in millions)
Executive Director	1.00	$120,000	$0.2
Chief Finance Officer	1.00	$100,000	$0.1
Chief Budget Officer	1.00	$89,992	$0.1
Chief Operating Officer	1.00	$100,000	$0.1
Policy Director	1.00	$89,983	$0.1
Director of Regulatory and Legal Affairs (Attorney)	1.00	$100,000	$0.1
Assistant General Counsel	3.00	$110,000	$0.5
Regulatory Attorney	2.00	$85,000	$0.2
Legal Assistant	2.00	$58,000	$0.2
Public Health Awareness and Education Campaign Director	2.00	$100,000	$0.3
Communications Director	1.00	$89,983	$0.1
Executive Assistant	1.00	$40,049	$0.1
Legislative Liaison	1.00	$89,986	$0.1
HS Planning Supervisor I (Contracts and Procurements Supervisor)	1.00	$74,128	$0.1
HS Program Consultant II (Contract Manager)	1.00	$58,845	$0.1
Fiscal Staff for Revenue, Fee, Penalty Collection and Accounting	3.00	$74,128	$0.3
Director of Human Resources	1.00	$89,995	$0.1

Position Description	FTE	Average Annual Salary	Total Salary & Benefits (in millions)
Recruitment Specialist	1.00	$74,128	$0.1
External and Internal Training Development Director	1.00	$89,998	$0.1
IT Support Staff	1.00	$74,128	$0.1
Total FTE	**27.0**	**Total Salary**	**$3.2 million**
Note 1: The Fiscal Research Division is unable to independently verify these staffing needs. Note 2: Numbers may not sum due to rounding.			

Area 2: Patient Registry and Registry Trend Analysis

Estimated FTE cost: $12.6 million
Estimated operating cost: $4.2 million

This area would manage the Patient Registry, including issuing ID cards. Staff would be needed for quality assurance and registry trend analysis. In addition to staff for those functions, this Area would include staff to support the expanded workload of the Controlled Substance Reporting Service (CSRS), which collects information on dispensed controlled substance prescriptions and makes that information available to prescribers and dispensers. The following list outlines the major tasks associated with the requirements of the Patient Registry.

- Registry Identification Cards for Qualified Patients and Designated Caregivers. G.S. 90-113.115 requires the Department to review applications for and issue registry identification cards for qualified patients and up to two of their caregivers. DHHS estimates that it will take about an hour to review and process each registry application, and that each staff member could process 2,080 applications a year. DHHS estimates that it will initially need 145 FTE for the registry, to enable processing 300,000 applications per year. (See Technical Considerations)

- North Carolina Medical Cannabis Verification System: G.S. 90-113.127 establishes a secure web-based verification system. The System would be accessible to authorized Department personnel, State and local law enforcement, and medical cannabis centers to determine whether a registry identification card is valid.

- Compassionate Use Advisory Board: G.S. 90-113.113 establishes the Compassionate Use Advisory Board consisting of 11 members. The Board would review petitions to add a new debilitating medical condition to the list of conditions eligible to be treated with medical cannabis and have the power to add that condition to the list.

- Analytics staff to monitor trends in registry data: DHHS anticipates that it will need additional data analytics staff to process data requests, legislative requests, monitor trends, identify concerning patterns, answer requests from the press, and assist with producing

reports to the General Assembly. G.S. 90-113.140 requires DHHS to report annually to the General Assembly.

- CSRS: DHHS anticipates the need to expand the CRCS to include a means to track medical cannabis prescriptions.

Table 8: DHHS Estimates of Positions for Area 2 - Patient Registry

Position Description	FTE	Average Annual Salary	Total Salary & Benefits (in millions)
Director of Registry Operations	1.0	$89,993	$0.1
Registry Staff Supervisor	3.0	$54,444	$0.2
NC Medical Cannabis Verification System Staff (processing applications, issuing cards, call center)*	142.0	$50,080	$10.3
Physician Compliance Manager	1.0	$74,128	$0.1
Drug Control Inspector (CSRS compliance)*	1.0	$50,080	$0.1
Physician Prescribing Auditor*	1.0	$89,997	$0.1
Data Analyst*	10.0	$80,000	$1.1
Medical Cannabis Advisory Board Administrative Assistant	0.5	$35,000	$0.03
HS Program Coordinator II (Community Outreach Liaison)	2.0	$58,845	$0.2
IT Support Staff	3.0	$74,128	$0.3
Total FTE	**164.5**	**Estimated Total Salary**	**$12.6 million**
Note 1: This analysis assumes DHHS would not be able to collect ID card registrations until FY 2024-25 (year 2). As a result, some positions designated with an asterisk may not be needed until year 2 or 3, when regulated cannabis dispensaries are anticipated to begin sales. Note 2: The Fiscal Research Division is unable to independently verify these staffing needs. Note 3: Numbers may not sum due to rounding.			

Area 3: Regulated Medical Cannabis Supply System

Estimated FTE cost: $7.2 million
Estimated operating cost: $9.0 million

G.S. 90-113.119 requires the establishment of a regulated Medical Cannabis Supply System. This area would support the Medical Cannabis Production Commission. Among the required tasks are the establishment of regulations for medical cannabis production, selection of licensed suppliers and the development of a seed-to-sale tracking system.

The following list outlines the major tasks DHHS has identified as required for regulating a Medical Cannabis Supply System:

- Inspections of medical cannabis suppliers: The Department estimates that facility inspections will need to be conducted at least quarterly for all locations.

- Accept and review applications for a Medical Cannabis Supplier License.

- Background Checks: Although S.B. 3 gives the North Carolina State Bureau of Investigation responsibility for conducting background checks, DHHS expects that it will need to modify the NC DHHS Automated Background Check Management System (ABCMS) to facilitate background checks for suppliers' employees.

- Medical Cannabis Production Commission: G.S. 90-113.118 establishes The Medical Cannabis Production Commission consisting of 11 members. The Commission has the power to approve applications for supplier licenses upon recommendation by the Department, and to suspend or revoke a supplier license.

- Testing of Cannabis and Cannabis-Infused Products: The Department is required to establish standards for and then license up to five independent testing laboratories to test a representative sample of the cannabis or cannabis-infused products.

- Seed-to-sale tracking system: The bill requires a seed-to-sale tracking system as part of the Regulated Medical Cannabis Supply System.

Table 9: DHHS Estimates of Positions for Area 3 - Supplier Regulation

Position Description	FTE	Average Annual Salary	Total Salary & Benefits (in millions)
Admin Specialist I	3.00	$40,049	$0.2
Chemist I (Cannabis Testing and Standards Development for Independent Labs)	8.00	$90,000	$1.0
Medical Cannabis Supply Commission Administrative Assistant	0.50	$35,000	$0.03
Directory of Laboratory Operations	1.00	$100,000	$0.1
Compliance Staff for Reviewing Monthly Reporting Reviews from Medical Cannabis Licensees*	2.00	$74,128	$0.2
Chief Compliance Officer/ Deputy Director of Compliance and Enforcement	1.00	$100,000	$0.1
Deputy Director of Inspections and Investigations	1.00	$100,000	$0.1
Environmental Health Program Manager Safety and Compliance	1.00	$85,000	$0.1
Investigator (all cannabis supplier sites (cultivation/ processing/ retail)*	30.00	$59,500	$2.6
Inspector Field Supervisor	1.00	$64,000	$0.1
Inspector (all cannabis supplier sites (cultivation/ processing/ retail)*	30.00	$59,500	$2.6
Investigator Field Supervisor	1.00	$64,000	$0.1
Total FTE	**79.5**	**Estimated Total Salary**	**$7.2 million**

Note: This analysis assumes DHHS would not be able to collect Supplier applications until the end of FY 2023-24 (year 2). As a result, some positions designated with asterisks may not be needed until year 2.
Note 3: The Fiscal Research Division is unable to independently verify these staffing needs.
Note 4: Numbers may not sum due to rounding.

North Carolina State Bureau of Investigation

The bill requires SBI to consult on security at production facilities or medical cannabis centers and authorizes SBI to conduct random inspections of these facilities. Although at least one inspection must be performed at each facility each calendar year by DHHS, the bill does not place a requirement on SBI for a minimum number of inspections. However, it is likely that SBI personnel would be included in these inspections. The bill also instructs the Medical Cannabis Production Commission to develop inspection procedures in consultation with the SBI.

Although the number of facilities that will require inspection is unknown, Fiscal Research assumes there will be a minimum of 90 facilities subject to inspection. This assumption is based on the fact that the bill caps the total number of medical cannabis centers at 80 (10 producers operating a maximum of eight centers each), and presumably each producer would have at minimum one production facility. If random inspections were conducted once a year on each of the 90 facilities, SBI would need to participate in approximately 2 inspections per week. If random inspections were conducted quarterly on each of the 90 facilities (360 inspections total annually), SBI would need to participate in 7 inspections per week.

SBI does not currently inspect facilities or provide regulatory oversight in any capacity for any purpose. As such, the Bureau would need to set up an entirely new "inspections unit" to handle the inspection requirements of this bill. SBI divides the State into eight divisions. As a result, this bill would require an additional eight Special Agents (one for each division of the State) and one Special-Agent-in-Charge (SAC) to oversee the new inspections unit at a total cost of $1,268,327 recurring and $604,575 nonrecurring (9 FTE).

University of North Carolina System

The bill requires the North Carolina Policy Collaboratory (Collaboratory) at the University of North Carolina at Chapel Hill to create a program to be known as the North Carolina Cannabis Research Program (Research Program). The Research Program is to undertake scientific research on the administration of cannabis or cannabis-infused products as part of medical treatment.

The Collaboratory states that to meet the requirements of the bill, they would establish a competitive grant program available to institutes of higher learning in North Carolina to perform the research objectives of the legislation. Costs to the Collaboratory would include:

1. Personnel needed to direct, manage, and administer the Research Program and its grants
2. Operating costs including funds for supplies, information technology (IT) needs, and travel
3. Competitive grant funds to North Carolina institutes of higher education

The Collaboratory estimates that the full cost of the Research Program will be $1,500,000 per year after 5 years. Those cost estimates, along with how costs would scale up from years one to five, are provided in Table 10 below. The Collaboratory emphasizes that these cost estimates may change but are based on the best information available after consulting with cannabis research leaders and after reviewing existing programs and funding.

Table 10. North Carolina Cannabis Research Program Projected Costs, Years 1 to 5

Cost Description	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Project Director (1.0 FTE)	$87,500	$175,000	$175,000	$184,211	$184,211
Program Compliance Manager (1.0 FTE)	$87,500	$175,000	$175,000	$184,211	$184,211
Program Office/Admin. Manager (1.0 FTE)	$40,000	$80,000	$80,000	$84,210	$84,210
Program Grant Manager (1.0 FTE)	-	$100,000	$100,000	$105,263	$105,263
Supplies, IT, Travel, and Other Non-Personnel Operating Expenses	$20,000	$40,000	$40,000	$42,105	$42,105
Competitive Grants	-	-	$400,000	$800,000	$900,000
Total Cost	**$235,000**	**$570,000**	**$970,000**	**$1,400,000**	**$1,500,000**

Source: FRD analysis of information provided by the North Carolina Policy Collaboratory

TECHNICAL CONSIDERATIONS

1. The Department of Health and Human Services does not currently have any programs that regulate the cultivation of plants; regulate the production, sale, and safety testing of a pharmaceutical products (medical cannabis); or produce secure beneficiary photo-IDs. The Department will have to recruit senior level program managers and scientists with appropriate expertise prior to the Department beginning the process of supporting the development of a regulated medical cannabis supplier system. Those senior positions would also need to be in place before the Department could proceed with creating the infrastructure and soliciting contracts to support the required regulatory and oversight actions. The Department has reported it would need exceptions from State Human Resource and State procurement rules/policies if it is to implement the requirements of the act within the first year.

2. Qualla Enterprises, a tribal subsidiary of the Eastern Band of Cherokee Indians is already in the process of a establishing a medical cannabis program that would operate under the laws of the Eastern Band of Cherokee Indians within North Carolina's Qualla Boundary. It is unknown if Qualla Enterprise would participate in a State run system.

3. The Bill requires rulemaking to be completed within 270 days of the first meeting of the Medical Cannabis Production Commission. Many of the factors that determine the length of the rulemaking process are outside the scope of the agency developing rules. For example, if 10 or more objections are filed following Rules Review Committee approval of the rules, the effective day of the rules is delayed at least until after start of the subsequent legislative session. To accomplish the 270-day target for the registry and medical cannabis rules, DHHS has requested an exemption from the initial round of rulemaking.

4. The Bill requires the Department to adopt rules pertaining to the registry as defined in G.S. 90-113.115(h) within 270 days of the law being signed (year 1). The Department reports that if the intent is to have fully operational registry within 9 months, all implementation work must be done in parallel, which means that staff must be available to work with the licensees to ensure that they succeed in meeting the requirements for sale per SB3. DHHS has reported that it would need $45.2 million to fund all required positions and operating costs, including hiring all registry staff in the first year, even if patients wait until dispensaries are ready to begin sales to apply for the registry card.

5. Registry participation is an unknown variable that is difficult to predict. To establish a realistic range for registry participation, DHHS analyzed medical cannabis registry data from multiple states and determined that 1% to 5% of a state's population participated in the registry. This would equate to between 104,000 and 500,000 participants in North Carolina. As a result, the Department anticipates needing to process an average of 301,600 applications per year.

6. DHHS has expressed concern about this being structured as a fully-receipt supported program. The bill states that "*The General Assembly may appropriate funds for the initial development and implementation of the medical cannabis supply system, but neither the Department nor the Commission shall use any appropriations from the General Fund to operate the system. The intent of the General Assembly is that the system shall be funded solely by the fees*..." Given the uncertainty surrounding the market for regulated medical cannabis, it is not clear how the State would cover fixed costs, if receipts were underrealized in a given year.

DATA SOURCES

Arizona Department of Health Services; Florida Board of Medicine and Board of Osteopathic Medicine; Florida Department of Health; Marijuana Policy Project; National Conference of State Legislators, North Carolina Department of Health and Human Services; North Carolina Department of Revenue; North Carolina Policy Collaboratory; Priceofweed.com; State Bureau of Investigation

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

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Signed copy located in the NCGA Principal Clerk's Offices