

STATE OF HAWAII
DEPARTMENT OF HEALTH
P. O. Box 3378
Honolulu, HI 96801-3378
doh.testimony@doh.hawaii.gov

**Testimony in OPPOSITION to HB985
RELATING TO MEDICAL MARIJUANA**

REPRESENTATIVE DELLA AU BELATTI, CHAIR
COMMITTEE ON HEALTH

Hearing Date: Thursday, February 16, 2017

Room Number: 329

1 **Fiscal Implications:** Undetermined at this time.

2 **Department Testimony:** The Department of Health (DOH) respectfully opposes this
3 bill and requests it be held in committee.

4 This measure is well-intended but impractical and may delay patient access, jeopardize
5 federal funds, increase complexity of dispensary regulation, and disrupt planning and
6 provision of community mental health and substance abuse prevention.

7 Tax Policy of Uncertain Patient Impact

8 DOH defers to the Department of Taxation but recognizes that “tax revenue” is
9 undefined and may create dispensary liabilities that could be passed along to price-
10 sensitive patients with debilitating medical conditions. While the department is
11 proceeding with deliberate caution to assure patient and product safety, medical
12 marijuana is legal medication in the State of Hawaii and potentially burdensome tax
13 policy is premature and not in patient interests.

14 Jeopardy to Funding

15 Mental health and substance abuse treatment is generally underutilized and will benefit
16 from additional resources. However, medical marijuana tax deposits into the Mental

1 Health and Substance Abuse Special Fund, authorized in section 334-15, create
2 unacceptable risks to:

3 Federal funds – Medicaid reimbursements are deposited into the Mental Health
4 and Substance Abuse Special Fund. Dispensary tax deposits will comingle with
5 federal funds that may create jeopardy with US Department of Justice and US
6 Department of Treasury guidelines that still consider marijuana illegal.

7 State special funds – The purpose and intent of the special fund is to deposit
8 revenue collected from treatment programs rendered by the mental health and
9 substance abuse programs, primarily Medicaid reimbursements, operated by the
10 State, as well as fees collected from certification programs. Thus, expenditure of
11 dispensary revenue may bear no clear nexus to the source of deposits for the
12 Mental Health and Substance Abuse Special Fund.

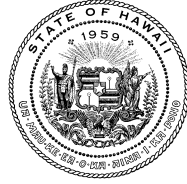
13 The Department of Health respectfully requests that in lieu of this discussion on diverging
14 dispensary tax revenue, the Legislature consider funding priorities in the Governor's
15 Executive Budget Request.

16 Thank you for the opportunity to testify and provide information regarding the purpose
17 and intent of HRS §334-15.

18 **Offered Amendments:** None.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
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MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Della Au Belatti, Chair
and Members of the House Committee on Health

Date: Thursday, February 16, 2017

Time: 9:00 A.M.

Place: Conference Room 329, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 985, Relating to Medical Marijuana

The Department of Taxation (Department) appreciates the intent of H.B. 985 and provides the following comments for your consideration.

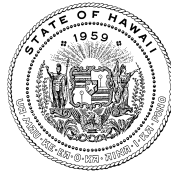
H.B. 985 requires that ten percent of revenues collected from medical marijuana dispensaries be deposited into the mental health and substance abuse special fund. The requirement would be effective July 1, 2017.

The Department has concerns about the calculation of the allocation required by H.B. 985. In general, all taxpayer information reported to the Department is confidential, including the amount of tax collected from a specific taxpayer. Because there are only eight licensed medical marijuana dispensaries at this time, even aggregated data provided by the Department may violate confidentiality.

To alleviate this concern, the Department recommends either allocating a specific dollar amount to the special fund or basing the calculation on Department of Health data collected directly from the dispensaries. This data, in the hands of the Department of Health, would not be subject to the same non-disclosure requirements as data held by the Department of Taxation because the information was not submitted to the Department of Health for tax purposes.

Thank you for the opportunity to provide comments.

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON HEALTH
ON
HOUSE BILL NO. 985

February 16, 2017
9:00 a.m.
Room 329

RELATING TO MEDICAL MARIJUANA

House Bill No. 985 specifies that 10 percent of tax revenues collected from medical marijuana dispensaries shall be allocated to the Mental Health and Substance Abuse Special Fund.

As a matter of general policy, the Department of Budget and Finance does not support the dedication of certain portions of general fund tax revenues to a specific purpose. We believe that the diversion of general fund revenues via carve-outs for specific purposes hinders the orderly prioritizing and funding of State goals and objectives that the budgeting process is designed to achieve. Moreover, special funds should have the capacity to be financially self-sustaining.

Thank you for your consideration of our comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Earmark medical marijuana revenue

BILL NUMBER: SB 325; HB 985 (Identical)

INTRODUCED BY: SB by KEITH-AGARAN, Dela Cruz, Green, Kidani; HB by Souki by request

EXECUTIVE SUMMARY: This bill earmarks 10% of unspecified taxes to be deposited in the mental health and substance abuse special fund. If the legislature deems this program area a priority, then a direct appropriation to the affected programs would increase transparency and accountability.

BRIEF SUMMARY: Adds a new section to HRS chapter 329D providing that of the tax revenues received from medical marijuana dispensaries, ten per cent shall be deposited into the mental health and substance abuse special fund (HRS §334-15).

EFFECTIVE DATE: July 1, 2017.

STAFF COMMENTS: First, there may be administrative difficulties because the earmark is not limited to tax type. Is the intent that the 10% apply to general excise, net income, payroll withholding, unemployment insurance, or all of the above? The affected departments (Taxation and Labor) should be given a chance to weigh in on whether they are able to comply with this kind of earmarking.

Next, as with any earmarking of revenues, the legislature will be preapproving each of the programs fed by the fund into which the tax monies are diverted, expenses from the funds largely avoid legislative scrutiny, and the effectiveness of the programs funded becomes harder to ascertain. It is also difficult to determine whether the fund has too little or too much revenue.

If the legislature deems the programs and purposes funded by this special fund to be a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues merely absolves elected officials from setting priorities. If the money were appropriated, lawmakers could then evaluate the real or actual needs of each program.

Digested 1/25/2017

LATE

PATIENTS WITHOUT TIME

TO: HAWAII STATE LEGISLATURE
TESTIMONY

Aloha Legislators,

LEGALIZE MARIJUANA NOW!

The marijuana prohibition is founded on prejudice and paranoia. The CDC reports that 90,000 Americans die from alcohol every year, while marijuana kills ZERO Americans. How can Hawaii justify celebrating the success of Hawaii's wineries and microbreweries, even allowing tourists to visit tasting rooms for alcohol products, while cannabis production centers are required to be concealed from the public view and kept under 24/7 video surveillance.

In 2000, Hawaii rejected the federal prohibition on marijuana by establishing medical marijuana laws. Since then, Hawaii has protected registered patients from prosecution (because marijuana is medicine), while sending other citizens to jail for "marijuana" crimes (because marijuana has no medical value). There exists a clear, facial contradiction between marijuana's classification as a schedule I drug and its allowable use by qualifying patients for medical conditions. Hawaii is practicing SELECTIVE PROSECUTION against marijuana consumers.

The only just solution is to legalize marijuana. Tax and regulate Hawaii's estimated billion-dollar-a-year recreational marijuana industry, and raise over 100 million dollars every year in revenue. Legalization of cannabis will also decrease expenses incurred in fighting the failed prohibition, clear court dockets, save families broken by incarceration, and create thousands of new legal jobs and business. WIN- WIN -WIN

Mahalo for your kind consideration,

PATIENTS WITHOUT TIME
Maui, HI Brian Murphy, Director

LATE

kobayashi2 - Jessi

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 15, 2017 10:16 PM
To: HLTtestimony
Cc: bmurphy420@mail.com
Subject: Submitted testimony for HB985 on Feb 16, 2017 09:00AM

HB985

Submitted on: 2/15/2017

Testimony for HLT on Feb 16, 2017 09:00AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Brian Murphy	Individual	Oppose	No

Comments: NO TAX on medicine!

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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kobayashi2 - Jessi

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 14, 2017 11:06 PM
To: HLTtestimony
Cc: jamesjtz@aol.com
Subject: *Submitted testimony for HB985 on Feb 16, 2017 09:00AM*

HB985

Submitted on: 2/14/2017

Testimony for HLT on Feb 16, 2017 09:00AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
James Gauer	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 15, 2017 9:48 PM
To: HLTtestimony
Cc: mary@mauivortex.com
Subject: Submitted testimony for HB985 on Feb 16, 2017 09:00AM

HB985

Submitted on: 2/15/2017

Testimony for HLT on Feb 16, 2017 09:00AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Mary Whispering Wind	Individual	Oppose	No

Comments: Aloha Lawmakers, I STRONGLY OPPOSE HB985, because seriously ill patients should not pay tax on medicine. Furthermore, I urge the Hawaii Legislature to resolve the long-standing conflicts in the marijuana laws by LEGALIZING marijuana. The Hawaii government sells licenses to commercial "medical" marijuana dispensaries, while also listing marijuana as a Schedule One substance, without medical value. Good citizens are arrested, and clog our courts and jails. The current laws are SELECTIVE PROSECUTION, and I plead for equal justice for all. Sixteen years ago, Hawaii rejected the Federal government's (corporate sponsored "reefer madness" inspired) marijuana prohibition when forward-thinking Hawaii lawmakers passed vanguard legislation, which recognized the medical value of marijuana. Hawaii's compassionate "aloha-spirited" lawmakers took the lead in the nation, to be the first legislators in America, to pass medical marijuana by legislative action. I challenge the current legislators to take inspiration from your predecessors and again pass vanguard legislation to create a uniquely Hawaiian adult use Cannabis industry. Marijuana is far less harmful than alcohol, so legalize it and create thousands of new legal jobs and businesses. Hawaiian marijuana branding is already established worldwide, tourists would flock to Hawaii, in anticipation of enjoying a Maui Wowie brownie at sunset on South Shore, or drinking a tall, cool, Cannabis cooler in Kula, or sipping an orchid decorated, Marijuana Mai Tai in Waikiki, etc... Legislators, I STRONGLY urge you to LEGALIZE marijuana this session, or as soon as possible.

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From: mailinglist@capitol.hawaii.gov
To: HLTtestimony
Cc: klynda61@gmail.com
Subject: *Submitted testimony for HB985 on Feb 16, 2017 09:00AM*
Date: Thursday, February 16, 2017 11:43:10 AM



HB985

Submitted on: 2/16/2017

Testimony for HLT on Feb 16, 2017 09:00AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Lynda Kelley	Individual	Support	No

Comments:

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