



June 1, 2020

SUMMARY OF ORIGINAL BILL: Requires the Department of Health (DOH) and its Division of Health Related Boards to conduct a study on the licensure and regulation of cannabis for medical use by the departments of health and medical professional licensing boards of states contiguous to Tennessee. Requires that such study be conducted from DOH's existing resources. Requires the DOH to reports its and the Division's findings to the appropriate legislative committees by December 15, 2020.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (016968): Amendment 016968 deletes all language after the enacting clause. Enacts the Tennessee Clinical Cannabis Authorization and Research Act (Act), which legalizes and decriminalizes the possession, consumption, cultivation, processing, purchase, transportation and sale of medical cannabis and every compound, manufacture, salt, derivative, mixture, or preparation of the plant to any qualifying patient who has been assessed by a medical care practitioner as having a debilitating medical condition and has successfully applied for a medical registry identification card.

Creates the Clinical Cannabis Commission (the Commission). The Commission shall have five members. Each member of the Commission shall receive \$20,000 in the Commission's initial acting year, \$10,000 in all subsequent years, and shall be reimbursed for their actual and necessary expenses, including travel expenses. Requires the Commission to appoint a director and authorizes the Commission to employ an assistant director and, furthermore, to employ attorneys, inspectors, agents, officers, and clerical assistance as may be necessary. Establishes that the director and assistant director shall be reimbursed for travel expenses.

Requires the Commission to: create, receive, review and approve applications for clinical cannabis establishments (CCEs); establish a schedule of fees for application, and initial and renewal licenses for all CCEs, including wholesalers, CCE agents, volunteers, and qualified pharmacists, such that the fees in aggregate shall not exceed all costs incurred by the Commission in administering the state's clinical cannabis program; creates a website that lists the states or jurisdiction which Tennessee grants reciprocity for nonresident registration cards. All fees authorized and collected pursuant to the Act shall be paid into the General Fund and credited to a separate account for the Commission. Establishes that it is the General Assembly's intent that such fund shall be used solely for implementation and enforcement of the Act; however, additional funds may be appropriated to the Commission during the first year of its

operation to assist with initial expenses. Requires the Commission to strive to remain a ratio of at least one cultivation facility for every five dispensaries, to ensure that the number of each type of CCE is sufficient to adequately serve the needs of qualifying patients, and to consider the number of CCEs the Commission can effectively regulate in ensuring compliance with the Act. Once a year, the Commission must accept applications for licenses to operate CCEs and the Commission must publish on its website the dates such applications will be accepted.

Requires the Tennessee Bureau of Investigation (TBI) to conduct criminal history record checks using fingerprints provided by establishment agents at the time of application. If no disqualifying record is identified, TBI is then required to send the fingerprints to the Federal Bureau of Investigation (FBI) for a criminal history record check.

Establishes that sales of medical cannabis are subject to a rate equal to the tax levied on tangible personal property pursuant to Tenn. Code Ann. § 67-6-202. All revenue collected from such tax must be deposited into the General Fund and credited to a separate account for the Commission.

Establishes the Clinical Cannabis Research and Therapeutics Committee (Committee) for being the acting body which determines and approves possible additions to the defined list of debilitating conditions, as defined in this legislation, and submits such approvals to the Commission, as well as providing consultation in other various manners;

- The Committee will be composed of 11 members, 7 of which are licensed healthcare professionals, and the 4 remaining members which include:
 - The Director of the Clinical Cannabis Commission;
 - The Commissioner of the Department of Health or the Commissioner's designee;
 - The Commissioner of the Department of Agriculture or the Commissioner's designee; and
 - The Commissioner of the Department of Safety or the Commissioner's designee;
- Establishes that members on the Committee will be provided per diem equal to that provided to Members of the General Assembly for each day's service spent in the performance of the duties and responsibilities of the Committee;
- Requires that the Committee meet at least twice per year;
- Removes the initial application and renewal fee of \$1,000 of research licenses and allow the Commission to set the fee, in consultation with the Committee.
- Reduces the membership of the Commission, from 9 members to 5 members.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue - \$4,900/FY20-21/General Fund
\$1,815,600/FY21-22/General Fund
\$2,722,500/FY22-23/General Fund
\$3,628,300/FY23-24 and Subsequent Years/General Fund

\$1,500,000/FY20-21/Clinical Cannabis Commission
\$17,590,500/FY21-22/Clinical Cannabis Commission

\$21,508,100/FY22-23/Clinical Cannabis Commission
\$27,031,300/FY23-24/Clinical Cannabis Commission
**\$26,326,000/FY24-25 and Subsequent Years/
Clinical Cannabis Commission**

\$200/FY20-21/Department of State
\$100/FY21-22/Department of State
\$100/FY22-23/Department of State
**Not Significant/FY23-24 and Subsequent Years/
Department of State**

\$19,300/FY20-21/TBI
\$7,700/FY21-22/TBI
\$7,700/FY22-23/TBI
\$1,800/FY23-24 and Subsequent Years/TBI

Increase State Expenditures – \$9,800/FY20-21/General Fund
\$83,500/FY21-22/General Fund
\$81,100/FY22-23 and Subsequent Years/General Fund

\$994,600/FY20-21/Clinical Cannabis Commission
**\$920,600/FY21-22 and Subsequent Years/
Clinical Cannabis Commission**

\$12,000/FY20-21/TBI
\$4,800/FY21-22/TBI
\$4,800/FY22-23/TBI
\$1,100/FY23-24 and Subsequent Years/TBI

Decrease State Expenditures - \$893,700 Incarceration*

Increase Local Revenue - \$4,638,600/FY21-22/Permissive
\$6,957,900/FY22-23/Permissive
\$9,277,200/FY23-24 and Subsequent Years/Permissive

Decrease Local Revenue – \$467,300/FY21-22 and Subsequent Years

Decrease Local Expenditures - \$1,794,200/FY21-22 and Subsequent Years

Assumptions for the bill as amended:

*Licensing Revenue: (a) CCEs & (b) CCE Agents,
(a) CCEs*

- The Commission will begin accepting and processing applications to operate clinical cannabis establishments on October 1, 2020 and continue accepting applications until July 31, 2021. Sales of medical cannabis will begin on July 1, 2021.

- Pursuant to Tenn. Code Ann. § 68-7-105 of the Act, the Commission must keep the issuance of the following licenses to the desired range of issuances:
 - Clinical licenses: at least 15, but no more than 25 licenses in each grand division of the state, or at least 45 (15 x 3 grand divisions) and no more than 75 statewide (25 x 3 grand divisions);
 - Cultivation facilities: at least 3, but no more than 6 licenses statewide;
 - Processing licenses: Not more than 110 licenses statewide;
 - For each of the grand divisions, at least 2, but no more than 3 vertically integrated licenses (VILs) or at least 3 VILs (Vertically integrated licenses allow operation of up to 5 clinical cannabis centers);.
- Pursuant to Tenn. Code Ann. § 68-7-107 of the Act, the Commission is required to establish the following schedule of fees for initial and renewal licensure:
 - Clinical license: \$10,000;
 - Cultivation license: \$50,000;
 - Processing license: \$50,000;
 - VILs: \$100,000;
 - Testing License: \$1,000;
 - Research license: TBD;
 - Clinical cannabis establishment agent: \$50
- The Commission shall review the fee schedule every two years and adjusted so that licensure fee revenue, in aggregate, does not exceed the Commission's cost in administering the state's clinical cannabis program.
- Any newly rescheduled renewal fees take effect the next January after promulgation.
- This legislation provides no authority for application fees for licensure of any CCE; therefore, it is assume no application fee will be imposed. In FY23-24 and in all subsequent fiscal years, the number of new market entrants is expected to level off significantly because the establishments that enter the market in the first three years are expected to capture the majority of the total market share. However, it is anticipated that some establishments will cease operations each year and there will be new market entrants to replace them. As a result, beginning in FY23-24, the average number of new market entrants is estimated to be 10, but the overall total is expected to remain relatively constant.
- For purposes of this fiscal analysis, it is assumed that prior to the first day of legal sales on July 1, 2021, cannabis establishments will have paid initial licensure fees in the prior fiscal year; therefore, licenses for FY21-22 were paid for in FY20-21. This collection pattern is assumed to remain constant into perpetuity.
- The exact number of total licenses issued for each license type cannot be known with any reasonable certainty; therefore, estimates have been made based off reasonable assumptions based on various provisions of the bill.
- In FY20-21, total CCE licensure fee revenue of \$1,500,000.
- In FY21-22, total CCE initial and renewal licensure fee revenue of \$2,500,000.
- After the conclusion of FY21-22, the Commission will reschedule fees such that licensure fee revenue does not, in aggregate, exceed all costs incurred by Commission in administering the state's clinical cannabis program
- In FY22-23 and subsequent years, total CCE initial and renewal licensure fee revenue of \$970,729.

B) Business Charters

- All CCEs will be required to file a business charter with the Secretary of State's Office.
- The business charter fee is one-time at \$100.
- The resulting increase in state revenue is estimated to be \$5,000 (50 x \$100) in FY20-21; \$2,000 (20 x \$100) in each FY21-22 and FY22-23; and \$1,000 (10 x \$100) in FY23-24 and subsequent years.
- Revenue from charter fees is allocated 97 percent to the General Fund, and 3 percent to the Secretary of State's Office. The increase in state revenue to the General Fund is estimated to be \$4,850 in FY20-21 ($\$5,000 \times 97\%$); \$1,940 in each FY21-22 and FY22-23 ($\$2,000 \times 97\%$); and \$970 in FY23-24 and subsequent years ($\$1,000 \times 97\%$). The increase in state revenue to the Secretary of State's Office is estimated to be \$150 in FY20-21 ($\$5,000 \times 3\%$); \$60 in each FY21-22 and FY22-23 ($\$2,000 \times 3\%$); and \$30 in FY23-24 and subsequent years ($\$1,000 \times 3\%$).

C) Background Checks

- Pursuant to Tenn. Code Ann. § 68-7-103(c) of the Act, each application for a medical cannabis establishment must include a complete set of fingerprints from each person who is proposed to be an owner, officer, board member, or CCE agent of the proposed clinical cannabis establishments, for the conduct of a criminal history record check by the TBI. If no disqualifying record is identified, TBI will send the fingerprints to the Federal Bureau of Investigation (FBI) for a criminal history records check. Anyone who has previously submitted fingerprints and received approval does not need to resubmit fingerprints, as they will be kept on file with the TBI.
- The TBI charges a fee of \$35.15 to collect one sample of fingerprints and perform one criminal background check.
- Of the \$35.15, \$13.25 is forwarded to the FBI to run a check, \$8.65 is forwarded to the vendor that collects the fingerprints, and \$13.25 is retained by the TBI to run a check through their system.
- The number of owners and operators applicable to each registered organization is unknown. It is assumed that, on average, there will be 1 owner and 2 managers, 3 board members, 5 CCE agents, or 11 total individuals per registered organization which will be required to submit to fingerprint testing and criminal background checks.
- Approximately 50 organizations that will require background checks of personnel in FY20-21 and 20 organizations in FY21-22 and FY22-23.
- In FY20-21, TBI will realize \$19,333 ($50 \times 11 \times \35.15) in revenue and expenditures of \$12,045 [$50 \times 11 \times (\$13.25 + \$8.65)$].
- In FY21-22, TBI will realize \$7,733 ($20 \times 11 \times \35.15) in revenue and expenditures of \$4,818 [$20 \times 11 \times (\$13.25 + \$8.65)$].
- In FY22-23, TBI will realize \$7,733 ($20 \times 11 \times \35.15) in revenue and expenditures of \$4,818 [$20 \times 11 \times (\$13.25 + \$8.65)$].
- In FY23-24 and subsequent years, it is assumed that TBI will need to perform at least 50 additional background checks on new operators, managers, and CCE agents of the approximately 1005 CCEs; therefore, TBI will realize \$1,758 ($50 \times \35.15) in revenue and expenditures of \$1,095 [$50 \times (\$13.25 + \$8.65)$].

D) Qualifying patients and Nonresident Cardholders:

- In determining the amount of individuals who will participate in this program, the DOH was contacted to determine the number of individuals who will qualify for a registry identification card due to having a debilitating medical condition, as defined in the Act.
- Based on information provided by the DOH, at least 1.2 million individuals residing in Tennessee have a debilitating medical condition which would entitle such qualifying patients to seek a registry identification card.
- Pursuant to Tenn. Code Ann. § 68-7-116 of the Act, Tennessee will grant reciprocity to nonresident cardholders who have a valid, functional equivalent to the registry identification card established by this Act.
- The number of nonresident cardholders that will, on average, be in Tennessee at any given time is estimated to be low, as states surrounding Tennessee generally do not have medical marijuana programs at this current time.
- It is assumed that approximately 0.5 percent of the total estimated population of Tennesseans with debilitating medical conditions, or 6,000 individuals (1,200,000 x 0.5%) will be eligible non-resident cardholders and purchase medical marijuana legally in Tennessee.
- In total, approximately 1,206,000 individuals will be eligible to purchase cannabis in Tennessee (1,200,000 + 6,000).
- After Colorado passed Amendment 20 in 2000, those with certain qualifying medical conditions were able, beginning July 1, 2001, to possess up to 2 ounces of a usable form of marijuana and cultivate not more than 6 marijuana plants.
- In October 2009, federal resources to prosecute medical marijuana patients and caregivers who were in “clear and unambiguous” compliance with state law were decreased effectively leading to a drastic increase in the number of dispensaries in the state, and thus, the number of registrants also increased drastically.
- The following shows the number of registrants (2009-2013) in Colorado as of January 31 of each year:
 - 2009: 5,051
 - 2010: 53,038
 - 2011: 118,895
 - 2012: 85,124
 - 2013: 108,056
- Due to this legislation’s immediate adoption of regulated CCEs, the following figures estimate the number of individuals per fiscal year who either hold registry identification cards or are nonresident cardholders and thus, eligible to purchase clinical cannabis in Tennessee:
 - FY21-22: 60,300 individuals (1,206,000 x 5%);
 - FY22-23: 90,450 individuals (1,206,000 x 7.5%); and
 - FY23-24 and subsequent years: 120,600 individuals (1,206,000 x 10%).
- According to the Colorado Department of Revenue, retail sales of medical cannabis at the close of FY12-13 (12th program year), totaled \$328,646,922.
- As of June 30, 2013 (12th Program year), the registry contained approximately 106,817 users possessing valid Registry ID cards.
- The annual revenue realized per average ID holder was \$3,077 (\$328,646,922 / 106,817 ID holders).

E) Application Fee Revenue

- This Act places a \$35 application fee for qualifying patients who are residents of this or a contiguous state.
- Revenue collected per fiscal year:
 - FY21-22: \$2,110,500 (60,300 x \$35);
 - FY22-23: \$1,055,250 [(90,450 - 60,300) x \$35];
 - FY23-24: \$1,055,250 [(120,600 - 90,450) x \$35].
- For purposes of this fiscal analysis, it is assumed that in FY24-25 and subsequent years, there will be approximately 10,000 new registry identification cards issued per annum.
- In FY24-25 and subsequent years, revenue of \$350,000 (10,000 x \$35).
- All revenue collected from such application fees shall be allocated to the Commission.

E) Revenue

FY21-22 Tax Revenue:

- Retail sales of medical cannabis in FY21-22 will be \$185,543,100 (60,300 x \$3,077).
- It is assumed that companies within the industry pay taxes on average net profit of 15 percent. The net profit on which excise tax would be paid is \$27,831,465 (\$185,543,100 x 15%). The state excise tax rate is 6.5 percent, so the increase in state revenue to the General Fund attributable to excise tax collections in FY21-22 will be \$1,809,045 (\$27,831,465 x 6.5%).
- Net worth of these companies is estimated to be equivalent to annual sales (\$185,543,100). The franchise tax rate is 0.25 percent per \$100 of value, so the increase in state revenue to the General Fund attributable to franchise tax collections in FY21-22 will be \$4,639 [(\$185,543,100 / \$100) x 0.25%].
- The current state sales tax rate is 7.0 percent; for the purposes of this analysis, the local option sales tax rate of the 6 most populous counties, is assumed to be 2.50 percent. The effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Sales of marijuana will not be subject to any other tax.
- Sales tax proceeds must be deposited into the General Fund and credited to a separate account for the Commission.
- State sales tax revenue in FY21-22 of \$12,980,017 (\$185,543,100 x 7%) to the Commission.
- Local Sales tax revenue in FY21-22 of \$4,638,578 (\$185,543,100 x 2.5%).

FY22-23 Tax Revenue:

- Retail sales of medical cannabis in FY22-23 will be \$278,314,650 (90,450 x \$3,077).
- It is assumed that companies within the industry pay taxes on average net profit of 15 percent; the net profit on which excise tax would be paid is \$41,747,198 (\$278,314,650 x 15%). The state excise tax rate is 6.5 percent, so the increase in state revenue to the General Fund attributable to excise tax collections in FY22-23 will be \$2,713,568 (\$41,747,198 x 6.5%).
- Net worth of these companies is estimated to be equivalent to annual sales (\$278,316,650). The franchise tax rate is 0.25 percent per \$100 of value, so the increase

in state revenue to the General Fund attributable to franchise tax collections in FY22-23 will be \$6,958 [(\$278,314,650 / \$100) x 0.25%].

- State sales tax revenue in FY22-23 of \$19,482,026 (\$278,314,650 x 7%) to the Commission.
- Local Sales tax revenue in FY22-23 of \$6,957,866 (\$278,314,650 x 2.5%).

FY23-24 and Subsequent Years Tax Revenue:

- Retail sales of medical cannabis in FY23-24 and subsequent years will exceed \$371,086,200 (120,600 x \$3,077).
- It is assumed that companies within the industry pay taxes on average net profit of 15 percent; the net profit on which excise tax would be paid is \$55,662,930 (\$371,086,200 x 15%). The state excise tax rate is 6.5 percent, so the increase in state revenue to the General Fund attributable to excise tax collections in FY23-24 and subsequent years will exceed \$3,618,090 (\$55,662,930 x 6.5%).
- Net worth of these companies is estimated to be equivalent to annual sales (\$371,086,200). The franchise tax rate is 0.25 percent per \$100 of value, so the increase in state revenue to the General Fund attributable to franchise tax collections in FY23-24 and subsequent years will exceed \$9,277 [(\$371,086,200 / \$100) x 0.25%].
- State sales tax revenue in FY23-24 and subsequent years of \$25,976,034 (\$371,086,200 x 7%) to the Commission.
- Local Sales tax revenue in FY23-24 and subsequent years of \$9,277,155 (\$371,086,200 x 2.5%).

F) Expenditures:

Department of Revenue (DOR)

- According to the DOR, passage of the Act will require one additional Tax Auditor 3 position to audit tax returns submitted from CCEs.
- It is assumed that this new position will be filled on July 1, 2021.
- An increase in state expenditures in FY21-22 of \$73,702 [\$71,302 recurring (salary \$55,000 + benefits \$15,702 + supplies \$600) + a one-time increase in state expenditures of \$2,400 (computer-related costs \$1,200 + office furniture \$1,200)].
- An increase in state expenditures in FY22-23 and subsequent years of \$71,302.

Clinical Cannabis Commission

- The Act establishes a 5-member Commission.
- Each member of the Commission will receive \$20,000 in FY20-21 and \$10,000 in FY21-22 and is authorized to be reimbursed for any necessary expenses.
- The Commission will meet monthly.
- Meetings will be held over two days.
- Each member of the Commission shall receive \$20,000 in the Commission's initial year upon commencement, \$10,000 in all subsequent years.
- This legislation stipulates that the first \$20,000 shall cover the year preceding year prior to June 30, 2021; therefore, the first \$20,000, will cover meetings incurred after the first meeting, estimated to be held on July 15, 2020.

- The members of the Medical Cannabis Advisory Committee will be reimbursed for travel (\$110), meals (\$61) and lodging (\$179).
- In FY20-21, it is estimated that all nine members will seek reimbursement for necessary expenses, resulting in an increase in state expenditures of \$121,000 [(5 members x 12 meetings x (\$110 + \$61 + \$179) + (\$20,000 annual salary x 5 members)].
- In FY21-22 and subsequent years, it is estimated that all nine members will seek reimbursement for necessary expenses, resulting in an increase in state expenditures of \$71,000 [(5 members x 12 meetings x (\$110 + \$61 + \$179) + (\$10,000 annual salary x 5 members)].
- The Act requires the Commission to appoint a director and authorizes the Commission to employ an assistant director, a chief law enforcement officer, and is further authorized, upon consent of the governor, to employ attorneys, inspectors, agents, officers, and clerical assistance as may be necessary.
- It is assumed that the Commission will hire one program director, one chief law enforcement officer, two inspectors for each grand division or six inspectors total, and one accountant 3 position, and one administrative assistant.
- It is assumed that the program director will earn a salary of \$100,000; the chief law enforcement officer will earn a salary of \$70,000; each inspector will earn a salary of \$60,000; the accountant 3 position will earn a salary of \$70,000; the administrative assistant will earn a salary of \$50,000.
- An increase in recurring state expenditures of \$849,625 (salaries \$650,000 + benefits \$173,625 + supplies \$6,000 + vehicle lease and maintenance \$20,000) and one-time expenditures of \$24,000 (computer-related expenses \$12,000 + office furniture \$12,000)
- It is assumed that new positions created within the Commission will be filled around July 1, 2020, in order to effectively train, process applications, and aid CCEs in following Commission rules and regulations prior to the beginning of recreational sales on July 1, 2021.
- An increase in state expenditures to the Commission in FY20-21 of \$994,625 (\$121,000 + \$849,625 + \$24,000).
- An increase in state expenditures to the Commission in FY21-22 and subsequent years of \$920,625 (\$71,000 + \$849,625).

Clinical Cannabis Research and Therapeutics Committee

- This Act establishes a new 11 member committee.
- This Committee will meet quarterly.
- The members of the Committee will receive per diem as well as reimbursement for necessary travel expenses.
- Of the Committee's membership, 4 will not receive per diem or travel expenses, as they will already be salaried employees of the state; therefore, 7 members of the Committee will receive per diem and reimbursement for travel expenses.
- Per Diem of \$240 per day for each Committee meeting for eligible Committee members and such eligible members will also receive \$0.47 per mile roundtrip; the average miles travelled per member is estimated to be 234 miles roundtrip.

- This Act does not specify which agency or fund will cover the expenditures incurred by the Committee; therefore, it is assumed that such expenditures will be paid out of the General Fund.
- It is estimated that in FY20-21 and subsequent years, an increase in state expenditures to the General Fund of \$9,799 [(7 members x \$240 x 4 meetings) + (7 members x \$0.47 x 234 x 4 meetings)].

G) Impact on Incarceration/State and Local Court Costs

- The proposed legislation will reduce convictions for simple possession involving an amount of marijuana less than one-half ounce.
- Based on information provided by the Administrative Office of the Courts (AOC), there has been an average of 1,869 Class A misdemeanor convictions under Tenn. Code Ann. § 39-17-418 each year over the past five years. This analysis assumes that only 10 percent of misdemeanor convictions are at the state court level. As a result, it is estimated that there are a total of 18,690 convictions (1,869 / 10% = 18,690) per year for misdemeanor violations of Tenn. Code Ann. § 39-17-418.
- The potential punishment for a Class A misdemeanor is up to 11 months, 29 days in jail, a fine up to \$2,500, or both.
- This analysis estimates that 10 percent, or 1,869 (18,690 x 10%) offenders, currently pay an average \$250 fine for simple possession.
- The proposed legislation will result in a recurring mandatory decrease of local revenue estimated to be \$467,250 (1,869 x \$250), beginning in FY20-21.
- This analysis assumes 10 percent of offenders are spending an average of 15 days in local jail for Class A misdemeanor convictions of Tenn. Code Ann. § 39-17-418.
- The average cost to local governments to house an inmate in a local jail facility is \$64 per day.
- The proposed legislation will lead to a recurring mandatory decrease in local incarceration expenditures estimated to be \$1,794,240 (\$64 x 1,869 offenders x 15 days), beginning in FY21-22.
- Pursuant to Tenn. Code Ann. § 39-17-417(g)(1), one commits a Class E felony for manufacturing, delivering, selling, or possessing marijuana with intent to manufacture, deliver, or sell in an amount between one-half ounce and 10 pounds. The proposed legislation will result in fewer Class E felony admissions.
- Based on information provided by the Department of Correction (DOC), there has been an average of 239.5 admissions statewide per year for manufacturing, delivering, selling, or possessing with intent to sell marijuana between one-half ounce and 10 pounds.
- This analysis assumes offenders imprisoned for possession of marijuana possessed a substantial amount of marijuana, which likely exceeded one ounce. It is assumed that the proposed legislation will reduce these admissions by 10 percent (239.5 admissions x 10% = 24 admissions).
- The average time served for a Class E felony is 1.35 years (493.09 days).
- According to the DOC, the average operating cost per offender per day for calendar year 2018 is \$75.52.
- The proposed legislation will decrease recurring state incarceration costs by \$893,716 (24 admissions x 493.09 days x \$75.52).

- A decrease in the number of misdemeanor cases for multiple cannabis offenses listed under Tenn. Code Ann. Title 39, Chapter 17, will result in a decrease in state and local court costs. It is assumed that any such decrease will have a nominal impact on employment within such courts. Any decrease in court costs is estimated to be offset by a reduction in fee revenue received from individuals convicted and required to pay court costs and other necessary fees.
- The proposed legislation will not reduce the courts', district attorneys', or public defenders' caseloads enough to require a reduction in workforce.

H) Total Impacts to the General Fund, the Clinical Cannabis Commission, the Secretary of State's Office, the TBI, Incarceration, and local government.

General Fund

- An increase in state revenue in FY20-21 of \$4,850.
- An increase in state expenditures in FY20-21 of \$9,799.
- An increase in state revenue in FY21-22 of \$1,815,624 (\$1,940 + \$1,809,045 + \$4,639).
- An increase in state expenditures in FY21-22 of \$83,501 (\$73,702 + \$9,799).
- An increase in state revenue in FY22-23 of \$2,722,466 (\$1,940 + \$2,713,568 + \$6,958).
- An increase in state expenditures in FY22-23 and subsequent years of \$81,101 (\$71,302 + \$9,799).
- An increase in state revenue in FY23-24 and subsequent years of \$3,628,337 (\$970 + \$3,618,090 + \$9,277).

Clinical Cannabis Commission

- An increase in state revenue in FY20-21 of \$1,500,000.
- An increase in state expenditures in FY20-21 of \$994,625.
- An increase in state revenue in FY21-22 of \$17,590,517 (\$2,500,000 + \$2,110,500 + \$12,980,017).
- An increase in state expenditures in FY21-22 and subsequent years of \$920,625.
- An increase in state revenue in FY22-23 of \$21,508,145 (\$970,729 + \$1,055,250 + \$19,482,026).
- An increase in state revenue in FY23-24 of \$27,031,284 (\$1,055,250 + \$25,976,034).
- An increase in state revenue in FY24-25 and subsequent years of \$26,326,034 (\$350,000 + \$25,976,034).

Secretary of State's Office

- An increase in state revenue in FY20-21 of \$150.
- An increase in state revenue in FY21-22 of \$60.
- An increase in state revenue in FY22-23 of \$60.
- An increase in state revenue in FY23-24 and subsequent years of \$30.

TBI

- An increase in state revenue in FY20-21 of \$19,333.
- An increase in state expenditures in FY20-21 of \$12,045.
- An increase in state revenue in FY21-22 of \$7,733.
- An increase in state expenditures in FY21-22 of \$4,818.

- An increase in state revenue in FY22-23 of \$7,733.
- An increase in state expenditures in FY22-23 of \$4,818.
- An increase in state revenue in FY23-24 and subsequent years of \$1,758.
- An increase in state expenditures in FY23-24 and subsequent years of \$1,095.

Incarceration

- A decrease in state expenditures of \$893,716.

Local Government

- A permissive increase in local revenue in FY21-22 of \$4,638,578.
- A mandatory decrease in local revenue in FY21-22 and subsequent years of \$467,250.
- A decrease in local expenditures in FY21-22 and subsequent years of \$1,794,240.
- A permissive increase in local revenue in FY22-23 of \$6,957,866.
- A permissive increase in local revenue in FY23-24 and subsequent years of \$9,277,155.

*Tennessee Code Annotated, Section 9-4-210, requires that: *For any law enacted after July 1, 1986, which results in a net increase in periods of imprisonment in state facilities, there shall be appropriated from recurring revenues the estimated operating cost of such law. The amount appropriated from recurring revenues shall be based upon the highest cost of the next 10 years.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/jdb