

# JLBC Fiscal Note

**BILL #** SB 1641

**TITLE:** marijuana producers; licensure

**SPONSOR:** Payne

**PREPARED BY:** Maggie Rocker

**STATUS:** Senate Engrossed

## Description

The bill would require the Department of Health Services (DHS) to establish marijuana producer licenses beginning January 1, 2029, for entities that had a contract as of January 1, 2026, with a recreational marijuana establishment or a nonprofit medical marijuana dispensary to cultivate marijuana or manufacture marijuana products. The bill would permit DHS to issue additional licenses beginning in 2032. Finally, the bill authorizes DHS to collect licensing and renewal fees and conforms marijuana producer licensure requirements and regulations with existing marijuana establishment regulations.

## Estimated Impact

To the extent that the bill increases licensing applications among marijuana producers, DHS would likely implement additional licensing fees to fund the associated increase in operating costs, which would be deposited into the Smart and Safe Arizona Fund. We cannot determine the magnitude of this impact in advance.

DHS has not yet responded to our request for their perspective.

## Analysis

Our estimate assumes the following:

- 1) The Smart and Safe Arizona Act limited the number of recreational marijuana establishment licenses in Arizona to 1 license for every 10 pharmacies in the state. As of February 2026, there are 170 licensed adult use marijuana establishments. Due to the cap on licenses, some marijuana cultivation and manufacture businesses subcontract from existing dispensary license holders.
- 2) While we do not have current data regarding the number of cultivation sites in Arizona, DHS reported 111 sites in FY 2023. The bill would permit cultivators and manufacturers with existing contracts to apply for a marijuana producer license beginning in 2029. As with marijuana establishment licensing and renewal fees, DHS would be required to set fees in amounts that are reasonable and related to the actual cost of implementing and that do not exceed five times the fees to register and renew nonprofit medical marijuana dispensaries. DHS currently charges an initial licensing fee of \$25,000 for marijuana establishments, with an annual renewal fee of \$5,000.
- 3) The bill conforms the new marijuana producer license with statutory regulations and advertising restrictions. To the extent that the Attorney General requires additional FTE Positions to enforce regulations of these new licensees, the Attorney General could experience an increased cost. However, we expect any costs would be paid from the Smart and Safe Arizona Fund, which funds marijuana regulatory costs.

3/23/26