

FISCAL IMPACT STATEMENT

Summary of Fiscal Impact Statement (94 words)

Upon passage, the initiative would have estimated startup costs of \$2.9 million because it would require agencies to hire personnel, develop software and lab capabilities, and implement other items before issuing licenses. These would occur before revenue could be generated and would need funding through appropriation to start the program.

Estimated ongoing annual costs from the initiative would be \$1.1 million because of software maintenance, personnel costs, and administrative costs.

Estimated increase in annual revenues from the initiative would be between \$600,000 and \$8 million because medical cannabis would be subject to sales tax.

Detailed Statement of Fiscal Impact Including Assumptions

To generate the fiscal impact, the Division of Financial Management (DFM) consulted with the Idaho State Tax Commission (Tax Commission), the Idaho Department of Health and Welfare (IDHW), the Idaho State Police (ISP), and the Board of Pharmacy under the Division of Occupational and Professional Licenses (BOP) to provide a reasonable calculation based on the available data.

Additionally, DFM researched other states' medical cannabis programs. Our assumption is that adjacent states' experiences are indicative of the experience Idaho would have because of (a) similar economic factors between the states, (b) similar demographics between the states, (c) geographical proximity, and (d) similar medical cannabis laws.

Detailed Statement of Estimated Costs

The affected agencies estimate that the state would have one-time and ongoing costs should the initiative pass. The initiative indicates that cardholder fees could cover program costs; however, that would occur across time.

These estimated costs are based on other state experiences in implementing similar programs. The assumption is that Idaho agencies benefit from those states' learning curves and would find

the appropriate software/trainings more quickly, limiting the start-up costs for software licenses to one occurrence per agency.

The cost breakdown for each affected agency is as follows:

- BOP: Approximately \$30,000 in initial start-up costs, with \$95,000 in annual ongoing program costs. The initial costs would be for updates to software and board meetings. The annual ongoing program costs would be for personnel.
- IDHW: An initial start-up cost of approximately \$2.3 million, with approximately \$500,000 in annual ongoing program costs. The initial costs would be for personnel costs and IT infrastructure. The annual ongoing program costs would be for personnel, IT and software, and administrative costs.
- ISP: \$1.3 million, with approximately half the amount being one-time costs, and the other half being annual ongoing. The one-time costs would be for software/hardware, to retrain K-9's, and instruments for food products. The annual ongoing costs would be for personnel, ongoing maintenance, operating costs for personnel, and toxicology kits.

The affected agencies and DFM concluded that there may be other costs associated with this initiative (if passed); however, those other costs were speculative and could not be quantified at this time.

Detailed Statement of Estimated Revenue

The annual revenue estimate started with analysis from the Tax Commission concluding that the medical cannabis sold would be subject to sales tax. The initiative does not specifically exempt medical cannabis from sales tax, nor does it classify medical cannabis in a way that would make it exempt.

Montana and Utah have medical cannabis programs. These states have been reliable proxies for Idaho. According to medical cannabis tax revenue data collected from Utah and Montana, the potential range for Idaho tax revenue in the first full year of implementation is \$600,000 to \$8 million.

In addition to the annual revenue generated by sales tax, revenue would be generated by: (A) individuals applying for a medical cannabis card who would pay a fee to IDHW; and (B) persons applying for a medical cannabis production license who would pay a fee to BOP. BOP and IDHW would establish those fees, but such fees cannot exceed the costs of administering the programs.