

Government of the District of Columbia  
Office of the Chief Financial Officer



**Jeff DeWitt**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Jeff DeWitt  
Chief Financial Officer

**DATE:** June 30, 2014

**SUBJECT:** Fiscal Impact Statement – Medical Marijuana Expansion Amendment Act of 2014

**REFERENCE:** Bill 20-766, Draft Committee Print shared with the Office of Revenue Analysis on June 24, 2014

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**Conclusion**

Funds are sufficient in the proposed FY 2015 through FY 2018 budget and financial plan to implement the bill.

**Background**

The bill allows<sup>1</sup> physicians to prescribe medical marijuana whenever they think it is an appropriate treatment for a patient. Currently, physicians can only prescribe medical marijuana if a patient has one of 11 conditions or is undergoing one of three treatments listed in District law<sup>2</sup> or the D.C. Municipal Regulations<sup>3</sup>. The bill also increases the number of live marijuana plants a cultivation center can have from 95 to 500.

The Department of Health (DOH) regulates medical marijuana use in the District. It registers patients using medical marijuana and in some cases their caregivers, and inspects cultivation centers and dispensaries and approves them to operate in the District. In turn, each of these groups pay annual fees to DOH.<sup>4</sup> DOH expects to have at 1,000 patients registered by the end of this year, up from 10 last year. Three cultivation centers and three dispensaries are currently registered with DOH.

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<sup>1</sup> By amending the Legalization of Marijuana for Medical Treatment Initiative of 1999, effective February 25, 2010 (D.C. Law 13-315; D.C. Official Code §7-1671.01(17)).

<sup>2</sup> D.C. Official Code §7-1671.01

<sup>3</sup> Title 22-C, Chapter 2.

<sup>4</sup> Patients and caregivers pay \$25 to \$100. Cultivation centers pay \$5,000 and dispensaries pay \$10,000.

Advocates predict that without any restrictions on physicians' prescriptions for medical marijuana, the number of medical marijuana users in the District could rise to between 10,000 and 15,000 people.<sup>5</sup> Indeed, if the number of medical marijuana patients in the District were proportional to low-end estimates of those in California<sup>6</sup> (which also puts no restrictions on doctors' prescription-writing), there would be nearly 10,000 medical marijuana patients in the District. Maryland and Massachusetts are the only other states with similarly non-restrictive laws but their patient registries are not yet open.<sup>7</sup>

### Financial Plan Impact

Funds are sufficient in the proposed FY 2015 through FY 2018 budget and financial plan to implement the bill. The bill will have a net cost of \$42,000 in FY 2015 and \$24,000 in FY 2016. DOH will pay these costs with vacancy savings. In FY 2017 and FY 2018, the bill will bring in net revenue of \$161,000 and \$353,000, respectively.

ORA's cost and revenue estimates are based on its prediction that the number of registered medical marijuana patients in the District will rise to 2,000 in FY 2015 and then to 10,800 by FY 2018, with corresponding increases in caregivers, dispensaries, and cultivation centers. This will increase DOH's fee revenues but will also require DOH to hire two new registration processors in FY 2015 and a new cultivation center inspector in FY 2016.

The table below shows ORA's cost and revenue projections for the bill. Note that the revenue numbers only include fees from new patients, caregivers, cultivation centers, and dispensaries that register with DOH in FY 2015 or later. The revenues will be deposited into DOH's Pharmacy Protection account and the staffers will also be paid by funds in this special purpose account.

<b>Fiscal Impact of Implementing the Medical Marijuana Expansion Amendment Act of 2014, FY 2015 - FY 2018</b>					
	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>4-Year Total</b>
<u>Costs</u>					
DOH Personnel <sup>1</sup>	(\$129,000)	(\$235,000)	(\$246,000)	(\$258,000)	(\$868,000)
<b>Total Costs</b>	<b>(\$129,000)</b>	<b>(\$235,000)</b>	<b>(\$246,000)</b>	<b>(\$258,000)</b>	<b>(\$868,000)</b>
<u>Revenue<sup>2</sup></u>					
New Patient Fees	\$55,000	\$165,000	\$341,000	\$539,000	\$1,100,000
New Caregiver Fees	\$2,000	\$6,000	\$11,000	\$17,000	\$36,000
New Cultivation Center Fees	\$10,000	\$20,000	\$35,000	\$35,000	\$100,000
New Dispensary Fees	\$20,000	\$20,000	\$20,000	\$20,000	\$80,000
<b>Total New Revenue</b>	<b>\$87,000</b>	<b>\$211,000</b>	<b>\$407,000</b>	<b>\$611,000</b>	<b>\$1,316,000</b>

<sup>5</sup> According to Patricia D'Antonio, the program manager of DOH's pharmaceutical control division.

<sup>6</sup> As estimated by the Marijuana Policy Project. See <http://www.mpp.org/states/medical-marijuana-patient.html>.

<sup>7</sup> According to the Marijuana Policy Project.

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<b>Net Fiscal Impact</b>	<b>(\$42,000)</b>	<b>(\$24,000)</b>	<b>\$161,000</b>	<b>\$353,000</b>	<b>\$448,000</b>
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Table Notes

<sup>1</sup> DOH will hire two Grade 9 employees in FY 2015 to process patient and caregiver applications and one Grade 12 employee in FY 2016 to inspect cultivation centers and dispensaries. Currently DOH has 3-4 application processors and 1 inspector.

<sup>2</sup> Patient and caregiver fees average \$55 per person per year. Cultivation centers pay DOH \$5,000 per year. Dispensaries pay DOH \$10,000 per year.

ORA's cost and revenue projections are based on its estimates below.

<b>Projected Number of Patients, Caregivers, Dispensaries, and Cultivation Centers Paying DOH Medical Marijuana Fees, FY 2015 - FY 2018</b>				
	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
Patients <sup>1</sup>	2,000	4,000	7,200	10,800
Caregivers <sup>2</sup>	60	121	218	326
Dispensaries <sup>3</sup>	5	5	5	5
Cultivation Centers <sup>4</sup>	5	7	10	10

Table Notes

<sup>1</sup> Assumes DOH ends FY 2014 with 1,000 patients, and numbers double in FY 2015 and FY 2016, increase by 80 percent in FY 2017 and increase by 50 percent in FY 2018.

<sup>2</sup> Calculation uses current caregiver to patient ratio, but assumes growth is somewhat stunted due to restrictions on who can be a registered caregiver.

<sup>3</sup> Currently there are three dispensaries in operation and two more are eligible to register with DOH. Law caps total number at five.

<sup>4</sup> Currently there are three cultivation centers in operation and three more are eligible to register with DOH. Law caps total number at ten.