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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 2/15/16  
**SPONSOR** Armstrong **LAST UPDATED** \_\_\_\_\_ **HB** 281

**SHORT TITLE** Medical Cannabis Research **SB** \_\_\_\_\_

**ANALYST** Chenier

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18		
	(\$160.0)	(\$160.0)	(\$320.0)	General Fund
	\$160.0	\$160.0	\$320.0	Medical Cannabis Research Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY16	FY17	FY18	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		(\$160.0)	(\$160.0)	(\$320.0)	Recurring	Medical Cannabis Program

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Health (DOH)

University of New Mexico Health Sciences Center (UNM-HSC)

### SUMMARY

#### Synopsis of Bill

House Bill 281 would allow for research into the uses, effects, and efficacy of cannabis by amending the Lynn and Erin Compassionate Use Act; defining several new terms; transferring 10 percent of fees collected for the medical cannabis program to the newly created cannabis research fund; creating a cannabis research advisory council; allowing researches to not be subject to arrest or prosecution for the production, possession, distribution, or dispensing of cannabis.

## **FISCAL IMPLICATIONS**

The bill would require 10 percent of revenue from fees collected from the Medical Cannabis Program (MCP) to be transferred to the medical cannabis research fund. The MCP reverted \$157.2 thousand in FY14 and \$87.9 thousand in FY15 to the general fund.

DOH stated that the MCP relies entirely on the collection of fee revenue to fund its operations, and the program receives no general funds. Under the current budget, MCP has projected revenues of \$1,681,172.00 for FY16. Diverting 10% of MCP revenues would cause a severe budget deficit and require elimination of positions to ensure a balanced budget. These positions are necessary for the program to allow for property administration, processing, and compliance with regulations.

The proposed funding derived from diverting 10% 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. Based on FY16 revenue projections, revenues to the Medical Cannabis Research Fund would be approximately \$160,000. The indirect costs of conducting medical research on a clinical population are as high as 50-100% 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 \$8M.

## **SIGNIFICANT ISSUES**

DOH provided the following:

The legalization of cannabis production and distribution for medical use in New Mexico and 21 other states and the District of Columbia 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.

Producers, practitioners and patients have an interest in understanding: 1) what clinical medical conditions and symptoms may be improved by medical cannabis and/or cannabis-derived products; 2) what specific components of medical cannabis are responsible for its clinical efficacy in specific medical conditions; 3) how can the medical benefits of cannabis be maximized in the different clinical conditions for which it is prescribed therapeutically; and 4) what are the hazards of using medical cannabis and/or certain of its components at high dosages or with certain medical conditions?

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.” HB281 attempts to create a means by which this research could be undertaken in New Mexico independent of federal funding.

UNM-HSC provided the following:

HB281 does not include cannabinoids (i.e. the chemicals in the plant), only the plant cannabis. The former is where clinical trials and scientific studies are focused- and a path toward exploiting the good effects of cannabis while avoiding the bad effects.

The federal, DEA, and FDA regulatory burdens are very high to perform cannabis research (as opposed to research that studies how to prevent or reverse the effects of cannabis, or how to prevent the use in at risk groups). As a result, it is very unlikely that the UNM Health Sciences Center (HSC) would be able to perform much research related to the restrictive nature of the bill. HSC would be able to perform other types of biomedical research as indicated above, but the allowable research that would be funded is very narrow and restrictive.

### **TECHNICAL ISSUES**

DOH has traditionally been responsible for licensing those who have access to and distribute medical cannabis. The current bill does not require any type of approval by the DOH for researchers nor does it require specific licensure.

### **OTHER SUBSTANTIVE ISSUES**

HB281 describes no mechanism for the selection of research and researchers, and the distribution of funds from the fund. Although HB281 proposes a research advisory council, this council is only given the responsibility to “recommend and discuss” research that is conducted pursuant to the Lynn and Erin Compassionate Use Act. While existing statute limits DOH’s use of MCP revenues to support the administration of the program, no limitations are provided for the use of medical cannabis research funds.

EC/al/jle