FORM 5

ADMINISTRATIVE PROCEDURES ACT
FISCAL NOTE
Prepared by South Dakota Department of Health

	CODE	NAME
DEPARTMENT	09	Health
DIVISION	0903	Health Care Access & Quality and Health Protection
PROGRAM	0903001	Administration

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
TOTAL	$1,367,609	$1,067,674
Local Subdivisions:		
	$0	$0
TOTAL	$0	$0
Small Business Increases (Decreases)		
Medical Cannabis Establishments	$2,407,000	$5,694,950
TOTAL	$2,407,000	$5,694,950

REVENUE INCREASES (DECREASES)

Revenue Increases (Decreases) State, Local & Small Business:		
DOH	$2,783,305	$6,416,569
TOTAL	$2,783,305	$6,416,569

APPROVED Kim Malsam-Rysdon DATE 07/27/2021
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

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) / $145,657 (Year 2 and ongoing)
- 3% increase in year 2

SMALL BUSINESSES – $2,407,000 (Year 1) / $5,694,950 (Year 2 and ongoing)
- $5,000 license fee for medical cannabis cultivators (109), manufacturers (98), dispensaries (272), and testing facilities (4)

REVENUE

Patient and Caregiver Cards – $336,305 (Year 1) / $613,618 (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
  - Assumes 18% of cardholders would qualify for low-income card
- Increase in cardholders in Year 2 assumes additional qualifying debilitating conditions being added

Agent Card – $40,000 (Year 1) / $108,000 (Year 2 and ongoing)
- Assumes 2000 agent cards in year 1 and 5,400 in year 2 and ongoing (based on estimates from other states)

Establishments – $2,783,305 (Year 1) / $6,416,568 (Year 2 and ongoing)
- Demand was determined by Cannabis Public Policy Consulting (CPPC) in accordance with 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