



Bill Montgomery
Maricopa County Attorney
301 W. Jefferson St., Suite 800
Phoenix, AZ 85003
(602) 506-1260



Sheila Polk
Yavapai County Attorney
255 East Gurley Street
Prescott, AZ 86301
(928) 777-7352

Tom Salvo

December 6, 2010

VIA ELECTRONIC MAIL

William Humble, Director
Arizona Department of Health Services
150 North 18th Avenue
Phoenix, Arizona 85007

Re: Proposition 203 Funding

Dear Director Humble:

Our offices have been reviewing Proposition 203, the Arizona Medical Marijuana Act (the "Act"), now that the election results have been certified. During that review, we noted a potential issue that has prompted the writing of this letter. We are concerned that the Act may violate Article IX, Section 23 of the Arizona Constitution that requires "an initiative [that] ... establishes a fund for any specific purpose ... must also provide an increased source of revenues sufficient to cover *the entire immediate* and future costs of the proposal." (emphasis added)

According to Section 36-2803 of the Act, the Arizona Department of Health Services ("ADHS") is to adopt rules, not later than 120 days after the Act's effective date, which, among other things, establish application and renewal fees. These fees are critical because "the total amount of all fees shall generate revenues sufficient to implement and administer this chapter except that the revenue may be offset or supplemented by private donations." 36-2803(5)(a). Based on our initial review, it would appear that these fees might provide a source of revenue for the future costs of implementing the Act. However, it does not appear that these fees could sufficiently cover the immediate costs that might be incurred by ADHS to implement this Act.

To complete our analysis, we respectfully request the following information: Will ADHS incur immediate costs to implement the Act? If so, will you provide us with a description of the immediate actions required of ADHS and an estimate of the immediate ADHS costs necessary to implement the Act, including costs associated with the rulemaking process and creation of the verification system? Finally, has ADHS received any private donations pursuant to Section 36-2817 of the Act to cover the estimated immediate costs necessary to implement the Act?

Will Humble
December 6, 2010
Page Two

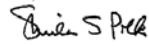
Your prompt attention and response to this inquiry is greatly appreciated. If you have any questions, please don't hesitate to contact either one of us.

Very truly yours,



Bill Montgomery
Maricopa County Attorney

Very truly yours,



Sheila Sullivan Polk
Yavapai County Attorney



Office of the Director

150 N. 18th Avenue, Suite 500
Phoenix, Arizona 85007-3247
(602) 542-1025
(602) 542-1062 FAX
Internet: www.azdhs.gov

JANICE K. BREWER, GOVERNOR
WILL HUMBLE, DIRECTOR

December 9, 2010

*Via U.S. Mail and
Email*

Mr. Bill Montgomery
Maricopa County Attorney
301 W. Jefferson St., Suite 800
Phoenix, AZ 85003
Montgomw@mcao.maricopa.gov

Ms. Sheila Polk
Yavapai County Attorney
255 East Gurley Street
Prescott, AZ 86301

RE: Proposition 203 Funding

Dear Mr. Montgomery and Ms. Polk:

I am in receipt of your letter dated December 6, 2010. In your letter, you request to know whether the Arizona Department of Health Services (ADHS) will incur immediate costs to implement the Medical Marijuana Act (Act) and whether ADHS has received any private donations pursuant to Section 36-2817 of the Act to cover the estimated immediate costs necessary for implementation. Your letter also requests a description of the immediate actions required of ADHS and an estimate of the immediate ADHS costs necessary to implement the Act if we are incurring immediate costs to implement the Act.

Although we have not yet hired anybody to implement the Act, the ADHS is incurring immediate costs because we are redirecting current personnel (funded through our general operating fund) to address the requirements of the Act. In addition, we will require some computer hardware to manage data required by the Act prior to March 30 (although I currently have no funds to designate for that purpose).

Attached for your review are the estimated applicable costs to ADHS through April 30, 2011 (approximately \$1.1M). ADHS has not yet received any private donations pursuant to Section 36-2817 of the Act.

If you have any questions, please contact me at 602-542-1140.

Sincerely,

A handwritten signature in black ink, appearing to read "Will Humble", written over a horizontal line.

Will Humble
Director

cc: Thomas Salow, Acting Manager, Office of Administrative Counsel and Rules
Kevin Ray, Assistant Attorney General

Leadership for a Healthy Arizona

ARIZONA DEPARTMENT OF HEALTH SERVICES				
ESTIMATED COST OF PROGRAM DEVELOPMENT (11/1/10 - 4/30/11)				
MEDICAL MARIJUANA - DECEMBER 7, 2010				
INTERNAL DEVELOPMENT				
DESCRIPTION	UNITS	UNIT COST	QUANTITY	ESTIMATED COST
PERSONNEL COSTS				
RULES DEVELOPMENT				
RULE WRITER	HOURS	\$ 39.03	512.0	\$ 19,981
RULE WRITER	HOURS	\$ 38.26	921.6	\$ 35,261
RULE WRITER	HOURS	\$ 38.74	409.6	\$ 15,867
RULE WRITER	HOURS	\$ 37.56	512.0	\$ 19,233
RULE WRITER	HOURS	\$ 37.18	512.0	\$ 19,037
RULE WRITER	HOURS	\$ 37.07	204.8	\$ 7,593
TOTAL RULES DEVELOPMENT				\$ 116,973
PUBLIC HEALTH				
PHS OFFICE CHIEF	HOURS	\$ 42.89	230.4	\$ 9,881
PHS ASSISTANT DIRECTOR	HOURS	\$ 64.21	204.8	\$ 13,150
TOTAL PUBLIC HEALTH				\$ 23,032
MEDICAL REVIEW				
PHS MEDICAL DIRECTOR	HOURS	\$ 76.73	153.6	\$ 11,785
TOTAL MEDICAL REVIEW				\$ 11,785
PROGRAM OPERATIONS				
PHS BUREAU CHIEF	HOURS	\$ 52.14	256.0	\$ 13,349
PHS OFFICE CHIEF	HOURS	\$ 45.75	256.0	\$ 11,713
PHS BUSINESS MANAGER	HOURS	\$ 33.57	256.0	\$ 8,593
PHS ITS LIASION	HOURS	\$ 28.15	256.0	\$ 7,205
*HEALTH PROGRAM MANAGER III	HOURS	\$ 40.95	520.0	\$ 21,294
*ADMINISTRATIVE SERVICES OFFICER I	HOURS	\$ 26.67	520.0	\$ 13,869
*PROGRAM & PROJECT SPECIALIST II	HOURS	\$ 25.94	520.0	\$ 13,486
<i>* Planned hire date of February 1st</i>				
TOTAL PROGRAM OPERATIONS				\$ 89,510
INFORMATION SYSTEMS DEVELOPMENT				
ITS PROJECT MANAGER	HOURS	\$ 57.48	317.4	\$ 18,246
ITS PROGRAMMER	HOURS	\$ 44.62	460.8	\$ 20,562
ITS PROGRAMMER	HOURS	\$ 44.64	419.8	\$ 18,740
ITS PROJECT LEAD	HOURS	\$ 47.26	389.1	\$ 18,388
ITS DEPUTY ASSISTANT DIRECTOR	HOURS	\$ 60.65	81.9	\$ 4,968
ITS ASSISTANT DIRECTOR	HOURS	\$ 70.26	92.2	\$ 6,475
ITS DATABASE ADMINISTRATOR	HOURS	\$ 44.14	204.8	\$ 9,041
ITS PROGRAMMER	HOURS	\$ 45.93	297.0	\$ 13,640
ITS PROGRAMMER	HOURS	\$ 44.62	327.7	\$ 14,622
TOTAL INFO SYSTEMS DEVELOPMENT				\$ 124,682
INDIRECT CHARGES ON PERSONNEL	COST	\$ 382,880	0.196	\$ 75,044
TOTAL PERSONNEL COSTS				\$ 441,026

ARIZONA DEPARTMENT OF HEALTH SERVICES				
ESTIMATED COST OF PROGRAM DEVELOPMENT (11/1/10 - 4/30/11)				
MEDICAL MARIJUANA - DECEMBER 7, 2010				
INTERNAL DEVELOPMENT				
DESCRIPTION	UNITS	UNIT COST	QUANTITY	ESTIMATED COST
NON-PERSONNEL COSTS				
PROGRAM OPERATIONS				
TEMPORARY EMPLOYEES	HOURS	\$ 12.70	1600	\$ 20,320
COPIER	EA	\$ 9,200	1	\$ 9,200
DESKTOP COMPUTERS	EA	\$ 1,500	13	\$ 19,500
SUPPLIES	LOT	\$ 1,300	1	\$ 1,300
POSTAGE	LOT	\$ 4,400	1	\$ 4,400
PRINTERS	EACH	\$ 5,000	2	\$ 10,000
ENVELOPES	LOT	\$ 380	1	\$ 380
PAPER	LOT	\$ 325	1	\$ 325
ID CARD PRINTERS	EA	\$ 10,000	3	\$ 30,000
ID CARD STOCK	LOT	\$ 5,000	1	\$ 5,000
TOTAL NON-PERSONNEL PROGRAM				\$ 100,425
INFO SYSTEMS DEVELOPMENT				
ITS CONTRACTOR #1	HOURS	\$ 76	504	\$ 38,304
ITS CONTRACTOR #2	HOURS	\$ 76	464	\$ 35,264
M4000 DATABASE SERVER	EA	\$ 65,000	1	\$ 65,000
SOLARIS 10	EA	\$ 50	1	\$ 50
STORAGE FOUNDATION HA	EA	\$ 19,000	1	\$ 19,000
DISKS FOR AMS2300	EA	\$ 688	8	\$ 5,504
TRAY W/HOT DISK FOR AMS 2300	EA	\$ 5,500	1	\$ 5,500
INSTALLATION	EA	\$ 500	1	\$ 500
LT04 TAPES FOR BACKUP	EA	\$ 75	20	\$ 1,500
F5 TRAFFIC MANAGER	EA	\$ 50,000	1	\$ 50,000
APPLICATION WEB TIER W/VMWARE	EA	\$ 60,000	1	\$ 60,000
NETWORK SWITCHES	LOT	\$ 5,000	1	\$ 5,000
DATABASE LICENSE	LOT	\$ 196,000	1	\$ 196,000
SUPPORT	LOT	\$ 43,120	1	\$ 43,120
NETBACKUP CLIENT	LOT	\$ 5,500	1	\$ 5,500
COMMAND CENTRAL SAN	LOT	\$ 1,000	1	\$ 1,000
PROJECT MANAGEMENT/DESIGN DEVELOPMENT/CA				
TOTAL NON-PERSONNEL INFO SYS DEV				\$ 531,242
ITS DIRECT CHARGES (PROGRAM)	COST	\$ 100,425	0.0195	\$ 1,958
ITS DIRECT CHARGES (ITS)	COST	\$ 116,688	0.2951	\$ 34,435
TOTAL NON-PERSONNEL COSTS				\$ 668,060
TOTAL COSTS				\$ 1,109,086

