

MARYLAND MEDICAL CANNABIS COMMISSION
FINANCE COMMITTEE MEETING
May 20, 2020
VIA Conference Call
MINUTES

Finance Committee Members Present

Commissioner Obi Onyewu, Chair
Commissioner Phil Cogan

Finance Committee Members Absent

Commissioner Konrad Dawson

MMCC Staff Present

Will Tilburg, MMCC Executive Director
Lori Dodson, MMCC Deputy Director & Director of Compliance for ITLs
Ugo Osoh, Acting Director of Operations and Director of Finance
Mary-jo Mather, Director of Administration
Heather Nelson, Assistant Attorney General
Jamie Tansey, Assistant Attorney General
Taylor Kasky, Director of Policy and Government Affairs
Cheryl Cooper, Executive Assistant

The conference call began at 12:58 pm. A quorum was achieved. Prior to the meeting, Finance Committee members were emailed the FY2020 Budget Performance spreadsheet, which reflected performance through March 31, 2020; forecasted closeout numbers for FY2020 ending June 30, 2020; and the projected FY 2021 budget. This Meeting Summary will be sent to any Finance Committee Commissioners who were unable to attend the meeting.

Finance Chairman Obi Onyewu called the meeting to order, and asked all Commissioners to briefly provide their educational and career history, and invited Ugo Osoh, Director of Finance, to present his reports.

Mr. Osoh presented his Budget Report, and noted that the current MMCC fund balance is \$9.8 million as of March 31, 2020. Of that amount, \$500,000 is allocated to two emergency procurements, which were approved that day by the Board of Public Works (BPW). Mr. Osoh noted that any emergency procurements such as these with an amount over \$100,000 must be approved by the Board of Public Works. These procurement contracts were extended to two companies to research various aspects of the 2020 application process: verification of minority ownership alleged by applicants, and a review of the impartiality of the application process itself.

Mr. Osoh described other ongoing expenses, including the development of an agency-wide enterprise system which would join all MMCC functions and records in one database.

Mr. Osoh explained that revenues received each month are not consistent from month to month due to revolving due dates for annual license fees, which are based on the licensure start dates for each Grower, Processor, Dispensary and registrant. He noted that of the \$8.3 million dollars of the revenue received, 57% or \$4.8 million of these monies represented receipt of Industry license fees. Agent fees represent 6.9% or \$0.5 million YTD. \$2.8 million in card fees collected so far represent patient and caregiver ID card fees received from about 135,000 registered patients. He noted that this revenue continues to increase due to the large increase in patient registrations and constant new agent fees. Of the entire budget, \$1.4 million represents a variance in the Commission's favor.

Referring to expenses, Mr. Osoh noted that employee expenses (including benefits) comprise \$2.7 million against a projection of \$2.6 million due to the fact that many of the current open positions are being filled. There are currently 26 merit employees, and 25 contractual employees.

In regard to the State hiring and spending freeze recently announced by Governor Hogan, the Commission is taking steps to comply by looking at all core expenditures necessary to meet its mission. Going forward into FY2021, the Commission still expects to receive \$9 million dollars, because all 16 grower, 17 processor and 92 dispensaries are consistently submitting payment for annual fees, as well as new registration fees for ancillary businesses and their agents.

As of the end of the fiscal year on June 30, 2020, the projected fund balance will be about \$7.3 million. The pandemic has not negatively affected Dispensary sales, due to the fact that medical cannabis is an essential health need for certified patients, and Dispensaries have made the required changes to maintain patient and employee safety while dispensing medicine to patients and caregivers.

The Maryland General Assembly transferred administration of the Compassionate Use Fund from MDH to the Commission, effective October 1, 2020. The fund currently has a zero balance, and the Commission will work with licensees to develop a fee structure to fund the Compassionate Use Fund. In addition, staff indicated that the Commission cannot allocate existing Commission funds to the Compassionate Use Fund, but may allocate future fees and penalties to the fund.

Commissioner Lopez asked if the invoices for the emergency procurements for investigative services would be paid as part of the FY 2020 budget, and Mr. Osoh noted that both will be accounted for in FY2020. The Committee further discussed the renewal fees for patient and caregiver ID cards which now have a 3 year renewal period. Mr. Osoh noted that revenue for card renewals should start decreasing in FY2021; however the increase in new patients from month to month might offset this decrease. He also noted that the Compassionate Use Fund will provide a waiver of the patient ID card fee for eligible Marylanders, including Veterans and those receiving Maryland public assistance. Mr. Osoh noted that approximately 25 to 30% of our patient population are need-based patients. This will also have a budgetary impact.

Currently, MMCC staff are developing regulations for the Fund. The Commission will be able to allocate future funds to the Compassionate Use Fund. The proposed allocation for FY 2021 ranges between \$600,000 and \$1 million. Commissioner Lopez asked about costs for producing patient, caregiver and agent cards. Mr. Tilburg noted that there are 16 staff processing applications, answering calls, and that the cost of materials are sizable, not including the necessary upgrades to the registry software to implement the Fund. Further analysis will determine what percentage of card costs are for operations and supplies. IT connections will be set up to process patient sales minus any discount, with each dispensary requesting reimbursement from MMCC funds.

The staff is still working on the actual process. Mr. Lopez asked if other monies, for example, those derived from fines, could also be allocated to the Fund. Assistant Attorney General Nelson stated that there are ways to draft these conditions in a Consent Order so that the fines imposed would go directly into the Fund. Mr. Tilburg noted that the legislative intent established by the Maryland General Assembly was that the medical cannabis industry, not the Commission, would provide the funding for the Compassionate Use Fund. Commissioner Cogan noted that the Commission might look to how the pharmaceutical manufacturing industry has designed their version of a Compassionate Use Fund. Mr. Lopez noted that some Dispensaries are already providing discounts to seniors, but that in order to be sustainable, the Fund must have industry support. Mr. Tilburg noted that there is no consistency in the way Dispensaries or other stakeholders are handling discounts. Mr. Cogan proposed that the Finance Committee might offer "up to" 25% of registration fees derived from patients and caregivers in FY2021 to the Compassionate Use Fund. Mr. Osoh will change the language in the proposal to reflect Commissioner Cogan's suggestion.

A formal Motion was offered by Commissioner Cogan, in which up to 25% of revenue from card fees derived from patients and caregivers be allocated to the Compassionate Use Fund. The Motion was seconded by Chairman Onyewu, and thus passed by a majority of the Finance Committee. The Finance Committee will present this recommendation at the next meeting of the full Commission for their vote on June 11, 2020.

Mr. Tilburg noted that the Policy Committee and MMCC's legal staff will re-draft any consent order language for further review by the Finance Committee.

Executive Director Tilburg provided further clarification of Mr. Osoh's report in regard to the State hiring and spending freeze. He noted that how the freeze will specifically impact the MMCC budget is not known. DBM has proposed an initial State FY2020 budget cut of \$150 million dollars, which will create a significant financial impact. This is in response to the State's expected revenue shortfall of approximately \$1.1 billion. Mr. Tilburg noted that some of our fund balance may be clawed back by the State to help defray the shortfall.

Mr. Osoh noted that having a hiring freeze will have a significant impact, since there are currently 16 open positions at the MMCC. Contractual employee contracts will be

renewed for FY2021, but that a review of the actual number of contractual employees would be ongoing.

Chairman Onyewu thanked Mr. Osoh for the detailed review and reports, and noted that they were very easy to understand. Mr. Osoh will continue to closely monitor the way funds will be directed and report them directly.

After the Chair's request for any New Business, Mr. Lopez asked how the budget would affect the establishment of the planned reference laboratory. Mr. Tilburg noted that in the absence of an MMCC reference laboratory, the Commission would issue RFPs for testing by entities which would be totally independent of any MMCC licensees. A feasibility study will be undertaken to determine the costs as well as the timeline for contractual laboratory services. Mr. Osoh noted that these tests were critical in meeting the mission of the Commission.

Commissioner Cogan moved to adjourn, and Chairman Onyewu seconded the Motion. The meeting of the Finance Committee adjourned at 2:05 pm.