

**BILL SUMMARY**  
1<sup>st</sup> Session of the 59<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>SB813</b>
<b>Version:</b>	<b>CCS A</b>
<b>Request Number:</b>	
<b>Author:</b>	<b>Rep. Marti</b>
<b>Date:</b>	<b>5/26/2023</b>
<b>Impact:</b>	<b>Cost savings: see below</b>

**Research Analysis**

The conference committee substitute for SB 813 sets the initial, nonrefundable fee for a medical marijuana processor license, as well as all submissions of grower applications, renewal processor applications, and renewal dispensary applications at \$2,500.

The measure authorizes the Oklahoma Medical Marijuana Authority to operate a quality assurance laboratory for the purpose of conducting compliance testing of medical marijuana businesses, and requires the lab be used to provide recommendations for:

- All equipment and standards to be utilized by licensed medical marijuana testing laboratories.
- Standardized operating procedures when extracting and testing medical marijuana products.
- Samples taken from medical marijuana licensed business.
- The utilization of secret shoppers.
- Analysis of any compounds that are not among the targeted analytes and are unknown, unidentified, tentatively identified, or known and injurious to human health if consumed.

The measure also exempts the Authority's lab from the provisions of the Oklahoma Medical Marijuana and Patient Protection Act for the purpose of transporting samples of medical marijuana, medical marijuana concentrate, and medical marijuana product for testing between the originating medical marijuana business and the Authority laboratory.

Prepared By: Matthew Brenchley

**Fiscal Analysis**

The CCS A to SB 813 authorizes the Oklahoma Medical Marijuana Authority to operate quality assurance laboratory or contract with a private lab for conducting compliance testing of medical marijuana testing.

**From Oklahoma Medical Marijuana Authority:**

**Purpose:** Enforce lab standardization statute (HB4056), implement secret shopper program (HB3971) and establish process validation (HB3929).

**Overview:** Allows OMMA staff to handle mmj, procure and transport samples, and distribute out samples for blind testing. Provides a catch all for analytes not in statutes/rules and allows

QA lab to collect samples from failed batches to conduct parallel testing with. Establishes an annual QA report to legislature.

**Financials:**

OMES determined a contract price between OMMA/previously contracted QA laboratory – compared to that contracted annual cost, allowing for an OMMA-operated QA laboratory provides significant cost savings each year of operation. Even with pre-opening expenses, year 1 projects a \$3 million operating savings.

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
<b>Current Annual Contract Cost</b>	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	50,000,000
<b>QA Laboratory Operating Expenses:</b>						
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
Testing Expenses	2,631,900	2,697,698	2,765,140	2,834,268	2,905,125	13,834,131
General, Administrative and Facility	300,400	306,408	312,536	318,787	325,163	1,563,294
Preopening	4,000,000					4,000,000
<b>Total Expenses:</b>	<b>6,932,300</b>	<b>3,004,106</b>	<b>3,077,676</b>	<b>3,153,055</b>	<b>3,230,288</b>	<b>19,397,425</b>
<b>Operating Savings:</b>	<b>3,067,700</b>	<b>6,995,895</b>	<b>6,922,324</b>	<b>6,846,945</b>	<b>6,769,712</b>	<b>30,602,575</b>

**Testing expenses** are calculated at the average list price/cost per test, conducting 100 tests a week.

**General, administrative, and facility expenses** include both payroll expenses (salary and benefits for Director, QA manager, analysts, lab assistants, transporters, IT) and non-payroll expenses (consumable reagents and micro media, vehicle expense and specimen collections).

**Preopening expenses** are padded and will decrease in price as more specific as details are finalized. These one-time costs include testing equipment, ancillary equipment (refrigerator, centrifuges, cryogenic grinder), consumables (reagents, micro media, and testing/bench supplies) as well as furniture and a state vehicle.

**FAQs:**

**How are these services being provided currently (e.g., contracting) and what is the cost?**

OMES determined the contract price between the previous contract laboratory and OMMA to be \$10M annually. This cost included 100 tests/week, staff, and laboratory administration to fulfil the requirements of 63 O.S. §427.17.

**How do the projected costs of the contracted laboratory compare to the new QA laboratory on an ongoing basis?**

The contracted \$10 million would be an ongoing, continual cost to be paid annually by the agency to the third-party laboratory. The establishment of the OMMA-operated QA laboratory would include an estimated \$4M in one-time costs to open the laboratory, with almost \$3M in recurring operating expenses. Accounting for one-time costs, the first year of the QA laboratory would provide over \$3M in operating cost savings. Every year thereafter, the total recurring operating expenses are estimated around \$3M each year, providing an average operating savings of ~\$7M a year. The five-year total of utilizing a contracted laboratory is \$50M, while the cost of the OMMA-operated QA laboratory (including initial startup expenses) is under \$20M, generating a total \$30M in savings.

**What is the volume of testing that the QA lab would be anticipated to conduct once it is up and running?**

The QA laboratory is expected to conduct 100 full compliance tests a week. This number is expected to be relatively constant as licensees undergo the voluntary process of “process validation” (HB3929) and the agency implements the secret shopper program (HB3971), as these required tests would be conducted from the 100/week total compliance tests. We also anticipate using the QA laboratory to perform proficiency testing, auditing laboratory results, and developing and implementing lab standardization (HB4056).

**Are the one-time costs for construction costs, or would equipment purchases be included as well? Does OMMA have a site or building in mind for this?**

The one-time funding to open the QA laboratory would include equipment purchases such as testing equipment, refrigerator/freezers, centrifuges, consumable reagents and micro media, testing supplies, furniture, and a vehicle.

OMMA is continuing conversations with ODAFF to utilize existing laboratory space at the main agency location. Final details regarding the total cost to utilize the space, including rent and utilities, are expected by the end of April/early May.

**What is the timeframe for establishing the QA lab?**

The estimated timeframe to have the QA laboratory completed and running is 9 months from the effective date of this legislation. This timeframe includes a buffer for any supply-chain or shipping delays, equipment calibration and testing, and staff hiring and training.

Prepared By: Stacy Johnson, House Fiscal Staff

**Other Considerations**

None.