

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE

SPONSOR Ortiz y Pino **LAST UPDATED** 02/18/15 **HB** _____

SHORT TITLE Cannabis Research Board & Fund **SB** 516

ANALYST Dunbar

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17		
	*Indeterminate	*Indeterminate	Recurring	Cannabis Research Fund

(Parenthesis () Indicate Revenue Decreases)

*Reference is made to Fiscal Implications

Relates to HB 160

Relates to SJR 2

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

Responses Received From

Department of Health (DOH)

State Treasure Office (STO)

University of New Mexico (UNM)

SUMMARY

Synopsis

Senate Bill 516 establishes a “Cannabis Research Fund,” within the Department of Health to be administered by DOH, for the purpose of supporting research into the uses, effects and efficacy of medical cannabis. The fund would be created by transferring ten percent of the monthly fees collected by the medical cannabis program, under the Lynn and Erin Compassionate Use Act, to the medical cannabis research fund.

SB 516 also establishes a “Cannabis Research Board” within DOH, consisting of three members holding five year terms, appointed by the Secretary of Health. The Secretary of Health would serve as board chair. One member would have a doctoral/terminal degree in a social or behavioral science; one would hold a similar degree in a biomedical science and one would be a

practitioner. Money in the cannabis research fund would be appropriated to the cannabis research board and distributed to fund medical cannabis research projects.

The Cannabis Research Board would meet, identify researchers conducting research pursuant to SB 516, ensure that research conducted under this program is approved by an institutional review board and that it complies with requirements protecting human subjects.

SB 516 offers exemption from criminal and civil penalties to researchers for the production, possession, distribution or dispensing of cannabis if this activity was solely for the purpose of conducting research pursuant to the amended Lynn and Erin Compassionate Use Act.

The board shall oversee research conducted on the use, effects and efficacy of medical cannabis. It shall report annually to the LFC and every three years to the Health and Human Services Committee.

FISCAL IMPLICATIONS

SB 516 creates the Cannabis Research Fund in the state treasury. The fund consists of money transferred from the medical cannabis fund, appropriations, income from investment of the fund and money otherwise accruing to the fund. Money in the fund is appropriated to the Cannabis Research Board for research related to medical cannabis and provided for in the Lynn and Erin Compassionate Use Act. Any balance remaining in the fund at the end of the fiscal year shall not revert to the general fund.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

The proposal to divert funds from the Medical Cannabis Program to conduct the activities for SB 516 is not part of the DOH Executive Budget. DOH states that the cost to the Department of properly conducting the activities proposed in SB 516 are not adequately covered by the bill.

DOH recognizes that the proposed funding derived from diverting 10 percent of the Medical Cannabis Program (MCP) funds to support the Cannabis Research Board would be insufficient to support high quality research that would contribute meaningfully to a nuanced and deep understanding of medical cannabis effects and hazards.

DOH mentions that the indirect costs of conducting medical research on a clinical population incur large indirect costs, as high as 50-100 percent of the direct research costs. These are incurred by both the researcher and the organization overseeing the research. Colorado has created a cannabis research program that is funded by tax revenues from cannabis sales; its proposed budget is up to 8 million dollars. The MCP relies entirely on the collection of fee revenue to fund its operations, and the program receives no general funds. DOH is concerned that ten percent would represent a significant dent in the Program's already limited budget; as well as, the amount would be insufficient to conduct clinical or other studies on the uses, effects and efficacy of medical cannabis.

SIGNIFICANT ISSUES

DOH is concerned that the legalization of cannabis production and distribution for medical use in New Mexico and 21 other states and the District of Columbia in the past few years has created a surge in activity to create various specific strains of medical cannabis with amplified concentrations of one or more specific targeted “cannabinoid” chemicals. These modified cannabis strains, as well as extracts, concentrates and food products that further increase cannabinoid concentration and dose, are being produced and sold to patients, despite the paucity of knowledge about dose effects, efficacy of the different chemicals to treat specific medical conditions and adverse effects on individuals receiving these substances.

DOH acknowledges that it has been extremely difficult for researchers to obtain permission and funding from the federal government to pursue these questions, owing to the classification of cannabis as a Schedule I drug, i.e. “having no medical use.” SB 516 attempts to create a means by which this research could be undertaken in New Mexico independent of federal funding.

ADMINISTRATIVE IMPLICATIONS

The bill would administratively attach a “Cannabis Research Board” to DOH, requiring that the Department appoint members to the board and hold hearings. SB 516 would substantially increase the need for DOH medical staffing to oversee patients involved in clinical research trials, grant management and other overhead activities that are not included in SB 516. Funding this project through the 10 percent diversion of MCP funds would mean the elimination of a position within MCP and would likely impact the program’s ability to meet regulatory requirements.

RELATIONSHIP

Relates to HB 160 which enacts the “Cannabis Revenue and Freedom Act” (CRFA), which allows for the legal production, processing and sale (to persons \geq 21 years) of industrial hemp, marijuana and marijuana products.

Relates to SJR 2 which allows for possession and personal use of marijuana.

TECHNICAL ISSUES

DOH realizes that the proposed attachment of the Cannabis Research Board to DOH seems inappropriate. The research appears to fall more appropriately within the mission, expertise and activity of the state’s biomedical and behavioral research institutions (e.g. University of New Mexico, New Mexico State University, et al), which already have the administrative structures, staffing and mechanisms to evaluate, select and oversee this research activity safely and effectively.

SB 516 does not identify the type or scope of research to be conducted. However, if clinical or biomedical research were indicated to determine the uses, effects and efficacy of medical cannabis, DOH has no Institutional Review Board to oversee or approve research conducted on human subjects, or biomedical research personnel to properly conduct oversight of clinical trials in order to ensure the safety of patients involved in clinical trials of pharmacologic agents on medically fragile populations.

Senate Bill 516 – Page 4

SB 516 adds a significant new activity that is outside of the DOH mission; namely, that of funding and overseeing clinical research trials of pharmaceutical agents on medically fragile populations. This would be taken on with no additional resources or staffing to do so.

BD/bb/aml