

## Financial Impact Estimating Conference

### Use of Marijuana for Certain Medical Conditions Serial Number 13-02

#### Table of Contents

Official Notification .....	Tab 1
Statutory Authorization for FIEC .....	Tab 2
Information on States with Medical Marijuana Laws .....	Tab 3
Congressional Research Service Report .....	Tab 4
Government Accountability Office Report .....	Tab 5
Registrant Characteristics by State .....	Tab 6
2013 Session Legislation .....	Tab 7
Analysis by the Florida Department of Health .....	Tab 8
Draft – Summary of Initiative Financial Information Statement .....	Tab 9
Analysis Data .....	Tab 10
U. S. Department of Justice .....	Tab 11
Responses from State and Local Agencies .....	Tab 12

**Tab 8**

**Analysis by the Florida Department of Health**

## **Florida Department Health Updated Fiscal Analysis**

The following presents an updated fiscal analysis of the proposed ballot initiative by the Florida Department of Health.

**Florida Department of Health**  
**“Use of Marijuana for Certain Medical Conditions”**  
**Constitutional Amendment Analysis**  
**Cost Analysis, Version 2.1, 11/1/13**

**Follow-Up Questions Received October 31, 2013:**

Question: Based on the assumption that the potential number of qualified patients would be up to 417,252 would you expect a larger impact? Your current analysis only contemplates 347,700. It appears that this would impact the number of personal caregivers and Medical Marijuana Treatment Centers as well.

The analysis has been amended to reflect the revised number of qualified patients, personal caregivers and Medical Marijuana Treatment Centers. The treatment center number increased due to additional information provided by the Colorado Program. As of 10/11/13, Colorado had 470 licensed Medical Marijuana Centers for 109,622 registered patients. The original estimate used the 174 Colorado centers included on public website as total licensed centers.

Question: You request \$42,120 in the first year of implementation to Develop and Disseminate Educational Materials-would this include outreach and education for Physicians through the Board of Medicine? Do you anticipate any changes in Continuing Education requirements for Physicians and would that have any impact on MQA processes and costs?

This cost was intended to include development the physician education materials. The analysis has been updated to include cost of dissemination to physicians through the Board of Medicine. The department did not contemplate changes in physician continuing education in year one or two of the program. No additional costs are anticipated for the licensing activities at this time.

Question: Your analysis requests a total of 3 FTE for “program staff” over the two year period. Is this impacted by an increase in the number of patients as discussed above?

The analysis has been amended to increase the number of State Office FTEs for year one due to increased number of expected qualified patients, personal caregivers and Medical Marijuana Treatment Centers. The cost for help desk support to 800 hours or \$7,000 to support the increased expected patients and caregivers.

Question: In the section titled “Regional Inspector Transportation, Computers, and Connectivity” you request 10 state vehicles and 10 pen tablets as well as some other IT costs. Why does this not include a request for additional staff? Who will drive the vehicles and use the pen tablets? If you anticipate using existing staff shouldn’t your analysis contemplate charging whatever time devoted to this measure to this regulatory program?

The Department assumes the complaint investigation component of the Medical Marijuana Program statewide will require 13.25 new FTEs. The amended cost per service analysis includes a total of 9,303 services at \$85.00 per service for a total cost of \$790,755. This cost supports the staff used to deliver the services. The analysis has been amended to reflect the FTEs necessary to deliver the services.

For planning purposes the department has assumed 10 regional areas for coordination of the inspection and investigation services. The department is requesting one vehicle and one pentablet per region.

**Florida Department of Health**  
**“Use of Marijuana for Certain Medical Conditions”**  
**Constitutional Amendment Analysis**  
**Cost Analysis, Version 2.1, 11/1/13**

**III. COST ANALYSIS**

The department’s preliminary cost analysis has been amended to:

- Increase expected number of qualified patients and personal caregivers based on Colorado experience.
- Increase expected number of Medical Marijuana Treatment Centers based on Colorado experience.
- Increase the number of FTEs for Year 1 due to increased number of patients, caregivers and treatment centers.
- Increase cost for dissemination of physician educational materials.
- Increase the number of hours of contracted help desk support to increased expected qualified patients and personal caregivers.
- Reflect the number of FTEs necessary to provide inspection & investigation services.
- Standardize Medical Marijuana Treatment Center inspection cost of service regardless of which services may be provided by an individual center (i.e. transport, cultivation, dispensary).

**Table 1**  
**Florida Medical Marijuana Program**  
**Qualified Patient, Caregiver & Treatment Facility Estimates**

	<b>Number</b>	<b>Methodology</b>
<i>Estimated Number of Qualified Patients</i>	417,252	Estimated based on Colorado August 2013 percent of registrants per population, (109,622 registrants per 5,187,582 population=2.1%) applied to Florida 2015 population.
<i>Estimated Number of Personal Caregivers</i>	250,351	Estimate assumes mature program - 6 caregivers for every 10 patients, based on Colorado actual 2012 experience, rounded.
<i>Estimated Number of Medical Marijuana Treatment Centers to be Registered</i>	1,789	Estimated number of facilities based on Colorado program. As of 10/11/13, 470 licensed centers for 109,622 registered patients. Florida estimate (470/109,622*417,252=1,789)

**Florida Department of Health**  
**“Use of Marijuana for Certain Medical Conditions”**  
**Constitutional Amendment Analysis**  
**Cost Analysis, Version 2.1, 11/1/13**

**Table 2**  
**Florida Medical Marijuana Program**  
**Cost Estimates, 2015 & 2016**

<b>Cost of Program Implementation</b>	<b>Year 1 2015</b>	<b>Year 2 2016</b>	<b>Description</b>
Program Staff – State Health Office Year 1 – Program Manager & Environmental Consultant Year 2 – Program manager, Environmental Consultant and Senior Clerk.	\$179,128	\$217,121	Year 1 Program Manager, \$60,000 salary, fringe (35%) & expense package (\$15,541). Expense = \$6,211 recurring expense, \$3,762 non-recurring, \$5,568 limited travel. Environmental Consultant (\$82,587) Recurring FTEs. Year 2 additional 1.0 FTEs to manage established program. and Senior Clerk (\$37,993).
Support for rule development	\$59,406	\$0	Contracted operations management consultant \$20 hr/2080 hours plus fringe (35%) and contract overhead (4%). One-time contractual.
Develop & disseminate educational materials	\$49,120	\$21,060	Contracted educator \$20.00 hr/1500 hours plus fringe (35%) and contract overhead (4%). One-time contractual. Costs to disseminate materials to physician = \$7,000 Year 2 includes 750 hours of contracted time to refresh training materials.
Business Analyst for data system	\$88,400	\$0	\$85 per hours for 1040 hours. One-time contractual.
Data system for patient/caregiver registration & medical treatment center management	\$150,000	\$0	Cost to design, develop, test and data system based on business requirements. One-time contractual 1800 hours at \$75.00 per hour and \$15,000 for hardware.
Annual data system user support and maintenance	\$0	\$32,000	Annual cost of help desk and software maintenance 800 hours per year at \$40 per hour. Recurring \$32,000 after Year 1 implementation.
Field Staff (13.25 FTEs)– Treatment facility inspections, reinspections, and complaint investigations  Year 1 – 3 months Year 2 – 12 months	\$197,689	\$790,755	Cost for services for 12 months – 9,303 services @ \$85.00 per service = \$790,755. 1,789 treatment centers – 7.156 quarterly inspections, 1,789 reinspections (25% rate) and 358 complaint investigation (20% of centers).  Funds 13.25 Environmental Specialist II’s to conduct inspections & investigations. (Salary \$37,357, Fringe \$12,451 and Travel \$9,606) for a total of \$787,236. Interagency Agreement with Department of Agriculture & Consumer Services= \$2,500. Miscellaneous cost of services=\$1,019.
Regional Inspector Transportation, Computers and Connectivity	\$366,440	\$0	One-time cost for 10 state vehicles @ \$35,000 each and 10 pentabets @ \$1,500 each for regional inspectors. Routine repair and maintenance in Year 2 included in cost per service. VPN connectivity service \$48 per month per inspector for 3 months in year 1 – \$1,440. Year 2 costs included in cost per service.
<b>Total Estimated Costs</b>	<b>\$1,090,183</b>	<b>\$1,060,936</b>	

**Tab 10 (continued)**

**Analysis Data**

## **Analysis Data**

The following presents information on sales tax rates charged on medical marijuana.

(add the next page into this section)

## Potential Range of State Sales Tax Revenues from Medical Marijuana End-Users Assuming No Sales Tax Exemptions Apply

*The Following Examples Demonstrate a Range that is Generated by Varying Assumptions*

Quantity Consumed/ Estimation Approach	April 1, 2015 Users	Sales (\$)		State Sales Tax Revenues (\$)	
		\$225/ oz	\$450/ oz	\$225/ oz	\$450/ oz
<b>Annual use of 3.53 oz (100 g)<sup>1</sup></b>					
I. States with medical marijuana laws	417,252	331,402,401	662,804,802	19,884,144	39,768,288
IV. Use by cancer patients	173,671	137,938,192	275,876,384	8,276,292	16,552,583
<b>Annual use of 30 oz (850 g)<sup>2</sup></b>					
I. States with medical marijuana laws	417,252	2,816,451,000	5,632,902,000	168,987,060	337,974,120
IV. Use by cancer patients	173,671	1,172,279,250	2,344,558,500	70,336,755	140,673,510

Sales and tax revenue estimates do not take into account price and non-price effects on consumption.

Estimates are subject to significant uncertainty regarding how legalization will affect production cost, price, and tax evasion.

The varying potencies of marijuana and quantity discounts are not taken into account.

Price data are from Vermont, June 2013, <http://www.wcax.com/story/22679258/vermonts-first-medical-marijuana-dispensaries-open>

<sup>1</sup> This estimate of quantity consumed is for illegal use of marijuana for recreational purposes and not specifically for medical use. An annual amount consumed is calculated as the product of the average number of days of use and the average quantity consumed per day. Estimates of the average amount of marijuana consumed are very hard to obtain. Research estimates of global marijuana use per person vary between 94 to 116 grams per year. Bouchard, M. ("Towards a Realistic Method to Estimate the Cannabis Production in Industrialized Countries." Contemporary Drug Problems. Vol. 35., July 1, pp. 291-300) estimates Quebec used on average 94 grams in 2003. He suggests a "100-gram-per-user benchmark." Kilmer and Pacula ("Estimating the Size of the Global Drug Market: A Demand-Side Approach—Report 2", Santa Monica, Calif.: RAND Corporation, TR-711-EC, 2009. As of June 28, 2010: [http://www.rand.org/pubs/technical\\_reports/TR711/](http://www.rand.org/pubs/technical_reports/TR711/)) estimate the U.S. average around 93 grams. United Nations Office on Drugs and Crime (2006) uses a weighted average of casual, regular, daily and chronic users to estimate 116 grams per year. Kilmer et al ("Altered State? Assessing How Marijuana Legalization in California Could Influence Marijuana Consumption and Public Budgets", RAND Corporation, 2010, [http://www.rand.org/content/dam/rand/pubs/technical\\_reports/2009/RAND\\_TR711.pdf](http://www.rand.org/content/dam/rand/pubs/technical_reports/2009/RAND_TR711.pdf)) adopts 100g as average annual amount used for California.

<sup>2</sup> Connecticut's Department of Consumer Protection possession rule specifies that the maximum allowed monthly amount of medical marijuana is 2.5 oz. This estimate assumes a patient uses the maximum allowed amount every month of the year. <http://www.ct.gov/dcp/cwp/view.asp?a=4287&q=509630>

Prepared by the Florida Legislature's Office of Economic and Demographic Research, October 31, 2013.