

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 844
(Senator Carter)
Finance

Medical Cannabis – Dispensaries – Operation at Multiple Locations

This bill authorizes the holder of a dispensary license to operate at up to four locations. An applicant for a dispensary license must provide the number of locations the applicant intends to operate and the physical address of each location. A licensed dispensary that operates at more than one location must provide specified data in its quarterly report to the Natalie M. LaPrade Medical Cannabis Commission (MMCC) for each location operated under the license and in aggregate for all locations operated under the license.

Fiscal Summary

State Effect: Special fund expenditures increase by \$2.18 million in FY 2023 for additional staff, as discussed below. Ongoing expenditures reflect elimination of one-time costs and annualization. Special fund revenues increase by an indeterminate amount beginning in FY 2023 from additional dispensary agent identification card fees, potential fine revenues, and potential increases in certified patient identification card fees, as discussed below.

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	-	-	-	-	-
SF Expenditure	\$2.18	\$2.61	\$2.69	\$2.76	\$2.83
Net Effect	(-)	(-)	(-)	(-)	(-)

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

Local Effect: The workloads of local zoning boards may increase to ensure that a licensed dispensary that chooses to open an additional location under the bill complies with all zoning and planning requirements for a jurisdiction. Revenues may also increase to the extent that zoning administration fees are assessed.

Small Business Effect: Meaningful.

Analysis

Current Law: MMCC is responsible for implementation of the State’s medical cannabis program, which is intended to make medical cannabis available to qualifying patients in a safe and effective manner. The program allows for the licensure of growers, processors, and dispensaries and the registration of their agents, as well as registration of independent testing laboratories and their agents. There is a framework to certify health care providers (including physicians, dentists, podiatrists, nurse practitioners, nurse midwives, and physician assistants), qualifying patients, and their caregivers to provide qualifying patients with medical cannabis legally under State law via written certification. Additionally, there are legal protections for third-party vendors authorized by the commission to test, transport, or dispose of medical cannabis, medical cannabis products, and medical cannabis waste.

A person may not have an ownership interest in or control of, including the power to manage and operate, (1) more than one grower; (2) more than one processor; or (3) more than four dispensaries. Vertical integration is authorized such that a person may have an ownership interest collectively in one grower, one processor, and four dispensaries.

Statute limits the number of grower and processor licenses MMCC can issue, and regulations establish a limit on the number of dispensary licenses. Specifically, MMCC can issue 22 grower, 28 processor, and 102 dispensary licenses. At the close of calendar 2021, MMCC had issued 19 final grower licenses, 20 final processor licenses, and 95 final dispensary licenses. In addition, there are three licensed independent testing laboratories. MMCC maintains a list of licensees on its [website](#). Also, at the close of calendar 2021, there were 148,129 certified patients, 12,939 caregivers, and 1,511 certifying providers. MMCC additionally reports a preliminary total of \$564.8 million in retail sales at cannabis dispensaries in the State for calendar 2021.

State Revenues: Special fund revenues for MMCC increase from fees for identification cards that must be obtained by each new “dispensary agent” hired as staff at the additional dispensary locations. A dispensary agent includes an owner, member, employee, volunteer, officer, or director of a licensed dispensary. The fee for an identification card is \$200 on initial issuance and \$100 for a replacement. *For illustrative purposes only*, if 200 additional dispensaries open and each dispensary hires five employees, MMCC revenues increase by \$200,000. Revenues increase further from identification cards due to normal employee turnover.

MMCC special fund revenues also increase to the extent that MMCC collects fines from the imposition of penalties against a licensed dispensary for failing to meet MMCC licensure standards at new dispensary locations.

Special fund revenues may increase minimally as new patients become certified and obtain a patient identification card at a cost of \$50 on initial issuance and \$100 for a replacement due to increased access to dispensaries.

State Expenditures: MMCC advises that the bill significantly increases its inspection and oversight responsibilities by authorizing up to four times the number of dispensary locations currently operating in the State. MMCC further advises that considerable additional staff resources are necessary in its Bureau of Enforcement and Compliance. The Department of Legislative Services (DLS) concurs with the need for additional staff and advises that the amount of staff needed is dependent on the number of dispensary licensees that take advantage of the authorization to open additional locations. This analysis assumes that the bill results in *at least* 200 new dispensary locations for which MMCC must conduct inspections and oversight. Based on current staffing levels for approximately 100 dispensary locations (95 active licensees and seven Stage One preapprovals), DLS advises that MMCC likely needs three times as many staff in its Bureau of Enforcement and Compliance specific to dispensaries.

Thus, special fund expenditures increase by \$2.18 million in fiscal 2023, which accounts for the bill's October 1, 2022 effective date. This estimate reflects the cost of hiring 2 directors, 4 senior investigators, 14 field investigators, 2 analysts, 2 compliance specialists, and 2 administrative assistants to conduct investigations and compliance audits at each new dispensary location. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	26.0
Salaries and Fringe Benefits	\$1,989,488
Operating Expenses	<u>190,918</u>
Total FY 2023 State Expenditures	\$2,180,406

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

MMCC advises it can collect applications for additional dispensaries and receive additional data for new dispensary locations within existing budgeted resources.

Small Business Effect: Licensed small business dispensaries may be able to expand to up to three additional locations without the need to apply for an additional license for each location. However, it may become more difficult for small businesses that are unable to expand (due to a lack of capital or other resources necessary to do so) to compete in the medical cannabis market as larger business owners and multistate operators expand with more dispensaries. To the extent that a small business dispensary is not vertically integrated with a processor and/or a grower, it may become difficult to source medical cannabis as

the processors and/or growers choose to sell exclusively or primarily to dispensaries under their ownership and control.

Additional Comments: MMCC advises that additional dispensary locations under the bill are unlikely to be evenly distributed across the State contrary to MMCC's statutory mandate to seek geographic diversity in medical cannabis licensing.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Department of Health; Department of Legislative Services

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Analysis by: Amber R. Gundlach

Direct Inquiries to:
(410) 946-5510
(301) 970-5510