



SFY 2023 MEDICAL CANNABIS ANNUAL REPORT

July 1, 2022 – June 30, 2023

Annual Legislative Report

November 29, 2023



HISTORY OF MEDICAL CANNABIS IN SOUTH DAKOTA

On November 3, 2020, voters in South Dakota passed Initiated Measure (IM) 26 establishing a medical cannabis program in South Dakota for individuals with debilitating medical conditions. IM26 made medical cannabis legal in South Dakota effective July 1, 2021.

To provide a complete perspective on the history to date of Medical Cannabis in South Dakota, in addition to providing a summary of SFY 2023 activities, this report includes a timeline of program development and implementation during SFY2021 and SFY2022. The report also contains updated patient, practitioner, and certified establishment numbers, as well as legislative changes through June 30, 2023.

JANUARY 2021

The Department of Health began planning for the implementation of IM 26. We contracted with Cannabis Public Policy Consulting (CPPC) to advise the state on the implementation of a medical cannabis program.

FEBRUARY-MARCH 2021

The Department of Health met with members of the State Legislature to begin discussions on the implementation of a medical cannabis program. Also began discussion with key stakeholders.

APRIL 2021

The Departments of Health and Revenue jointly issued an RFP to identify and select vendors for establishment and patient registration electronic tracking systems.

MAY 2021

The legislative Marijuana Interim Summer Study Committee convened to discuss the administrative rulemaking and implementation process for medical cannabis in South Dakota. At the meeting both the Department of Health and the Department of Revenue testified on issues related to implementation.

JUNE 2021

The Department of Health released draft rules for the medical cannabis program. Throughout the month

Department of Health staff met with several stakeholder groups to share information about the program as well as to seek input on the draft rules. There were two tele-town halls and four Zoom sessions that were well attended by multiple stakeholders including those who were interested in operating medical cannabis establishments, law enforcement representatives, local municipalities, patients, and health care providers. The Department of Health also met with the South Dakota State Medical Association, the South Dakota County Commissioners Association, the South Dakota Municipal League, and the South Dakota Association of Health Care Organizations to provide information and seek input.

During this month, Departments of Health and Revenue staff traveled to North Dakota to meet with their counterparts and discuss best practices, lessons learned, and challenges faced during the implementation of North Dakota's medical cannabis program.

JULY 2021

The Departments of Health and Revenue jointly issued an RFP to identify and select a vendor for a seed-to-sale tracking system.

AUGUST 2021

The Department of Health appeared before the legislative Marijuana Summer Study Committee and presented an overview of the proposed Administrative Rules.

The Department of Health, the Department of Education, and the South Dakota High School Activities Association presented at the joint Associated School Board of South Dakota and School Administrators of South Dakota conference. During this conference, input was sought on the proposed Department of Education administrative rules focused on medical cannabis in schools.

The Department of Health presented to the Sioux Falls Chamber of Commerce Issues Management Council seeking input on the draft rules and providing information on the medical cannabis program.

The Department of Health held an in-person/virtual public hearing on the adoption and amendment of proposed administrative rules for the medical cannabis program.

SEPTEMBER 2021

Accela was awarded the RFP for the establishment system and patient registration card system.

The Department of Health presented its proposed Medical Cannabis Program rules to the Legislature's

Interim Rules Review Committee. The Committee approved 143 of the 149 proposed rules.

OCTOBER 2021

METRC was awarded the contract for the seed-to-sale inventory tracking system.

The Department issued guidance on medical cannabis establishment applications, including municipality or county ordinances providing licensure of establishments.

The Department released updated drafts of some of the reverted rules. The Interim Rules Review Committee approved the revised rules.

The Department released the Medical Cannabis Establishment application form.

NOVEMBER 2021

Practitioners (physicians) began certifying patients in the online patient registry system. The first patient cards were issued to patients.

JANUARY 2022

The first medical cannabis establishment registration certificates were issued to dispensaries in Watertown and Keystone.

The first lottery drawing to determine successful applicants for dispensary certification in Yankton was held. The South Dakota Lottery Office operated the drawing. There was a total of five slots.

MARCH 2022

A lottery drawing was held in Rapid City to determine successful applicants for dispensary certification. There was a total of 47 applicants and 15 were selected.

APRIL 2022

A third lottery drawing was conducted to determine successful applicants for cultivation, manufacturing, and dispensary establishment certifications in North Sioux City . There were two manufacturers, two cultivators, and 4 dispensaries for a total of eight slots.

JUNE 2022

Medical Cannabis Program staff attended the Cannabis Regulators Association (CANNRA) conference.

METRC held "road shows" across the state and provided training to establishment staff on the seed-to-sale tracking system, and specifically how to tag plants and enter product into the system.

The first testing laboratory was certified.

The South Dakota Public Health Laboratory was certified and is able to conduct confirmatory testing .

The first cannabis plants were harvested.

JULY 2022

The first dispensary opened.

The FY 2022 legislative changes took effect. One of the most significant changes was SB 26 which revised the definition of "practitioner" to include Physician's Assistants and Advanced Practice Registered Nurses for the purposes of providing a written certification to patients for the use of medical cannabis.

Other changes included SB 23 which amended the definition of a bona fide practitioner-patient relationship to include a consulting or referring practitioner and SB 24 which

established limits on the maximum number of cannabis plants that may be cultivated by a medical cannabis cardholder.

AUGUST 2022

The Medical Cannabis Program initiated site visits to several establishments providing technical assistance and ensuring program compliance.

METRC, the state's seed-to-sale inventory management system, went live.

OCTOBER 2022

The Department held a public hearing on proposed changes to its administrative rules. Many of the changes were the result of stakeholder feedback.

Program staff attended and presented information to the Medical Cannabis Oversight Committee.

NOVEMBER 2022

The Interim Rules Review Committee approved the proposed rule changes.

MARCH 2023

METRC provided additional training to Medical Cannabis and Department of Public Safety (DPS) staff.

MAY 2023

South Dakota reached 10,000 patients. This exceeded the Department's original projection of 6,000 patients within three years.

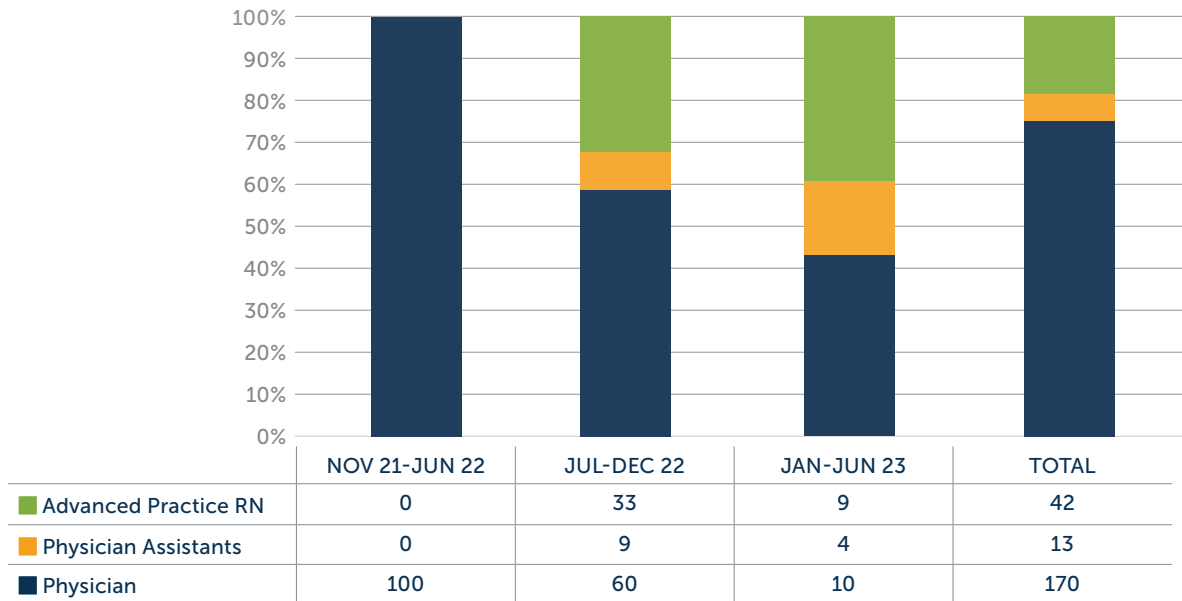
JULY 2023

SB 1 which was introduced by the Medical Marijuana Oversight Committee took effect. SB 1 added a list of qualifying conditions to the definition of a "debilitating medical condition."

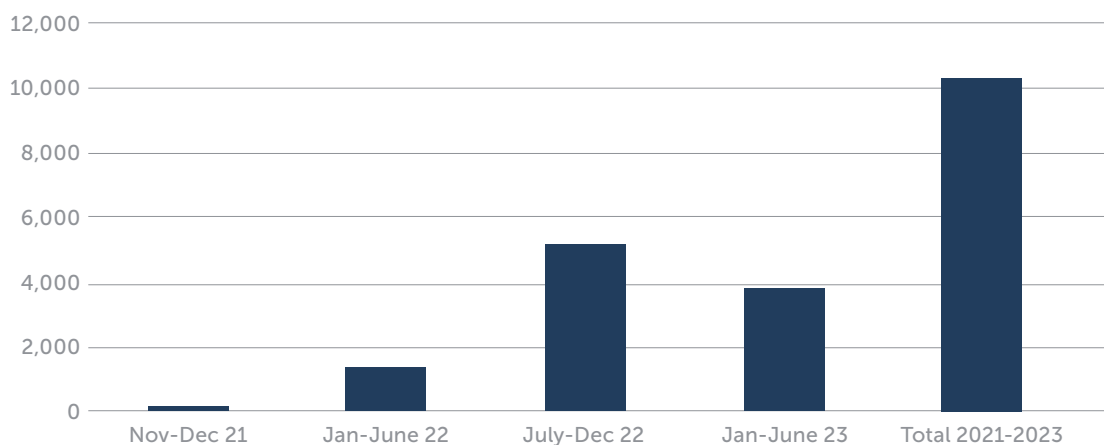
PROGRAM SPECIFIC DATA

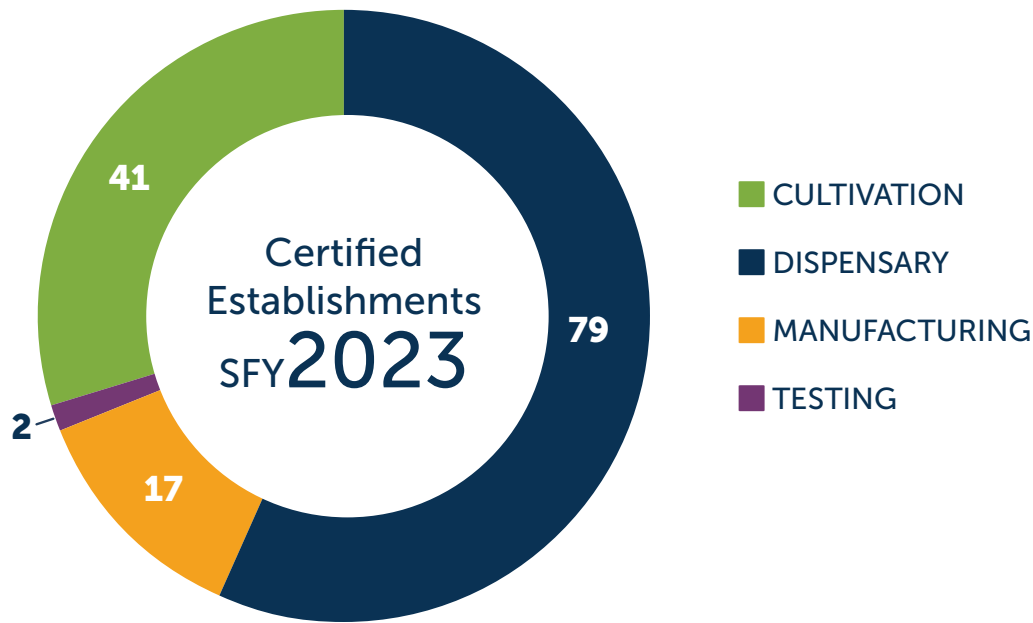
As of 6/26/23, a total of 11,004 patient applications and 471 caregiver cards had been processed with only one revocation. The charts below depict the number and type of certified practitioners and establishments and shows the overall progression of approved patients.

TOTAL APPROVED PRACTITIONERS



APPROVED PATIENTS





INSPECTIONS

The following table represents the number of inspections completed between February and June 2023, broken out by type of establishment.

Dispensaries	15
Cultivation	11
Manufacturer	8
Testing Facilities	0

The 10 most common rule violations cited during an inspection:

- 44:90:04:16.** Record-keeping – Use of inventory tracking system – Training requirements
- 44:90:04:07.** Placement of security cameras
- 44:90:10:01 (07-14).** Labeling
- 44:90:03:05 (9).** Operating procedures – Required contents – All medical cannabis establishments
- 44:90:11:01.** Inventory tracking – Requirements and procedures
- 44:90:04:11.** Agent identification badges to be provided by establishments
- 44:90:03:05 (2).** Operating procedures – Required contents – All medical cannabis establishments
- 44:90:11:09.** Dispensary inventory records –Additional requirements
- 44:90:04:19.** Transport manifests – Form and content
- 44:90:05:02.** Packaging and labeling cannabis for retail sale

REVENUES & EXPENSES

During the 2021 legislative session, SB 35 appropriated \$4.2 M for the implementation of provisions concerning the legalization, regulation, and taxation of marijuana. The Department of Health received approximately \$2.1M of the \$4.2M special appropriation to implement the Medical Cannabis Program. In addition, fees are being collected as follows:

Establishments (new application and annual renewals)	\$5,000
Patient card	\$75
Low-income patient card	\$20
Caregiver	\$20
Lost/stolen card	\$20
Home cultivation application	\$20

PATIENT CARDHOLDERS BY MEDICAL CONDITION

THE NUMBER OF PATIENT CARDHOLDERS BY MEDICAL CONDITION

When initially passed, the law did not identify a set of specific conditions that constituted a “debilitating medical condition”, rather it described a set of symptoms. Practitioners were not required to identify the specific conditions, rather a practitioner certified a debilitating medical condition. Because the definition didn’t identify conditions, data as to specific medical conditions was challenging to collect.

The following ICD-10 codes were the most commonly used by practitioners between July 2022 and June 2023:

1. Cancer (various types)
2. Chronic pain
3. Seizures
4. Multiple Sclerosis
5. Severe muscle spasms

Starting July 1, 2023, with the legislative changes as a result of SB 1 identifying specific conditions that constitute a “debilitating medical condition”, the department will be able to collect and report on specific medical conditions that qualify patients for medical cannabis use.

IMPACT OF MEDICAL CANNABIS

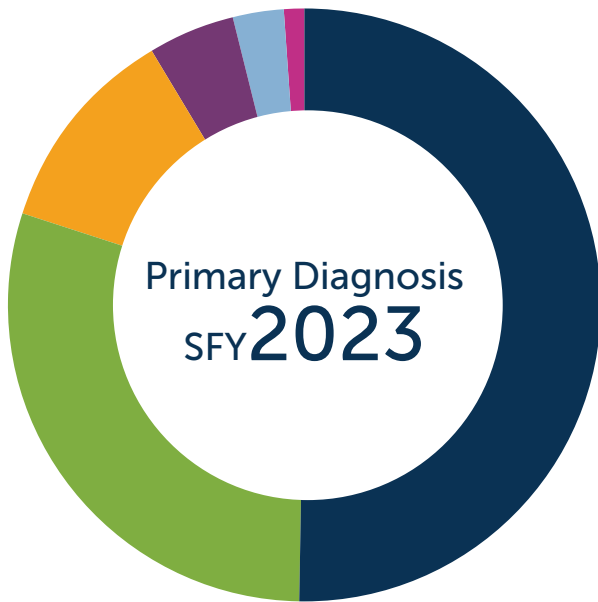
Pursuant to SDCL §34-20G-94, the Department must annually report to the Legislature on the impact of medical cannabis on public safety, public health, and behavioral health services; any other information regarding the effects of medical cannabis.

In the past 10 years (2013-2022), no deaths have included the primary cause of death being marijuana-use related. However, thirty five (35) deaths in South Dakota during this time period have been identified as having marijuana use as a significant condition/ contributing factor.

The top causes of death in South Dakota where marijuana use was a contributing factor included:

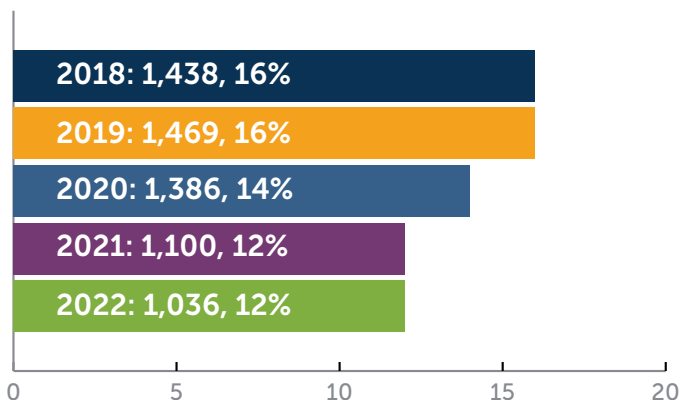
1. Motor Vehicle Accidents
2. Suicide
3. Heart Disease
4. Accidental drug overdose

The Department of Social Services, Division of Behavioral Health, monitors and tracks data for publicly funded behavioral health services. This tracking occurs through the Division of Behavioral Health’s information management system, STARS, or State Treatment and Activity Reporting System. According to FY22 statistics published by the Division of Behavioral Health, 8,636 adults and children received publicly funded behavioral health services. Of those, 12% of adults and children, or an estimated 1,036 had a cannabis use disorder as a primary diagnosis.



- Alcohol Use Disorder (53%)
- Amphetamine Use Disorder (31%)
- Cannabis Use Disorder (12%)
- No Diagnosis/Deferred (5%)
- Opioid Use Disorder (3%)
- Other Use Disorder (1%)

The Division of Behavioral Health has trended this data over five years (2018-2022), with the results showing that the number of individuals with cannabis use disorders receiving public services has decreased from 16% in 2018 but remained fairly stable at approximately 12% since FY21.



With implementation of the Medical Cannabis Program occurring in SFY21, the Department will continue to work with the Division of Behavioral Health in sharing and interpreting the data trends for individuals receiving public services with a primary Cannabis Use Diagnosis. Monitoring and trending of this data will assist the Department potential impact of Medical Cannabis for both adults and children across the state.

Beginning July 1, 2023, the Department began tracking important markers related to the impact of medical cannabis in South Dakota. These include:

- Marijuana use by age and race/ethnicity.
- Marijuana use and mental health conditions.

RECOMMENDATIONS

Medical Cannabis was a new industry and a new program in South Dakota. Stakeholders, including the Medical Marijuana Oversight Committee, should continue to closely follow the development, trends, and growth of the industry and make changes as needed to support a responsible and safe medical cannabis program, including a review of applicable statutes and administrative rules.

Monitor the program's staffing and budget areas to ensure adequate staff and revenues to support a safe and effective program. It is anticipated that registration fees will need to be looked at as currently, the fees charged are at the statutory cap.