

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 773

PRINTER NO. 860

AMOUNT

See Fiscal Impact

FUND

Medical Marijuana Program Fund

DATE INTRODUCED

June 8, 2023

PRIME SPONSOR

Senator Gebhard

DESCRIPTION

Senate Bill 773 amends the Medical Marijuana Act to provide each Independent Grower Processor two dispensary permits, which allows them to operate six retail stores.

The legislation establishes a timeline for the Department of Health to review dispensary permit applications and issue permits to qualified applicants. The department must develop a standard application form for Independent Grower Processors to apply for the permits. The department is required to review the applications within 30 days and issue permits within 15 days of receiving the application.

Senate Bill 773 mandates that the department must provide timely notice of any deficiencies in dispensary applications so that applicants can make necessary corrections. There is a nonrefundable application fee of \$5,000 and a permitting fee of \$30,000.

The term "independent grower/processor" is defined as a grower/processor that meets specific criteria, including not having its permit revoked and not being involved in a merger, acquisition or change of control transaction with another entity holding permits in the Commonwealth. It also states that the grower/processor should not be associated with another medical marijuana organization in the Commonwealth through a parent company or subsidiary or the sharing of officers, directors, employees, facilities, equipment, finances or capital.

The legislation defines a "change of control transaction" as the consolidation, merger or acquisition of more than 20% of a medical marijuana organization's securities or ownership interests, excluding any ownership interest held by the person prior to the issuance of the initial permit.

This act shall take effect in 60 days.

FISCAL IMPACT:

Senate Bill 773 will result in increased revenue in one-time permitting fees of between \$540,000 to \$1.6 million and on-going Gross Receipts Tax revenue between \$1.1

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million and \$3.3 million annually to the Medical Marijuana Program Fund, depending on the number of Independent Grower Processors.

Each Independent Grower Processor will be provided two dispensary permits which require a \$30,000 permitting fee. Each dispensary permit allows the Independent Grower Processors to have three separate locations; therefore, an Independent Grower Processor will be allowed to operate six retail stores.

The Gross Receipts Tax is imposed on the gross receipts from the sale of medical marijuana by a grower/processor to a dispensary, to be paid by the grower/processor. Expansion of the number of dispensaries will increase the gross sales and therefore increase the tax being collected. If the additional Gross Receipts Tax increases by 10% per store, the Commonwealth will collect between \$1.1 million and \$3.3 million.

	# Of Independent Growers	Permitting Fee	Potential Locations	Average Gross Receipts per Location	Additional Revenue for Every 10% increase in Gross Receipts Tax
Low Estimate	9	\$540,000	54	\$209,497	\$1,131,284
High Estimate	26	\$1,560,000	156	\$209,497	\$3,268,153