

Medical Marihuana Regulation Facilities Licensing, Tracking & Regulatory Responsibilities

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Medical Marihuana Facilities Licensing Act & Marihuana Tracking Act

Background

In September 2016, the Michigan Legislature passed and the Governor subsequently signed into law three bills (House Bills 4209, 4827 and 4210, being Public Acts 281-283 respectively) that will create a regulatory framework for medical marihuana facilities. This establishes a support structure for medical marihuana provisioning centers, growers, processors, secure transporters, and safety compliance facilities. It also creates a statewide monitoring system for the tracking, inventory, and verification of medical marihuana and allows for the manufacture and use of marihuana-infused products. This regulatory framework must be implemented by December 15, 2017.



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IT Infrastructure

- Statewide Monitoring System
 - System for tracking, inventory, and verification of medical marihuana.
 - System will allow for verification of patient status as current and active.
 - Vendor spotlight held 12/6/2016-12/8/2016.
 - RFP posted to Buy4Michigan on 1/30/2017; bids submitted by 3/2/2017.
 - Currently evaluating bids.
 - Implementation scheduled to begin in early May.
- Licensing System
 - Customer portal and backend system for applications, renewals, fee assessments, inspections, investigations, compliance, and license verification.
 - LARA will leverage an existing enterprise solution being utilized by the Bureau of Construction Codes, Bureau of Fire Services, and Bureau of Professional Licensing.
 - System requirements drafted and Statement of Work in progress.
 - Implementation scheduled to begin in mid-April.



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LARA Regulatory Responsibilities

- Granting/denying licenses in a reasonable order.
- Good moral character and financial background checks for applicants, including all direct/indirect owners, beneficiaries, shareholders, officers, directors, partners, members and managers.
- Statewide prelicensure and routine facility compliance inspections and audits.
- Collecting fees and fines.
- Statewide administrative complaint investigations.
- Administrative hearings.
- Disciplinary compliance monitoring.
- Board and Advisory Panel support and administrative functions.
- Customer service.
- Conducting public meetings.
- Annual renewals, regulatory assessment collections, and financial statement reviews.
- Key performance indicator analytics.
- IT system support and maintenance.



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Medical Marihuana Licensing Board

Members

- 5 members, appointed by the Governor (with input from the Senate Majority Leader and the Speaker of the House), to administer the Act.
- Members have not been appointed.

Responsibilities

- Issuing licenses, revoking/suspending licenses, levying fines, and investigating individuals who are applying for licensure or complaints received about someone who holds a license.



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Medical Marihuana Advisory Panel

Members

- State agencies – LARA, MSP, AG, MDARD, DHHS.
- Locals – townships, cities and villages, counties, sheriffs, local police.
- Licensees – growers, processors, provisioning centers, safety compliance facilities, secure transporters, physician, registered patient, or primary caregiver.

Responsibilities

- Public meetings at least 2x per year.
- Make recommendations to the board on rule promulgation.
- As requested by board or department, make recommendations on administration, implementation, and enforcement.



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LARA Implementation

- Meeting with stakeholders.
- Reviewing best practices in other states.
- Evaluating RFPs on seed to sale system.
- Initiating implementation of the licensing IT system.
- Developing preliminary language for emergency administrative rules for the state board's consideration.
- Researching potential external resources and partnerships for specialized processes: grow facility inspections, processor inspections (food safety), criminal and financial background investigations.



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Budget

- Medical Marihuana Excise Fund: Includes revenue from a 3 percent excise tax on provisioning center sales, and all other charges associated with Public Act 281 of 2016 (not including revenue from the application fees, the regulatory assessment, and any local licensing fees).

Estimated Revenue Impact of Provisioning Center Sales for Medical Marihuana (Excise Tax)

| Impacted Fund/Entity | | PA 281 | Agency Budget | FY18 | FY19 |
|----------------------|--|-------------|--------------------------------|--------------------|---------------------|
| Excise Tax (3%) | Municipalities | 25% | Treasury | \$1,650,000 | \$4,537,500 |
| | Counties | 30% | Treasury | \$1,980,000 | \$5,445,000 |
| | County Sheriffs | 5% | Treasury | \$330,000 | \$907,500 |
| | Michigan Commission on Local Law Enforcement Standards | 5% | State Police | \$330,000 | \$907,500 |
| | State Police | 5% | State Police | \$330,000 | \$907,500 |
| | First Responder Presumed Coverage Fund | 30% | Licensing & Regulatory Affairs | \$1,980,000 | \$5,445,000 |
| Total: | | 100% | | \$6,600,000 | \$18,150,000 |

- Key Highlights of the Excise Tax Distribution:
 - The majority of the excise tax revenue generated (60 percent) will go to support local units of government and by statute is distributed in proportion to the number of marihuana facilities in a municipality or county.
 - The remaining revenue of the excise tax revenue generated (40 percent) will be allocated to the Michigan Commission on Local Law Enforcement Standards for local law enforcement training, the Department of State Police for enforcement activities, and the Department of Licensing and Regulatory Affairs for the First Responder Presumed Coverage Fund to support cancer claims of eligible firefighters.

State Budget Office Analysis, Medical Marihuana Regulatory and Licensing Framework, February 8, 2017



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- **Marihuana Regulatory Fund:** includes revenue from the application fees of licensees and an annual regulatory assessment collected from licensed growers, processors, provisioning centers, and secure transporters.

Executive Budget Recommendations for Regulation and Enforcement

| Agency Budget | Responsibility | FY 2018 | FY 2019 |
|--------------------------------|--|---------------------|---------------------|
| Licensing & Regulatory Affairs | Medical Marihuana Facilities, Licensing, and Tracking Program (108.0 FTEs) | \$18,651,600 | \$24,868,700 |
| State Police | Investigation and Inspection Activities (48.0 FTEs) | \$8,775,700 | \$11,699,900 |
| Attorney General | Investigation and Enforcement Activities (4.0 FTEs) | \$375,000 | \$500,000 |
| Health & Human Services | Substance Use Disorder (SUD) Prevention and Treatment Services | \$1,423,900 | \$1,898,400 |
| Treasury | Tax Processing, Compliance, and Collections (6.0 FTEs) | \$675,000 | \$900,000 |
| Total: | | \$29,901,200 | \$39,867,000 |

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Sales Tax Impact:

Estimated Revenue Impact of Provisioning Center Sales for Medical Marihuana (Sales Tax)

| | Impacted Fund/Entity | PA 281 | Agency Budget | FY18 | FY19 |
|----------------|--------------------------------|--------|---------------|---------------------|---------------------|
| Sales Tax (6%) | School Aid Fund | N/A | - | \$9,680,000 | \$26,620,000 |
| | GF/GP and Other | N/A | - | \$2,200,000 | \$6,050,000 |
| | Constitutional Revenue Sharing | N/A | - | \$1,320,000 | \$3,630,000 |
| Total: | | | | \$13,200,000 | \$36,300,000 |

- The School Aid Fund, the state general fund, and local governments will benefit from the sales tax revenue that will be generated from provisioning center sales.

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For additional information and to sign up for updates please visit:

<http://www.michigan.gov/medicalmarihuana>

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