

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 1148 (Senator Muse)
 Judicial Proceedings

Natalie M. LaPrade Medical Cannabis Commission - Medical Cannabis Grower Licenses - Maximum

This bill increases the number of medical cannabis growers that the Natalie M. LaPrade Medical Cannabis Commission is authorized to license from 15 to 25 – until June 1, 2018, when the cap may be lifted.

Fiscal Summary

State Effect: Special fund revenues for the commission increase by \$1.3 million in FY 2017 from application, license, and agent registration fees for the additional licensed growers and their agents. Future years reflect annual grower license fees and registration fees from anticipated turnover in grower agents. Special fund expenditures increase by \$66,700 in FY 2017 to hire one full-time regular health occupations investigator to conduct inspections and background checks. Future year expenditures reflect annualization and inflation.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	\$1,330,000	\$1,253,200	\$1,253,200	\$1,253,200	\$1,253,200
SF Expenditure	\$66,700	\$83,700	\$86,700	\$89,700	\$92,900
Net Effect	\$1,263,300	\$1,169,500	\$1,166,500	\$1,163,500	\$1,160,300

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law/Background: Chapter 403 of 2013 established, Chapters 240 and 256 of 2014 expanded, and Chapter 251 of 2015 further modified the State’s medical cannabis

program. The Natalie M. LaPrade Medical Cannabis Commission currently allows for the licensure of growers, processors, and dispensaries and the registration of their agents. The program also establishes a framework to certify physicians and qualifying patients (and their caregivers) to provide qualifying patients with medical cannabis legally under State law via written certification. Specifically, a qualifying patient who has been provided with a written certification from a certifying physician in accordance with a bona fide physician-patient relationship may obtain a 30-day supply of medical cannabis. Medical cannabis is defined in regulation as any product containing usable cannabis or medical cannabis finished product. A 30-day supply is defined as 120 grams of usable cannabis, unless a qualifying patient's certifying physician determines that this amount is inadequate to meet the medical needs of the patient.

Statute dictates that medical cannabis may only be obtained from a grower or dispensary licensed by the commission and that the commission may license no more than 15 growers initially. However, beginning June 1, 2018, the commission may issue the number of grower licenses necessary to meet demand for medical cannabis by qualifying patients and caregivers in an affordable, accessible, secure, and efficient manner.

The commission promulgated regulations in September 2015. The commission also opened applications for grower, processor, and dispensary licenses in September 2015 and received 146 grower license, 124 processor license, and 811 dispensary license applications by the deadline. The commission's [website](#) advises that it anticipates issuing stage-one approvals for grower and processor applicants by summer 2016.

The commission is authorized to set fees to cover its operating costs; these fees were established by the September 2015 regulations. Grower application fees are paid in two stages: stage one is \$2,000 and stage two is \$4,000. There is also an annual license fee of \$125,000. Dispensary application fees are also paid in two stages: stage one is \$1,000 and stage two is \$4,000. There is also an annual license fee of \$40,000. An individual may apply for a grower-dispensary license with the applicable fee structure simply being a combination of grower and dispensary fees. The number of growers is still capped at 15 even if some licenses are combined grower-dispensary licenses.

A grower or dispensary employee must be registered as a grower or dispensary agent. The licensed grower or dispenser must apply to register each agent prior to the agent beginning work. Although not required under statute, the commission established a \$200 fee for both dispensary and grower agent registrations by regulation. Grower and dispensary agent registration cards must be renewed every two years.

Counties retain the authority to limit the location of medical cannabis facilities through zoning restrictions. Approaches to addressing the location of such facilities have been mixed. In September 2015, Baltimore County was the first to approve zoning rules

governing medical cannabis facilities. Local newspapers report that there is fairly broad acceptance of future medical cannabis facilities in Western Maryland and on the Eastern Shore.

State Revenues: Special fund revenues increase by an estimated \$1,330,000 in fiscal 2017 and by \$1,253,200 annually thereafter. The Department of Legislative Services notes that some portion of this revenue increase may have been realized under current law because the 15-grower limit may be lifted June 1, 2018, to meet demand. However, the timing and specific amount of any potential future increase in growers under current law is uncertain because it depends on patient demand and the commission's determination.

Special fund revenues attributable to grower license fees total \$1.29 million in fiscal 2017 (10 applicants paying \$4,000 application fee at stage 2 and 10 paying the first-year license fee of \$125,000 when approved) and \$1.25 million annually thereafter (10 growers paying the annual licensing fee of \$125,000). This estimate assumes that the commission selects the 10 additional growers from the pool of 146 applicants that have already submitted applications and the stage 1 application fee. As such, this estimate does not include any additional special fund revenues from stage 1 application fees.

Special fund revenues attributable to grower agent registration fees increase by an estimated \$40,000 in fiscal 2017 (growers paying the \$200 registration fee for 200 agents) and by \$3,200 annually thereafter (growers paying the \$200 registration fee for 16 agents annually due to turnover among employees). The commission advises that, although regulations require grower agent identification cards to be renewed every two years, the commission only plans to charge the fee initially. Thus, future years account only for turnover, assuming that the growers must apply for 16 new grower agent registrations and pay the related registration fee annually.

State Expenditures: Special fund expenditures increase by \$66,652 in fiscal 2017, which accounts for the bill's October 1, 2016 effective date. This estimate reflects the cost of hiring one regular, full-time health occupations investigator to conduct inspections and background checks for the additional 10 licensed growers. It includes a salary, fringe benefits, one-time start-up costs, travel costs and ongoing operating expenses.

Position	1
Salary and Fringe Benefits	\$51,187
Travel	9,000
Other Operating Expenses	<u>6,465</u>
Total FY 2017 State Expenditures	\$66,652

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses and travel costs associated with inspections.

Small Business Effect: Meaningful impact to the extent that a small business is able to obtain a grower license under the bill’s provisions. However, the commission is still processing the current applications, and it is unclear whether any of the potential applicants are small businesses. The Department of Legislative Services notes an issue that was raised in the analysis of the regulations: the fees associated with licensure for growers are so high that there may be limited participation of diverse small businesses. As such, it is unclear whether the bill has any meaningful impact on small businesses in the State.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Department of Legislative Services

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