



# OHIO LEGISLATIVE SERVICE COMMISSION

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## Fiscal Note & Local Impact Statement

**Bill:** H.B. 495 of the 132nd G.A.

**Status:** As Introduced

**Sponsor:** Rep. Seitz

**Local Impact Statement Procedure Required:** No

**Subject:** Requires the Director of Commerce to adopt rules to establish a closed-loop payment processing system under the Medical Marijuana Control Program

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### State Fiscal Highlights

- The Department of Commerce will incur new costs to implement a closed-loop payment processing system to be used by authorized users under the Medical Marijuana Control Program. Ultimately, the Department will need to hire additional personnel and implement new technology to establish such a system. The costs will be paid from the Medical Marijuana Control Program Fund (Fund 5SY0) which receives license fee revenue from medical marijuana cultivators, processors, and laboratories that test medical marijuana.

### Detailed Fiscal Analysis

The bill requires the Department of Commerce to adopt rules that establish a closed-loop payment processing system under the Medical Marijuana Control Program. Using individual accounts maintained by the state, this system would be used to facilitate cashless purchases of medical marijuana products by patients and caregivers, to pay staff working for authorized medical marijuana entities, to make payments to vendors doing business with them, and to pay for goods and services bought by medical marijuana entities. As part of this payment system, the Department is required to authorize state-chartered banks or credit unions to participate in the system and to authorize a closed-loop debit card for making transactions in the system.

The costs that the Department will incur for developing this closed-loop payment system are unclear at this stage. In particular, it is unclear how many and what type of employees would need to be hired to oversee Medical Marijuana Control Program user accounts and create the payment processing system. Preliminarily, it could be possible that a project manager, several IT positions, and business analysts would need to be hired. There may also be costs for software and hardware associated with the system. The type of technology and the extent of IT infrastructure would all factor into the cost. For example, the payment processing system could include a cash management function, point-of-sale system, and terminals at the medical marijuana licensees' locations and the financial institutions for deposits of funds. These functions

would also have to integrate with other Medical Marijuana Control Program systems. Finally, the information within the system would have to be accessible to state and federal authorities, among them the U.S. Treasury Department's Financial Crimes Enforcement Network.

All of these new costs would be paid from the Medical Marijuana Control Program Fund (Fund 5SY0). Fund 5SY0 receives revenue from license fees from medical marijuana cultivators, processors, and laboratories that test medical marijuana. The program is scheduled to be fully operational by September 8, 2018. Currently, eight full-time and one intermittent paralegal are employed by the Department to work under this program. The full-time positions include a chief operating officer, account examiner, IT project manager, director of licensing, compliance officer, senior attorney, and an administrative professional.

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