



2019-21 Biennium Budget Decision Package

Agency: 303 - Department of Health
Decision Package Code-Title: 2F - Streamline Marijuana Funding
Budget Session: 2019-21 Regular
Budget Level: Policy Level
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Agency Recommendation Summary

The medical marijuana database is financed from the Health Professions Account but reimbursed from the Dedicated Marijuana Account. The Department of Health proposes to streamline the process by moving funding for the administration of the database from the health professions account to the dedicated marijuana account, removing the additional step added from financing the program from the Health Professions Account.

Fiscal Summary

Dollars in Thousands

| Operating Expenditures | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|---------------------------|------------|------------|------------|------------|
| Fund 02G - 1 | \$-808 | \$-808 | \$-808 | \$-808 |
| Fund 315 - 1 | \$808 | \$808 | \$808 | \$808 |
| Total Expenditures | \$0 | \$0 | \$0 | \$0 |
| Biennial Totals | | \$0 | | \$0 |
| Staffing | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| FTEs | 2.7 | 2.7 | 2.7 | 2.7 |
| Average Annual | | 2.7 | | 2.7 |
| Object of Expenditure | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Obj. A | \$182 | \$182 | \$182 | \$182 |
| Obj. B | \$63 | \$63 | \$63 | \$63 |
| Obj. C | \$492 | \$492 | \$492 | \$492 |
| Obj. E | \$39 | \$39 | \$39 | \$39 |

| Object of Expenditure | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|------------------------|------------|------------|------------|------------|
| Obj. G | \$16 | \$16 | \$16 | \$16 |
| Obj. M | \$-808 | \$-808 | \$-808 | \$-808 |
| Obj. T | \$16 | \$16 | \$16 | \$16 |
| Revenue | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| 02G - 0299 | \$-17 | \$-17 | \$-17 | \$-17 |
| 315 - 0123 | \$17 | \$17 | \$17 | \$17 |
| Total | \$0 | \$0 | \$0 | \$0 |
| Biennial Totals | | \$0 | | \$0 |

Package Description

Chapter 70, Laws of 2015 established the medical marijuana authorization database to be funded through the Health Professions Account (O2G), with the stated legislative intention to restore O2G funds through future appropriations from the Dedicated Marijuana Account. As directed in the bill, the department followed up with a report to the Governor and legislative fiscal committees on the cost of implementing and administering the database, including the amounts used from the health professions account. As the program has been implemented and ongoing costs have been identified, the department needs to ensure future costs come out of the Dedicated Marijuana Account, as legislatively intended.

Paying for the authorization database out of O2G reduces the account's fund balance, which presents the following concerns:

- It pushes the O2G fund balance closer into a cash deficit as there is a perpetual lag between expenditure and reimbursement.
- It requires the department to request reimbursement from the legislature each fiscal year or biennium. There is also repayment risk if the reimbursement is not included in the subsequent budget or a budget is not enacted.
- The reduced fund balance prevents the department from being fully staffed in the regulation of 470,000 health care professionals across 85 professions. This, in turn:
 - Leads to delays in licensing and credentialing health care professionals, which affects providers' ability to practice, health care employers' ability to fill staff vacancies, and the public's access to health care.
 - Increases frustration and negative feedback from the 79 health professions not allowed to authorize marijuana for medical purposes under chapter 69.51A RCW.

The 2018 supplemental operating budget ESSB 6032 provided \$2.3 million from the Dedicated Marijuana Account to restore funds already expended from O2G, but this does not cover ongoing costs for authorization database administration and operation costs of \$808,000 per year.

During the 2018 legislative session, House Bill 2566 was introduced, that would have appropriated funds for reimbursement of costs for database administration from the dedicated marijuana account, but this bill did not pass.

This decision package accompanies agency request legislation that would amend:

- RCW 43.70.320, Health Professions Account, by removing the requirement that the implementation and administration of the medical marijuana authorization database be paid out of the health professions (O2G) account.
- RCW 69.50.540, Dedicated Marijuana Account, by adding that the Department of Health would receive appropriation to cover the cost for the administration of the medical marijuana authorization database to be paid out of the dedicated medical marijuana (315) account.
- RCW 69.51A.230, Medical Marijuana Authorization Database, moving revenue from the one dollar medical marijuana endorsement card fee from the health professions account to be deposited into the dedicated marijuana account.

Related actual and estimated expenditures from the Dedicated Marijuana Account will be used for the administration of the medical marijuana authorization database, maintain compliant marijuana product standards and licensing and regulation of the medical marijuana consultant certification program and credential.

Assumptions and Calculations

Expansion or alteration of a current program or service:

This proposal is a fund swap. There is no expansion or alteration of the program.

Detailed assumptions and calculations:

The Health Professions Account (O2G) is comprised of revenues generated from health professions licensing and credentialing fees. Funds from this account pay for the cost of regulating 470,000 health professionals, including the work to license, credential, conduct investigations in response to complaints, and discipline. Under RCW 43.70.250, fees set for each profession must cover all the costs of regulating that particular profession.

Paying for the Medical Marijuana Authorization Database out of O2G continues to push the O2G fund balance into a deficit and requires the department to request reimbursement from the legislature each

biennium. The diversion of O2G funds to the medical marijuana program has also prevented the department from fully staffing the licensing, credentialing and customer service (responding to inquiries from license applicants) units, resulting in increased vacancies and decreased performance in the areas of processing license or credential applications and responding to phone inquiries from applicants and employers. Credentialing performance has declined from an average of 94 percent of credentials issued within 14 days one years ago to 63 percent in May 2018. Call center performance has also suffered, declining from 90 percent of calls answered within 60 seconds in May 2017 to 30 percent in May 2018.

Database expenditures are based on:

- Current contract obligations related to maintenance and operations of the medical marijuana authorization database which include technical support, required security updates, and hosting services
- Salaries and benefits for a Unit Director (.30 FTE/WMS02), Program Manager (1.0 FTE/HSC 4), customer/user support position (1.0 FTE/HSC 1) and technical support (.22 FTE/ITS05)
- Goods and services which include attorney general costs, facility use (phones, copy machines), employee training
- Public outreach, education and cross-agency collaboration, travel costs include promoting community engagement and connection through conferences, meetings, trainings, and presentations

| Expenditure | Total |
|----------------------------|------------------|
| Salaries | 182,000 |
| Benefits | 63,000 |
| Personal Service | 492,000 |
| Contracts | |
| Goods & Services | 39,000 |
| Travel | 16,000 |
| Intra-Agency Reimbursement | 16,000 |
| Total Expenditures | \$808,000 |

Workforce Assumptions:

This proposal does not impact collective bargaining agreements, compensation or benefits.

Strategic and Performance Outcomes

Strategic framework:

Discontinuing the diversion of O2G funds to the medical marijuana authorization database will allow the department to use O2G funds to staff licensure and credentialing of health care professionals. This proposal contributes to Governor Inslee's Results Washington Goal 4: Healthy and Safe Communities – Providing access to good medical care to improve people's lives by insuring the availability of health care professionals.

This proposal also supports Goal 3 of the department's strategic plan: Ensure health equity and improve population health, improving patient experience of care by reducing disruptions in the healthcare workforce. If the department can use these O2G funds for customer service staff, licenses and credentials will be issued in a timely manner so that providers can start working more quickly to prevent disruptions.

Performance outcomes:

As a result of this proposal, the medical marijuana authorization database would receive funding from the Dedicated Marijuana Account rather than the Health Professions Account as is currently directed under RCW 69.51A.230.

This proposal would allow the department to meet the performance measures shown below, while increasing access to quality health care by rapidly licensing/credentialing health professionals so they may enter the workforce more quickly. This improves access to health care throughout Washington.

- Increase the percentage of credentials issued within 14 days of receiving a complete application from the current 61 percent to 80 percent.
- Increase the percentage of calls answered within 60 seconds from the current 35 percent to 80 percent.

Other Collateral Connections

Intergovernmental:

This proposal has minimal impact on local county and city governments, but they may express concern about the diversion of Dedicated Marijuana Account funds to the Medical Marijuana Authorization Database. HB 2301 (2018), which did not pass, would have increased appropriations for funding legal services for indigent defendants in criminal cases. This bill was supported by local government.

Under RCW 69.50.540, moneys from the Dedicated Marijuana Account are annually appropriated to the following state agencies:

- DSHS to administer the Washington State Health Youth survey at least every two years, marijuana

prevention focused on substance use disorders

- UW ADAI to develop and distribute public education materials focused on health and safety risks by marijuana use, short- and long-term effects of marijuana use
- DOH for a public health hotline that provides referrals to substance abuse treatment providers and intervention strategies for prevention and reduction of marijuana use by youth
- WSU to provide funding for short- and long-term effects of marijuana
- Basic Health Plan to provide funding for health care services
- OSPI to provide funding and support the Building Bridges programs
- HCA to provide funding to community health centers for primary health and dental care services

Current and projected marijuana revenue appropriation amounts are listed in the table below:

| Marijuana Revenue Appropriations | | | | | |
|---|---------------------|---------------------|---------------------|----------------------|----------------------|
| Projected revenue from the February 2016 Forecast as adopted by the Economic and Revenue Forecast Council | | | | | |
| 2013-15: Actuals | | | | | |
| 2015-17: Current appropriations and set percentages | | | | | |
| 2017-19: Set percentages and minimum appropriations or FY 2017 amount, if larger | | | | | |
| (In Dollars) | | | | | |
| | 2013-15 | 2015-17 | | 2017-19 | |
| | | FY 16 | FY17 | FY 18 | FY 19 |
| Projected Revenue | | | | | |
| Taxes | \$64,634,723 | \$161,560,843 | \$266,378,683 | \$327,178,000 | \$359,526,761 |
| Licenses | 2,851,181 | 2,503,442 | 2,371,487 | 2,371,344 | 2,371,344 |
| Total Revenue-Dedicated Marijuana Account | 67,485,904 | 164,064,285 | 268,750,170 | 329,549,344 | 361,898,105 |
| Appropriations with Set Amounts | | | | | |
| DSHS-Youth Survey ¹ | | (500,000) | (500,000) | (500,000) | (500,000) |
| DSHS/WSIPP ² | | (200,000) | (200,000) | (200,000) | (200,000) |
| UW-Public Education Materials ³ | | (20,000) | (20,000) | (20,000) | (20,000) |
| DES/Building Council ⁴ | | (95,000) | | | |
| LCB Appropriation ⁵ | (7,349,538) | (7,736,000) | (8,481,000) | (8,481,000) | (8,481,000) |
| Net to Distribute | 60,136,366 | 155,513,285 | 259,549,170 | 320,348,344 | 352,697,105 |
| Distribution of Net Above (using minimums in statute or set %) | | | | | |
| DSHS-Appropriation ⁵ | 5,166,000 | 12,814,000 | 27,786,000 | 27,786,000 | 27,786,000 |
| DOH-Appropriation ⁶ | | 7,500,000 | 7,500,000 | 9,750,000 | 9,750,000 |
| UW-Appropriation ⁷ | | 207,000 | 207,000 | 1,021,000 | 1,021,000 |
| WSU-Appropriation ⁸ | | 138,000 | 138,000 | 681,000 | 681,000 |
| Basic Health Plan Trust Account-Transfer ⁹ | 22,706,000 | 77,757,000 | 129,775,000 | 160,174,000 | 176,349,000 |
| OSPI-Appropriation ¹⁰ | | 251,000 | 511,000 | 511,000 | 511,000 |
| HCA-Appropriation ¹¹ | 2,271,000 | 7,791,000 | 12,979,000 | 16,017,000 | 17,635,000 |
| Total Distributions before GFS | 30,143,000 | 106,458,000 | 178,896,000 | 215,940,000 | 233,733,000 |
| Net - GFS Transfer**** | \$15,269,000 | \$49,055,285 | \$80,653,170 | \$104,408,344 | \$118,964,105 |
| GFS distribution to locals | | \$6,000,000 | \$6,000,000 | \$15,000,000 | \$15,000,000 |

Stakeholder response:

Stakeholders include authorizing healthcare practitioners and their professional associations; qualifying patients and their designated providers; licensed marijuana retailers, producers, processors, and their employees; and medical marijuana certified consultant training programs and consultants. The department anticipates that stakeholders would support this proposal based on the following arguments:

- Non-authorizing healthcare practitioners and their professional associations would support this proposal as they are against the revenue of their licensing fees being used to fund the Medical Marijuana Authorization Database when they are not allowed under current law to authorize marijuana for medical purposes. In addition, some are uncomfortable with the idea of legalization and are not in favor of their license fees supporting this concept.

- Healthcare Practitioners allowed to authorize marijuana for medical purposes would support this proposal as it aligns the funding source with legislative intent, plus, provides them with sufficient database end-user support and training resources.
- Americans for Safe Access and qualifying patients and their designated provider would support this proposal as it would provide an appropriate funding source to ensure they have a recognition card system, ensuring patients can obtain cardholder benefits.
- Washington CannaBusiness Association and licensed Retailers with medical endorsement would support this proposal as it ensures sufficient database end-user support and training resources to their staff who create and issue recognition cards
- Medical Marijuana Training Programs and Certified Consultants would support this proposal as it would ensure necessary training and educational resources are available to support their role and responsibilities in this complex regulatory market.
- Washington Sungrower Industry Association, Cannabis Alliance, licensed producers/processors /retailers and qualifying patients would support this proposal as it would ensure continued improvement in marijuana product standards and improved access to compliant product.

Key boards and professional associations include:

- Healthcare practitioners and their professional associations
- Cannabis Alliance
- Americans for Safe Access (ASA)
- National Organization for the Reform of Marijuana Laws (NORML)
- Washington CannaBusiness Association
- Washington Sungrowers Industry Association
- Medical Marijuana 411 (MMJC Training Program)
- Medical Marijuana Institute (MMJi) (MMJC Training Program)
- The Academy of Cannabis Science (MMJC Training Program)

Legal or administrative mandates:

This proposal is not in response to litigation, an audit finding, executive order or task force recommendation.

Changes from current law:

This proposal would amend RCW 43.70.320(2)-Health professions account to remove appropriations for the administration of the Medical Marijuana Authorization Database to be paid from the Health Professions Account, amend RCW 69.50.540-Dedicated marijuana account to add the cost of administration of the medical marijuana authorization database to be annually appropriated from the

Dedicated Marijuana Account, and amend RCW 69.51A.230-Medical marijuana authorization database to request revenue from recognition card fees collected under subsection (10)(a) and fines collected under subsection (11) to be deposited into the Dedicated Marijuana Account.

State workforce impacts:

This proposal does not impact collective bargaining agreements, compensation or benefits.

State facilities impacts:

This proposal does not impact facilities and workplace needs of the agency.

Puget Sound recovery:

Not applicable

Agency Questions

Did you include cost models and backup assumptions?

Yes

MedicalMarijuana Authorization Database Implementation Cost – November 2016

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MarijuanaRevenue Appropriations

Reference Documents

- 2F-Fact Sheet - Medical Marijuana Funding.docx
- 2F-MMJ - FNCal 20.1 19-21 biennial version-FINAL.xlsm
- 2F-Z-0031.1.pdf

IT Addendum

Does this Decision Package include funding for any IT-related costs, including hardware, software, (including cloud-based services), contracts or IT staff?

No