

## **Department of Planning and Budget**

### **2021 Fiscal Impact Statement**

**1. Bill Number:** HB2218

|                        |                                                |                                     |                                    |
|------------------------|------------------------------------------------|-------------------------------------|------------------------------------|
| <b>House of Origin</b> | <input checked="" type="checkbox"/> Introduced | <input type="checkbox"/> Substitute | <input type="checkbox"/> Engrossed |
| <b>Second House</b>    | <input type="checkbox"/> In Committee          | <input type="checkbox"/> Substitute | <input type="checkbox"/> Enrolled  |

**2. Patron:** Hayes

**3. Committee:** Health, Welfare and Institutions

**4. Title:** Pharmaceutical processors; cannabis products.

**5. Summary:** Permits pharmaceutical processors to produce and distribute cannabis products other than cannabis oil. The bill defines the terms "botanical cannabis," "cannabis product," and "usable cannabis." The bill requires the Board of Pharmacy to establish testing standards for botanical cannabis and botanical cannabis products, establish a registration process for botanical cannabis products, and promulgate emergency regulations to implement the provisions of the bill. The bill allows the Board of Pharmacy to assess and collect a one-time botanical cannabis regulatory fee from each pharmaceutical processor, not to exceed \$50,000, to cover costs associated with the implementation of the provisions of the bill, including costs for new personnel, training, promulgation of regulations and guidance documents, and information technology.

**6. Budget Amendment Necessary:** Yes, item 309.

**7. Fiscal Impact Estimates:** Preliminary, see item 8.

**8. Fiscal Implications:** The total impact this bill would have on the Commonwealth cannot be determined. The provisions of the bill would add botanical cannabis to the products available at pharmaceutical processors, which is anticipated to significantly increase the number of individuals seeking registration from the Board of Pharmacy in order to obtain cannabis products. The current registration process is a manual system and is heavily dependent on employee input and maintenance, resulting in delays in approval for patients and practitioners. This manual process is inadequate to handle the anticipated increase in registrations and may require an automated system. DHP has received a quote for installation and maintenance of an automated system, the estimate included \$350,000 for installation and \$375,000 to \$400,000 per year for ongoing maintenance and system support. The Board will be researching other vendors for the installation of an automated system.

The addition of botanical cannabis to the products available at a pharmaceutical processor would increase the length of inspections of each facility. Additionally, there may be an increase in the workload for permitting and the registration of patients and practitioners. It is estimated that two personnel, at an annual rate of \$132,000 for both including fringe benefits (\$66,000 each) would be needed handle this increase.

The provisions of the bill allow the Board of Pharmacy to collect a one-time regulatory fee from each pharmaceutical processor, not to exceed \$50,000, to cover costs for new personnel, training, promulgation of regulations and guidance documents, and information technology. However, it is unknown if and when each of the four operating processors would seek registration. Virginia has a set limit of five pharmaceutical processors (one is nonoperational at this time), which would limit any potential fee revenue to \$250,000. This amount is insufficient for the installation of an automated system, ongoing maintenance costs, and to hire additional positions to handle anticipated increases in registration, inspections, and permitting. The Board of Pharmacy would have to set fees sufficient to cover the costs associated with implementing the provisions of the bill.

This bill would not have a fiscal impact on the Department of Corrections.

**9. Specific Agency or Political Subdivisions Affected:** The Department of Health Professions.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** SB1333, as introduced by Senator Lucas, is a companion bill.