

SB325

Measure Title: RELATING TO MEDICAL MARIJUANA.

Report Title: Medical Marijuana Dispensaries; Tax Revenues; Mental Health

Description: Specifies that ten per cent of tax revenues collected from medical marijuana dispensaries shall be allocated to the mental health and substance abuse special fund.

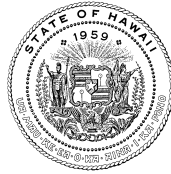
Companion:

Package: None

Current Referral: CPH, WAM

Introducer(s): KEITH-AGARAN, Dela Cruz, Green, Kidani

DAVID Y. IGE
GOVERNOR



WRITTEN ONLY

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**

P.O. BOX 150
HONOLULU, HAWAII 96810-0150

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

**TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION,
AND HEALTH
ON
SENATE BILL NO. 325**

February 1, 2017
9:00 a.m.

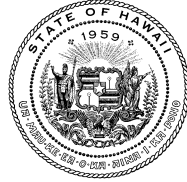
RELATING TO MEDICAL MARIJUANA

Senate Bill No. 325 specifies that 10% of tax revenues collected from medical marijuana dispensaries shall be allocated to the Mental Health and Substance Abuse Special Fund.

The Department of Budget and Finance, as a matter of general policy, does not support the diversion of general funds to any special fund. The Mental Health and Substance Abuse Special Fund should be self-sustaining through collections from certification programs and treatment services rendered by the Mental Health and Substance Abuse programs granted by the State.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Rosalyn Baker, Chair
and Members of the Senate Committee on Commerce, Consumer Protection, and Health

Date: Wednesday, February 1, 2017
Time: 9:00 A.M.
Place: Conference Room 229, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 325, Relating to Medical Marijuana

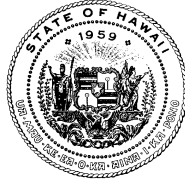
The Department of Taxation (Department) appreciates the intent of S.B. 325 and provides the following comments for your consideration.

S.B. 325 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 S.B. 325. 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.



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

**Testimony COMMENTING on SB325
RELATING TO MEDICAL MARIJUANA**

SENATOR ROSALYN H. BAKER, CHAIR
COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH

Hearing Date: Wednesday, February 1, 2017

Room Number: 229

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

2 **Department Testimony:** The Department of Health (DOH) offers comments on this bill
3 and defers to the Departments of Taxation and Budget and Finance for tax revenue and
4 general fund implications.

5 The purpose of this bill is to amend HRS §329D to specify that ten percent
6 of tax revenue collected from medical marijuana dispensaries shall be allocated to the
7 the Mental Health and Substance Abuse Special Fund (HRS §334-15). The DOH
8 respectfully asserts that deposits of funds other than from those specified in HRS §334-
9 15, are not appropriate.

10 The Mental Health and Substance Abuse Special Fund was established by the
11 legislature in 1991. The purpose and intent of the special fund is to deposit revenue
12 collected from treatment programs rendered by the mental health and substance abuse
13 programs operated by the State and to expend the revenues for operating expenses for
14 the treatment programs. In 1995, legislation was passed that also allowed revenue
15 collected from certification programs to be deposited into the special fund and to be
16 used for operating expenses for the respective programs. Since enactment of the
17 legislation, the DOH's Adult Mental Health (AMHD) and the Child and Adolescent
18 Mental Health (CAMHD) Divisions have used this special fund for the collection of

1 Medicaid revenues and have expended those revenues for operating expenses
2 statewide to serve adults and youth with severe mental illness.

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

5 **Offered Amendments:** None.

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

INTRODUCED BY: KEITH-AGARAN, Dela Cruz, Green, Kidani

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



SB 325 Medical Marijuana: Specifies that ten per cent of tax revenues collected from medical marijuana dispensaries shall be allocated to the mental health and substance abuse special fund.

SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION AND HEALTH:

- Senator Rosalyn Baker, Chair; Senator Clarence Nishihara, Vice Chair
- Wednesday, Feb. 1st, 2017: 9:00 a.m.
- Conference Room 229

HAWAII SUBSTANCE ABUSE COALITION (HSAC) Supports SB325.

GOOD MORNING CHAIR BAKER, VICE CHAIR NISHIHARA AND DISTINGUISHED COMMITTEE MEMBERS. My name is Alan Johnson. I am the current chair of the Hawaii Substance Abuse Coalition (HSAC), a statewide hui of over 30 non-profit alcohol and drug treatment and prevention agencies.

HSAC supports utilizing 10% of revenues for treatment and prevention:

PREVENTION

While Medical Marijuana can help many people, there is a need to specifically address prevention for the adolescent use of marijuana use because of the potential permanent loss of brain functions in developing youth when used heavily.

Marijuana affects brain development, and when it is used heavily by young people, its effects on thinking and memory may last a long time or even be permanent. While adults who abuse marijuana tend to recover lost brain functions, significant testing has indicated that young abusers do not.

- Adolescent abusers incur substantially reduced connectivity among brain areas responsible for learning, memory, attention and problem solving. And a large long-term study showed that people who began smoking marijuana heavily in their teens lost an average of 8 points in IQ between age 13 and age 38.
- Importantly, the lost cognitive abilities were not fully restored in adolescents who quit smoking marijuana. www.drugabuse.gov/publications/drugfacts/marijuana .
- While the side effects may be worth it to some youth, families need to know the risks involved to help them make an informed decision. Softening attitudes are problematic in this sense, because research demonstrates that youth lowers their perception of risk (whether one thinks a drug can have harmful effects), which can affect the degree of use, especially if they don't understand the risks.
- Universal prevention programs are valuable to help build strong families and provide youth with the skills to make good, healthy decisions. Prevention science in the field of substance abuse has made great progress in recent years, specifically communicating risk as well as protective factors.

TREATMENT: ADOLESCENTS AND ADULTS

HSAC recommends that significant resources be allocated to provide treatment for marijuana abuse and addiction.

While medical marijuana is considered medicine, it is still a narcotic drug that can lead to misuse and addiction. Opioid pain medication is considered medicine and yet there are concerns about the growing number of people whose misuse leads to addiction.

- Research suggests that about 9% of users become addicted to marijuana; this number increases among those who start young (to about 17 percent, or 1 in 6) and among people who use marijuana daily (to 25-50 percent), according to the National Institutes of Health. In Hawaii, over 51% of students that are in school-based or community treatment programs report that their primary problem is marijuana.
- The potency concentrations in marijuana have increased from 4% to about 15%. For frequent users, it means a greater risk for addiction if they are exposing themselves to high doses on a regular basis. Keep in mind that marijuana addiction is a condition in which a person can't stop using even though it interferes with many aspects of their life.
- Because marijuana addiction produces a withdrawal syndrome such as anxiety and drug craving, evidence-based marijuana treatment plays a vital role in any discussion of marijuana.
- For those people with more chronic conditions, people can access specialized treatment services (residential or outpatient), case management and follow-up support in the community. Specialized treatment utilizes evidenced-based treatment methods such as cognitive-behavioral therapy (CBT) and motivational approaches to produce rapid, internally motivated change. Effective treatment is available in Hawai'i but is underfunded with long wait lists.
- For those who have not progressed to full marijuana addiction, an initial drug screen by general primary care physicians or counselors can identify at-risk people. Brief interventions may be performed by physicians. This type of inexpensive care has not yet been developed in Hawaii so this funding could help develop such services.
- Although no medications are currently available for withdrawal, recent discoveries about the workings of the endocannabinoid system offer promise for the development of medications to ease withdrawal and block the intoxicating effects of marijuana, as well as help to prevent relapse. This funding can help implement new medications when they become available.
<http://www.drugabuse.gov/publications/research-reports/marijuana/marijuana-addictive>
- The estimated costs for not treating substance use disorders in the U.S. is estimated to be about \$442 billion per year. It's more expensive to not treat addiction than it is to adequately treat people with addiction. Facing Addiction in America: The Surgeon General's Report on Alcohol, Drugs and Health.
<https://addiction.surgeongeneral.gov/>

We appreciate the opportunity to provide testimony and are available for questions.

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, January 26, 2017 12:56 PM
To: CPH Testimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB325 on Feb 1, 2017 09:00AM*

SB325

Submitted on: 1/26/2017

Testimony for CPH on Feb 1, 2017 09:00AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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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