



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington St., S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

March 26, 2019

Honorable Alan Powell
Chairman, Regulated Industries
613-B Coverdell Legislative Office Building
Atlanta, Georgia 30334

FRANKIE H. GRAY, CLERK

Liberal Scott

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HART SUPERIOR COURT

SUBJECT: Fiscal Note
House Bill 324 (LC 36 3941S)

Dear Chairman Powell:

This bill authorizes the production, manufacturing, and dispensing of low tetrahydrocannabinol (THC) oil in Georgia. It creates the Office of Low THC Oil Control within the Department of Public Health (DPH) to establish applications, issue licenses, and provide oversight of tracking systems and licensee reporting, data collection, and analysis. A Low THC Oil License Oversight Board would review and approve applications for licenses to produce, grow, manufacture, and dispense low THC oil. Up to 10 production licenses and 60 retail outlets are authorized by the bill. DPH must issue production and safe access retail licenses no later than January 1, 2020.

The Georgia Bureau of Investigation (GBI) is authorized to establish procedures to prevent illegal or recreational use of low THC oil and coordinate with DPH to implement security plans and enforce the provisions of the article.

DPH and GBI would incur additional costs associated with the bill, and both anticipate significant responsibilities under the bill. Through its issuance of licenses, it appears that DPH would have primary responsibility for ensuring licensee compliance with the provisions of the bill. However, GBI officials noted that lines 564-565 of the bill make it responsible for ensuring that "all activities of licensees are conducted in accordance with this article." As a result, GBI officials believe that they are responsible for compliance oversight, including routine inspections of all facilities in a manner similar to DPH.

Costs to the Department of Public Health

The estimated costs for DPH to implement the provisions of the bill are \$1.5 million in one-time expenditures and \$2.5 annually, primarily for additional staff (see Table 1).



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Costs to the Department of Public Health

The estimated costs for DPH to implement the provisions of the bill are \$1.5 million in one-time expenditures and \$2.5 annually, primarily for additional staff (see Table 1).

Table 1. Department of Public Health Costs

	One-Time Costs	Annual Costs
Personnel (New Functions)	-	\$2,074,378
Personnel (Registry Growth)	-	\$48,522
Operations (Travel, Training, Equipment)	\$200,000	\$25,000
Real Estate	-	\$126,300
Marketing/Signage	\$200,000	\$100,000
Contract Services (RFP, App Review)	\$1,100,000	\$75,000
Board Per Diem and Mileage	-	\$16,790
Total	\$1,500,000	\$2,465,990

- **Personnel Costs** – DPH estimates the need for 17 positions for the Office of Low THC Oil, while we have determined that one additional clerk position would be needed to support growth in the THC oil registry. Positions in the Office of Low THC Oil would include a director, attorney, four compliance officers, eight inspectors, and two support staff.
- **Operations** – DPH would provide equipment to new staff, and it anticipates significant training and travel in the first year due to its lack of expertise in this field.
- **Real Estate** – DPH has limited space at its central office, but the amount is based on the current Georgia Building Authority rate of \$12.63 per square foot for 10,000 square feet.
- **Marketing/Signage** – DPH would use funds to educate the public about the program.
- **Contract Services** – DPH anticipates the need for specialized services for development of the requests for proposals, review of license applications, and market stability. After the first year, the need for these services would decline significantly.
- **Board Per Diem and Mileage** – DPH assumes a monthly meeting during the first year, with each of the 12 members receiving a per diem of \$105 for each meeting. It also assumes 20 miles of reimbursable mileage per member.

The estimate does not include cost of operating a seed-to-sale tracking system. While it appears that DPH is only required to approve vendors that can provide or operate a tracking system for licensees, DPH officials included an estimate of \$2.2 million for the procurement of a tracking system.

Costs to the Georgia Bureau of Investigation

GBI costs vary based on its expected role in ensuring that licensees adhere to the state law. As previously noted, lines 564 and 565 state that GBI is responsible for ensuring licensee activities comply with “this article,” which may require the agency to provide routine, regular oversight of the licensees. As shown in Table 2, the annual costs would be \$730,000 to \$1.9 million depending on GBI’s role. One-time costs would be \$502,000 to \$1.2 million.

Table 2. Georgia Bureau of Investigations Costs

	GBI Responsible for Regulatory Compliance (16 Staff)		GBI Not Responsible for Regulatory Compliance (6 Staff)	
	One-Time Costs	Annual Cost	One-Time Costs	Annual Cost
Personal Services	\$2,275	\$1,575,291	\$875	\$595,987
Operating	\$142,363	\$329,995	\$97,316	\$126,345
Equipment/Vehicles	\$842,283	\$19,305	\$323,955	\$7,425
Training	\$209,014	\$0	\$80,390	\$0
Total	\$1,195,935	\$1,924,591	\$502,536	\$729,757

GBI estimated the need for 16 positions to fulfill a regulatory compliance role. This would include one assistant special agent in charge, 12 special agents (2 in each regional drug enforcement office and headquarters), two investigative assistants, and one crime lab scientist. Depending on the position, one-time costs include vehicles, computer and other types of equipment, and training. Annual costs are primarily salaries and benefits, but also include items such as travel, computer and telephone charges, vehicle maintenance, and office supplies.

If GBI is not intended to fulfill a regulatory role, it estimated the need for five special agents (one per regional drug enforcement office) and one crime lab scientist.

Fee Revenue

Potential licensees must pay a non-refundable application fee of \$10,000 to \$50,000 to DPH based on the type of license. Those approved for licensure would pay an initial license fee ranging from \$20,000 to \$100,000 and a renewal fee of \$10,000 to \$50,000 annually. DPH can issue five of the two types of production licenses (Class 1 and Class 2) and ten retail licenses. The bill will generate an estimated \$1.2 million during the first year and \$412,500 annually from licensing fees if all licenses are issued (see Table 3). Additional revenue will be generated if the number of applicants exceeds the number of available licenses.

Table 3. Potential Fee Revenue, New Licensees¹

License Type	Number of Licenses	Application & Initial License Fees	Annual Renewal
Class 1 ²	5	\$750,000	\$250,000
Class 2 ³	5	\$187,500	\$62,500
Safe Access Retail ⁴	10	\$300,000	\$100,000
Total		\$1,237,500	\$412,500

¹ Amounts assume the number of applications equal the total licenses available and that all applications are approved.

² Class 1 licenses require a \$50,000 nonrefundable application fee, \$100,000 initial fee, and \$50,000 renewal fee.

³ Class 2 licenses require a \$12,500 nonrefundable application fee, \$25,000 initial fee, and \$12,500 renewal fee.

⁴ Safe access retail licenses require a \$10,000 nonrefundable application fee, \$20,000 initial fee, and \$10,000 renewal fee.

Individuals on the Low THC Oil Registry must pay \$25 for a permit that is valid for two years. DPH officials estimated additional staffing that could process approximately 12,000 permits. If 12,000 additional permits are issued, state revenue would increase by \$300,000.

Sincerely,



Greg S. Griffin
State Auditor



Kelly Farr, Director
Office of Planning and Budget