

Governor's FY 2019 Budget: Articles

Staff Presentation to the House Finance
Committee
March 20, 2018

Introduction

- Article 17 - several changes to medical marijuana laws to increase access to affordable products, continue the move away from self-grow and enhance compliance
 - Regulatory oversight shift
 - Expansion of regulated entities
 - Patient-related changes
 - Enforcement changes

History – Rhode Island Program

- 2005 Assembly passed legislation to create a medical marijuana program
 - Vetoed by Governor Carcieri
 - Veto overridden first day of 2006 session
 - Original law sunset June 30, 2007
 - Made permanent by 2007 Assembly
 - Administered by Department of Health
 - No specific staff or funds authorized
 - 2014 Assembly lifted cap on compassion center plant count imposed in 2012

History – Rhode Island Program

- 2016 Assembly
 - Expanded regulation and enforcement
 - Departments of Health & Business Regulation
 - Shifted licensing of compassion centers to DBR
 - Established licenses for cultivators
 - Grow plants exclusively for compassion centers
 - Centers not obligated to purchase from them
 - Instituted tagging system for plants grown by patients and caregivers
 - Authorized fees for plants tags

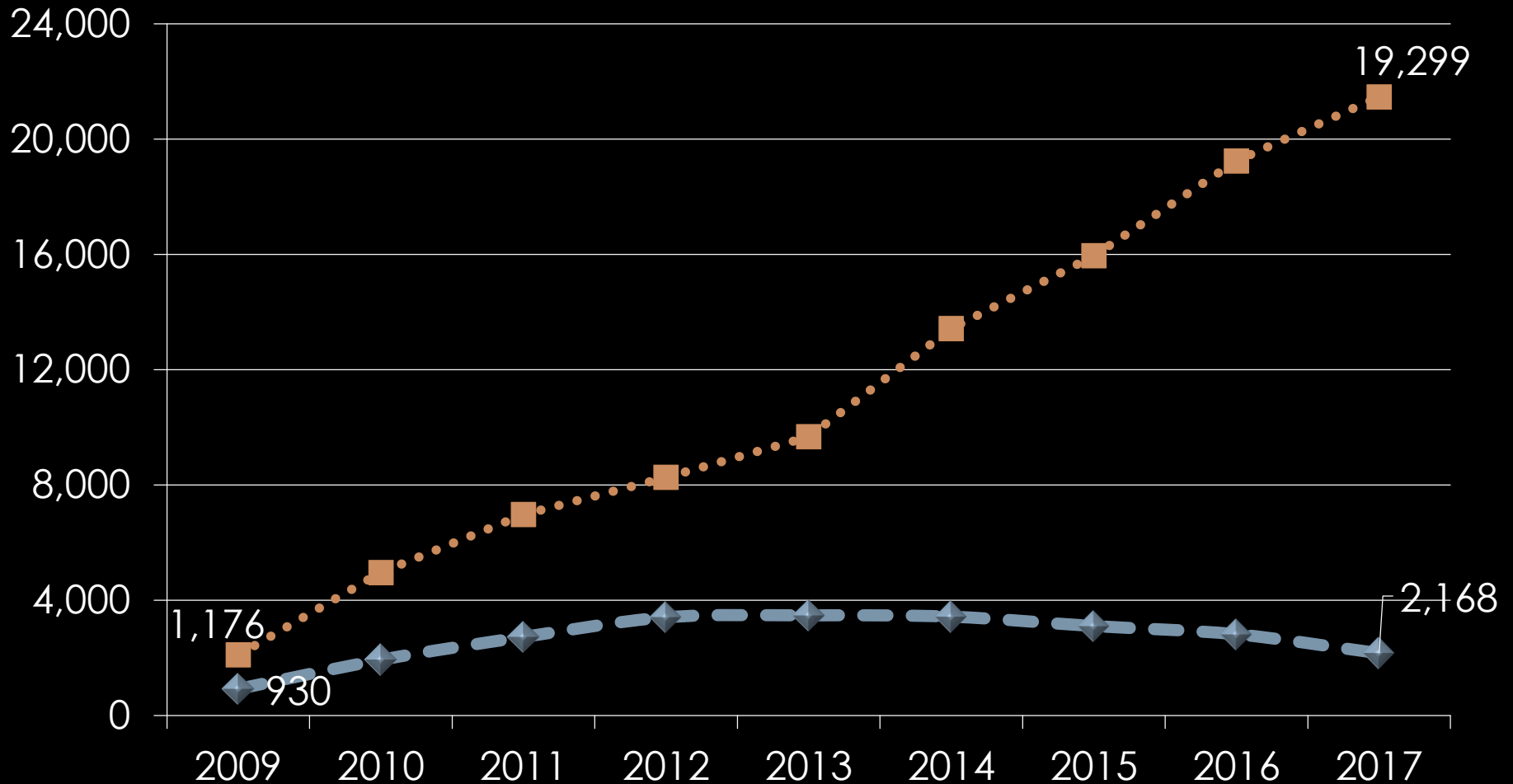
History – Rhode Island Program

- 2016 Assembly
 - Moved to annual registration renewals
 - Established protocols for sharing information with law enforcement
 - Required all registration, renewal & license fees be deposited as restricted receipts
 - Use by DOH & DBR to administer program
 - 4.0 new positions in Business Regulation
- 2017 Assembly authorized transfer of excess receipts to general revenues

History – Rhode Island Program

- Health
 - Patients
 - Caregivers
 - Authorized purchasers
 - Can purchase on behalf of patient
- Business Regulation
 - Cultivators
 - Compassion Centers
 - Plant Tags
 - Patients
 - Caregivers

Participation



Source: Department of Health

● Patients ◆ Caregivers

Article 17 – Medical Marijuana

- **Regulatory oversight shift**
- Expansion of regulated entities
 - Licensed manufacturers
 - Compassion centers
- Patient-related changes
- Enforcement
- Fiscal impact

Article 17 – Oversight

- Regulatory oversight shift
 - Licensing of caregivers and authorized purchasers would move from Health to Business Regulation
 - Governor also proposed shift of caregiver oversight as part of 2016 changes
 - Assembly maintained in Health
 - To align with DBR's regulation of plant growth via tag system
 - Allow for more enforcement options

Article 17 – Oversight

- Article also makes technical corrections to align 2 sections of law
 - No substantive changes
- Governor's requested amendment
 - More clearly delineates authority between Health & Business Regulation

Article 17 – Medical Marijuana

- Regulatory oversight shift
- **Expansion of regulated entities**
 - Licensed manufacturers
 - Compassion centers
- Patient-related changes
- Enforcement
- Fiscal impact

Article 17 – Manufacturers

- Existing facilities currently make related products – no separate license
 - Edibles and Oils
- Article creates “manufacturer” license
 - Plants would be supplied by cultivators and compassion centers to process products
 - Sales to compassion centers or other manufacturers only
 - Decentralize supply chain
 - Minimize compassion center market control

Article 17 – Manufacturers

- Application fees and licenses not in law
 - To be set by regulation
- Revenue estimate assumes 74 facilities
 - Includes existing compassion centers, some existing cultivators
 - Exempts those entities that currently manufacture or had demonstrated prior intent to do so from initial application fee
 - Assumes 4 classes would be licensed by size to be set by regulation
 - Classes and fees not specified in the article

Article 17 – Manufacturers

Type of Manufacturer	Count	Appl. Fee	Annual License	Fiscal Impact
Micro	5.0	\$1,000	\$ 3,000	\$ 20,000
New - up to 1,000 ft ²	35.7*	\$5,000	\$15,000	\$535,000
New - 1,000 to 2,500 ft ²	15.0	\$5,000	\$20,000	\$375,000
New – over 2,500 ft ²	15.0	\$5,000	\$30,000	\$525,000
Current Compassion Centers	3.0	*	\$30,000	
Total	73.7*	\$155,000	\$1,390,000	\$1,545,000

*Rounding issue with estimate – actual will be whole number

Article 17 – Compassion Centers

- Compassion Centers
 - Current limit is 3 centers - aka dispensaries
 - Dispensaries to Patient Ratio low
 - National ~ 1:1,500
 - Rhode Island ~ 1:6,240
 - Market efficiency concerns
 - Wholesale price decreases have not passed to consumers
 - Existing centers have narrow plant strain offerings
 - Encourages continuation of home grows at large scale

Article 17 – Compassion Centers

- Compassion Centers
 - Article would allow 15 centers
 - Application process opens if registered centers ever drop below 15
 - Approval process must consider underserved areas
 - Fees for both initial application and registration renewals would increase

Article 17 – Compassion Centers

Compassion Center	Initial	Registration/ Renewal
Rhode Island - Current	\$250	\$5,000
Rhode Island - Article 17	\$10,000	\$30,000
Connecticut	\$1,000	\$5,000
Massachusetts	\$1,500 / \$30,000	\$50,000

- MA/CT comparison to retail centers only
 - CT -producer license \$25,000 initial; \$75,000 renewal
 - MA -manufacturer, cultivator, and testing facility all separate licenses

Article 17 – Compassion Centers

- Article changes licensed activities
 - Prohibits unlicensed cultivation & manufacturing
 - As noted with new manufacturer license
 - Cultivators currently licensed by facility size via regulation
 - DBR established 5 classes
 - Micro and A through D
 - Current compassion centers are allowed to grow without separate license
 - Existing centers would be Class A or larger

Article 17 – Compassion Centers

- Compassion Centers
 - Allows centers to sell to patients with out of state registry cards
 - Any state cardholder
 - Federal/state law prohibit transport across state lines
 - Offers legal option for acquisition and use away from primary residence
 - Legal use requires a facility/place

Article 17 – Compassion Centers

- As drafted, article allows all compassion centers to hold all three license types
 - Compassion Center
 - Cultivator
 - Manufacturer
- Department indicates intent is to clarify allowable instances through regulation
 - Disperse activities for product diversity and access

Article 17 – Compassion Centers

- Possible combinations
 - Existing Compassion Centers with all licenses
 - Existing Cultivators with retail license
 - Maintain current cultivator license to grow
 - May decrease cultivator license, but not increase
 - “Retail only” Compassion Centers
 - May include micro-manufacturer license

Article 17 – Medical Marijuana

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- **Patient-related changes**
- Enforcement
- Fiscal impact

RI Patient Process

Step 1

Doctor recommends treatment

- Can be made by physician from RI, MA, or CT*

Step 2

Application to Dept. of Health

- Annual & includes:
 - DOB
 - Address/Proof of Residency
- Medical records
- Non-refundable fee \$50
 - \$25 for Medicaid, SSI, Vets' Disability

Step 3

Patient selects method(s)

- Self-grow
- Human Caregiver
- Authorized Purchaser
- Compassion Center

**MA & CT physicians permitted by 2009 Assembly*

Qualifying Diseases and/or Symptoms in RI

Diagnosis	Symptoms
Cancer	Severe nausea
Human Immunodeficiency Virus (HIV)	Wasting Syndrome
Acquired Immune Deficiency Syndrome (AIDS)	Severe, debilitating chronic pain
Glaucoma	Severe muscle spasms
Hepatitis C	Seizures (not limited to epilepsy)
Post-traumatic stress disorder	Alzheimer's Disease

Article 17 – Patients

- Current law allows CT and MA physicians to do referrals
 - Out of state doctors ~ 40% of all referrals
- Article restricts referrals to Rhode Island licensed physicians
 - Out of state physicians not subject to local Department of Health oversight and accountability
- Article ends medical records mandate
 - May still be required through regulation

Article 17 – Patients

- Medical conditions
 - Expands patient eligibility to include “acute pain”
 - Term-limited and based on a practitioner’s recommendation
 - Not to exceed six months
 - Only temporary condition allowed
 - No authorization to grow or appoint caregiver

Article 17 – Patients

- Hospice Patients
 - Current law exempts patients and caregivers from registration fee
 - Article exempts their authorized purchasers from fee as well

Article 17 – Patients

- Under current law all patients can appoint a caregiver
 - Article prohibits self-grow patients from appointing a caregiver
 - Unless there is a proven need
- Caregivers may grow for 5 patients
 - 4 if caregiver is also a patient
 - Article restricts caregiver patient load to 1
 - Unless patient is an immediate family member
 - Other circumstances subject to regulation

Article 17 – Patients

- Current law permits program participants to possess and cultivate medical marijuana
 - Allowed amounts are established by participant type
- Article further restricts plant counts and access
 - Limit excess home grows

Article 17 – Patients

- Article lowers allowable plant limits for patients and caregivers by one third
 - Increases possession limits by 20%

Type	Current law			Article 17		
	Mature	Seedling	Oz.	Mature	Immature	Oz.
Patients	12	12	2.5	8	8	3
Caregiver -1	12	24	2.5	8	8	3
Caregiver -1+	24	24	5	16	16	6
Absolute Maximum	24	24	-	16	16	-

Article 17 – Patients

- Under current law program participants may gift excess product to other participants
 - Do not have to be connected via caregiver
 - Cannot be sold
- Article repeals allowance for gifting
 - Authorizes DBR to set regulations for transfers of product between caregivers and patients connected through regulator process

Article 17 – Medical Marijuana

- Regulatory oversight shift
- Expansion of regulated entities
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- Patient-related changes
- **Enforcement**
- Fiscal impact

Article 17 – Enforcement

- Codifies DBR's areas of regulation and allows for future licensed industries – excluding retail
 - Transportation/Delivery
 - Destruction
- Requires cultivators and manufacturers to use seed to sale tracking system
 - Cultivators already required by regulation
- Prohibits medical marijuana “emporiums”
 - Distribution and use establishments and clubs

Article 17 – Enforcement

- Extends grounds for registry card denial for caregivers & purchasers to prior violations
 - Currently only incomplete or falsified information
- Gives DBR authority for show cause/cease and desist orders for any program violation of a licensed activity
 - Appealed decisions stand until Superior Court ruling

Article 17 – Enforcement

- Establishes fines for Compassion Centers
 - No threat to public health/safety - \$500
 - Threat to public health/safety - \$2,000
 - No collections assumed in budget

Article 17 – Enforcement

- Enforcement
 - Department of Health to certify third-party laboratories
 - Perform testing pursuant to regulations
 - Governor's requested amendment
 - Provides law enforcement protections for laboratory facilities, employees, affiliates
 - Similar to protections for other regulated industries

Article 17 – Medical Marijuana

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- **Fiscal impact**

Article 17 – Fiscal Impact

Compassion Center Collections

Fiscal Year	Gross Receipts	Sales Tax: 7%	Surcharge: 4%	Total Revenue
2013	\$416,400	\$29,148	\$16,656	\$45,804
2014	\$6,728,900	\$471,023	\$269,156	\$740,179
2015	\$9,643,100	\$675,017	\$385,724	\$1,060,741
2016	\$17,158,500	\$1,201,095	\$686,340	\$1,887,435
2017	\$28,263,275	\$1,978,429	\$1,130,531	\$3,108,960
2018*	\$25,038,025	\$1,752,662	\$1,001,521	\$2,754,183

*through 2/2018 – 8 months – annualizes to \$4.1 million

Article 17 – DBR Data

FY 2017 DBR Participant Counts	
Applications	117
Compassion Centers	3
Cultivators	53
Plant Tags	55,118

FY 2017 DBR Collections	
Applications	\$ 585,750
Plant Tags	457,746
Licenses	296,000
Registry ID Cards	23,730
Enforcement	3,000
Total	\$ 1,366,226

Article 17- Department of Health Data

FY 2017 DOH Participant Counts	
Patients	18,050
Caregivers	2,639
Authorized Purchasers	206

FY 2017 DOH Collections	
Patients	\$ 570,285
Caregivers	174,870
Authorized Purchasers	12,250
Minor Patients	375
Total	\$ 757,780

Article 17 – Medical Marijuana

- FY 2019 Budget - \$2.0 million & 12 FTE
 - Business Regulation -
 - Total spend \$1.3 million
 - 4.0 new positions for total of 8 FTE
 - \$0.3 million more for staffing
 - \$0.2 million more for operations
 - Health
 - Total spend \$0.7 million
 - Consistent with prior years
 - Enacted 4.0 positions

Article 17 – Medical Marijuana

FY 2019 Budget Impact		
Source	Sales Tax/ Surcharge	Other
Compassion Centers	\$ 1,728,486	\$1,675,000
Manufacturing Licenses	-	1,545,000
Acute Pain	283,745	160,743
Out-of-state purchasers	389,961	-
Cost Recovery/Expenses	-	(732,468)
<i>Subtotal</i>	\$ 2,402,192	\$2,648,275
Total	\$5,050,467	

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