

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 27, 2015**

**TO:** Honorable Myra Crownover, Chair, House Committee on Public Health

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB3785** by Márquez (Relating to authorizing the possession, use, cultivation, distribution, transportation, and delivery of cannabis for medical purposes; authorizing fees.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3785, As Introduced: a positive impact of \$1,102,023 through the biennium ending August 31, 2017.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

| Fiscal Year | Probable Net Positive/(Negative) Impact<br>to General Revenue Related Funds |
|-------------|---|
| 2016        | \$345,677   |
| 2017        | \$756,346   |
| 2018        | (\$161,522)   |
| 2019        | \$8,048,029   |
| 2020        | \$10,735,621  |

**All Funds, Five-Year Impact:**

| Fiscal Year | Probable (Cost) from<br><i>General Revenue Fund</i><br>1 | Probable Revenue<br>Gain/(Loss) from<br><i>General Revenue Fund</i><br>1 | Change in Number of State<br>Employees from FY 2015 |
|-------------|--|--|---|
| 2016        | (\$12,979,323)   | \$13,325,000   | 115.4   |
| 2017        | (\$13,377,404)   | \$14,133,750   | 134.4   |
| 2018        | (\$11,867,772)   | \$11,706,250   | 121.5   |
| 2019        | (\$11,868,638)   | \$19,916,667   | 121.5   |
| 2020        | (\$11,892,829)   | \$22,628,450   | 121.5   |

## **Fiscal Analysis**

The bill would amend the Health and Safety Code by adding Chapter 488 to authorize the use of cannabis for medical purposes.

The bill would require the Department of State Health Services (DSHS) to license and inspect medical cannabis establishments (cultivators, dispensaries, edible-infused production facilities and testing facilities), and issue certifications for certain qualifying patients.

The bill would authorize DSHS to develop application forms that identify an applicant or qualifying patient by personally identifiable information and that designate a caregiver. The bill would also require DSHS to establish and maintain a confidential registry of cardholders and nonresident cardholders.

The bill would require the executive commissioner of the Health and Human Services Commission (HHSC) to adopt rules required to implement, administer and enforce the chapter no later than December 1, 2015.

## **Methodology**

This analysis assumes a ramp up of the licensing process in fiscal year 2016 and fiscal year 2017. It is estimated that the following amounts of full-time equivalents (FTEs) would be required for the licensing and processing of applications, including supervision, administrative support, compliance review and enforcement actions: 98 in fiscal year 2016, 116.8 in fiscal year 2017, and 104 in fiscal year 2018 through fiscal year 2020. It is also assumed that DSHS will perform annual inspections of an estimated 4,525 facilities, which would require 16 additional FTEs in each fiscal year. More frequent inspections would increase cost to the bill. It is also assumed an additional average of 1.5 FTEs per fiscal year would be required for HHSC oversight. Costs associated with FTEs at DSHS and HHSC total \$12,979,323 for fiscal year 2016, \$13,377,404 in fiscal year 2017, \$11,867,772 in fiscal year 2018, \$11,868,638 in fiscal year 2019 and \$11,892,829 in fiscal year 2020.

DSHS estimates that by the end of fiscal year 2017, DSHS would register 275,000 qualified medical cannabis patients. Of these, DSHS estimates 5,000 individuals would be out-of-state registrants holding valid medical cannabis cards issued by other states. The registration fee for qualified medical cannabis certificates is \$50 for individuals in-state, and \$25 for individuals out-of-state.

DSHS would be authorized to collect fees from establishments. The bill would require DSHS to collect a non-refundable one-time application fee of \$2,000 from each of the following applicants: cultivation facilities (DSHS estimates 3,000), dispensaries (1,000), edible infused production facilities (500) and independent testing facilities (25). In addition to the one-time application fee, the bill also requires DSHS to collect a licensing fee from each establishment. This analysis assumes the maximum licensing fee as authorized in the bill and renewals every two years: \$3,000 for cultivators (\$1,000 renewal), \$20,000 for dispensaries (\$10,000 renewal), \$3,000 for production facilities (\$2,000 renewal) and \$5,000 for testing facilities (\$3,000 renewal). This analysis assumes the DSHS estimate of 2.6 percent growth per year in the number of licensed establishments.

Total estimated revenue from all sources is \$13,325,000 in fiscal year 2016, \$14,133,750 in fiscal year 2017, \$11,706,250 in fiscal year 2018, \$19,916,667 in fiscal year 2019 and \$22,628,450 in fiscal year 2020. Funds collected would be deposited into General Revenue Funds.

The Comptroller of Public Accounts indicates that the fiscal impact cannot be determined due to uncertainty as to exact fees to be charged for licenses and uncertainty regarding the comparability of Texas and other states.

### **Technology**

Included in the costs above are technology costs for FTEs, estimated to be \$298,232 for database licensing and annual maintenance costs. It is estimated that approximately 10 percent of the FTEs listed above will require regulatory software licenses. Additionally, start-up costs of \$5,000 for information technology support are included for webpage development and on-line application capabilities.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 405 Department of Public Safety, 503 Texas Medical Board, 529 Health and Human Services Commission, 537 State Health Services, Department of

**LBB Staff:** UP, NB, WP, VJC, RC, JAW, KVe, SS