

## FORM 5

**ADMINISTRATIVE PROCEDURES ACT  
FISCAL NOTE – REVISED 09-02-2021  
Prepared by South Dakota Department of Health**

	CODE	NAME
<b>DEPARTMENT</b>	09	Health
<b>DIVISION</b>	0903	Health Care Access & Quality and Health Protection
<b>PROGRAM</b>	0903007	Medical Cannabis

PROPOSED RULE: 44:90  
Hearing Date: August 18, 2021

**FISCAL IMPACT STATEMENT:** SDCL 34-20G and ARSD 44:90 will create a new medical cannabis program in SD which requires additional staff and related programmatic costs (e.g., patient registry & licensing system, seed to sale tracking, etc.). The costs will be paid for by assessments in fees to medical cannabis establishments and medical cannabis cardholders.

**FISCAL NOTE SUMMARY:** In addition to the Department of Health, other agencies impacted include Public Safety (inspection pool)

**COST INCREASES (DECREASES)**

State Agencies:	First-Year Impact	Continuous-Yearly Impact
DOH	\$1,367,609	\$1,067,674
<b>TOTAL</b>	<b>\$1,367,609</b>	<b>\$1,067,674</b>
<b>Local Subdivisions:</b>		
	\$0	\$0
<b>TOTAL</b>	<b>\$0</b>	<b>\$0</b>
<b>Small Business Increases (Decreases)</b>		
Medical Cannabis Establishments	\$2,415,000	\$5,715,000
<b>TOTAL</b>	<b>\$2,415,000</b>	<b>\$5,715,000</b>

**REVENUE INCREASES (DECREASES)**

Revenue Increases (Decreases) State, Local & Small Business:		
DOH	\$2,770,865	\$6,362,580
Small Business	Unknown	Unknown
<b>TOTAL</b>	<b>\$2,770,865</b>	<b>\$6,362,580</b>

APPROVED Kim Malsam-Rydon DATE 9/2/21  
Signature Department Secretary or Board or Commission Chairman

**ATTACH:** Copy of proposed rules; separate sections for: 1) explanation of rules effect, i.e. what procedures, schedules, activities, etc. will change with its adoption 2) statistics used, and their source, 3) assumptions that were made to arrive at fiscal impact, 4) computations that were made, and 5) small business impact statement

Revised June 2004

## FISCAL NOTE CALCULATIONS

### COST INCREASES

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**DOH– \$1,367,609 (Year 1) / \$1,067,674 (Year 2 and ongoing)**

**Personnel Services – \$195,430 (Year 1) / \$201,293 (Year 2 and ongoing)**

- 2 FTE (program administrator and attorney)
- 3% increase in year 2

**Software Costs – \$609,625 (Year 1) / \$286,950 (Year 2 and ongoing)**

- Patient Registry, Verification – \$306,125 (Year 1) / \$135,200 (Year 2 and ongoing) (based on RFP responses)
- Seed to Sale Tracking – \$303,500 (Year 1) / \$151,750 (Year 2 and ongoing) (based on estimates from other states)

**DPS Inspection Pool – \$421,140 (Year 1) / \$433,774 (Year 2 and ongoing)**

- 2 inspections per year of 483 establishments (e.g., cultivators, manufacturers, dispensaries, and testing facilities) – estimated 6275.36 hrs. at DPS rate of \$67.11/hour
- 3% increase in year 2

**Other (travel, contractual, supplies, etc.) – \$141,414 (Year 1) / \$145,656 (Year 2 and ongoing)**

- 3% increase in year 2

**SMALL BUSINESSES – \$2,415,000 (Year 1) / \$5,715,000 (Year 2 and ongoing)**

- \$5,000 license fee for medical cannabis cultivators (109), manufacturers (98), dispensaries (272), and testing facilities (4)

### REVENUE

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**Patient and Caregiver Cards – \$355,865 (Year 1) / \$647,580 (Year 2 and ongoing)**

- Based on demand analysis conducted by Cannabis Public Policy Consulting (CPPC) using the list of qualifying condition
- 5,433 cardholders and 109 caregiver cards
  - 4455 cardholders @ \$75 = \$334,125
  - 978 low-income cardholders at \$20 = \$19,560
  - 109 caregiver cards @ \$20 = \$2,180
- Increase in cardholders in Year 2 assumes additional qualifying debilitating conditions being added

**Establishments – \$2,415,000 (Year 1) / \$5,715,000 (Year 2 and ongoing)**

- Demand was determined by Cannabis Public Policy Consulting (CPPC) in accordance with SDCL 34-20G licensing structure
- Assumes 109 cultivator licenses, 98 manufacturer licenses, 272 dispensary licenses, and 4 testing facility licenses at \$5,000/license
- Increase in licensees in Year 2 based on estimates from other states.



Year 1			Year 2+		
<b>Expenditure</b>			<b>Expenditure</b>		
<b>Personnel Services</b>	<b>Hour Rate</b>	<b>Compensation</b>	<b>Personnel Services</b>	<b>Hour Rate</b>	<b>Compensation</b>
Program Administrator		\$ 103,430	Program Administrator		\$ 106,533
Attorney		\$ 92,000	Attorney		\$ 94,760
<b>Patient Registry/Licensing</b>			<b>Patient Registry/Licensing</b>		
One time - Implementation		\$ 176,125	One time - Implementation		\$ -
Ongoing		\$ 130,000	Ongoing		\$ 135,200
<b>Seed to Sale</b>			<b>Seed to Sale</b>		
One time - Implementation		\$ 151,750	One time - Implementation		\$ -
Ongoing		\$ 151,750	Ongoing		\$ 151,750
<b>Other</b>			<b>Other</b>		
Supplies		\$ 1,000	Supplies		\$ 1,030
Travel		\$ 14,710	Travel		\$ 15,151
Inspection Pool Cost		\$ 421,140	Inspection Pool Cost		\$ 433,774
Equipment/Capital Outlay		\$ 1,000	Equipment/Capital Outlay		\$ 1,030
BIT Costs		\$ 4,714	BIT Costs		\$ 4,855
Contractual Service and Membership		\$ 20,000	Contractual Service and Membership		\$ 20,600
Consultant/Legal Costs		\$ 99,990	Consultant/Legal Costs		\$ 102,990
<b>Total Expenditure</b>		<b>\$ 1,367,609</b>	<b>Total Expenditure</b>		<b>\$ 1,067,674</b>
<b>Revenue</b>			<b>Revenue</b>		
Registry Card Revenue			Registry Card Revenue		
Patient/Caregiver Card Revenue		\$ 355,865	Patient/Caregiver Card Revenue		\$ 647,580
Agent Card Revenue		\$ -	Agent Card Revenue		\$ -
Homegrow ID Revenue		\$ -	Homegrow ID Revenue		\$ -
Nonresident Card Revenue		\$ -	Nonresident Card Revenue		\$ -
Establishment License (Select from dropdown)			Establishment License (Select from dropdown)		
Cultivator - Single Tier		\$ 545,000	Cultivator - Single Tier		\$ 1,695,000
Manufacturer - Single Tier		\$ 490,000	Manufacturer - Single Tier		\$ 1,590,000
Dispensary- Single Tier		\$ 1,360,000	Dispensary- Single Tier		\$ 2,380,000
Testing- Single Tier		\$ 20,000	Testing- Single Tier		\$ 50,000
<b>Total Revenue</b>		<b>\$ 2,770,865</b>	<b>Total Revenue</b>		<b>\$ 6,362,580</b>
<b>Profit or (Loss)</b>		<b>\$ 1,403,256</b>	<b>Profit or (Loss)</b>		<b>\$ 5,294,906</b>