



STATE OF HAWAII
DEPARTMENT OF HEALTH
P. O. BOX 3378
HONOLULU, HI 96801-3378

In reply, please refer to:

December 26, 2019

The Honorable Ronald D. Kouchi,
President and Members of the Senate
Thirtieth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki, Speaker
and Members of the House of
Representatives
Thirtieth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Annual Report Medical Cannabis Dispensary Licensing System pursuant to Act 241 Session Laws of Hawaii, 2015.

In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at:

<https://health.hawaii.gov/opppd/department-of-health-reports-to-2020-legislature/>

Sincerely,

A handwritten signature in black ink that reads "Bruce S. Anderson".

Bruce S. Anderson, Ph.D.
Director of Health

Enclosures

**REPORT TO THE THIRTIETH LEGISLATURE
STATE OF HAWAII
2020**

**ANNUAL REPORT
MEDICAL CANNABIS DISPENSARY LICENSING SYSTEM**

Pursuant to Act 241, Session Laws of Hawaii, 2015,
Requesting the Department of Health to Submit an Annual Report on the Establishment
and Regulation of Medical Cannabis Production Centers and Dispensaries

**Prepared by:
DEPARTMENT OF HEALTH
STATE OF HAWAII**

January 2020

EXECUTIVE SUMMARY

Pursuant to Act 241, Session Laws of Hawaii, 2015, the Department of Health submits a report to the 2020 Legislature on the establishment and regulation of medical cannabis production centers and dispensaries that includes:

- (1) The number and location of production centers and dispensaries licensed;
- (2) The total licensing fees collected;
- (3) The total amount of taxes collected from production centers and dispensaries;
and
- (4) Any licensing violations determined by the department.

BACKGROUND

Act 241, Session Laws of Hawaii, 2015, codified as Chapter 329D, Hawaii Revised Statutes (HRS), established a regulated statewide dispensary system for medical cannabis to ensure safe and legal access to medical cannabis for qualifying patients. Section 329D-2, HRS, directed the Department of Health (DOH) to issue eight dispensary licenses statewide – three for the City and County of Honolulu, two each for the County of Hawaii and County of Maui, and one for the County of Kauai. Regulatory oversight of the licensees is the responsibility of the DOH Medical Cannabis Dispensary Licensing Section (MCDLS), Office of Medical Cannabis Control and Regulation.

Online applications for Medical Cannabis Dispensary Licenses were accepted from January 12, 2016 through January 29, 2016. A total of 66 applications were received. DOH announced selection of the eight dispensary licensees on April 29, 2016.

City and County of Honolulu

Aloha Green Holdings Inc.

Manoa Botanicals LLC

TCG Retro Market 1 LLC

County of Hawaii

Hawaiian Ethos LLC

Lau Ola LLC

County of Maui

Maui Wellness Group, LLC

Pono Life Sciences Maui LLC

County of Kauai

Green Aloha Ltd.

NUMBER AND LOCATION OF LICENSED FACILITIES

Each licensee is allowed up to two production centers for cultivation, manufacturing, and packaging of cannabis and manufactured cannabis products.¹ Each licensee is also allowed to establish up to two retail dispensing locations and DOH may authorize one additional retail dispensing location per licensee to serve qualified patients in a rural or underserved geographical area.^{2,3} Retail dispensing locations may not be co-located with production centers, and each production center may not hold more than five thousand cannabis plants.^{4,5} For security reasons, the location of production centers is not publicly disclosed.

The first production centers were given a notice to proceed to cultivation on February 1, 2017. The first dispensary was given a notice to proceed to retail on August 8, 2017. As of November 30, 2019, there are a total of 23 operational licensed medical cannabis facilities statewide; 11 production centers and 12 dispensaries (Table 1).

Table 1. Licensed Medical Cannabis Facilities in Operation November 30, 2019			
Licensee	Facilities	Address	Notice to Proceed
Aloha Green Holdings Inc.	Production Center #1	---	Feb. 1, 2017
	Dispensary #1	1314 S. King Street, Honolulu, HI 96814	Aug. 9, 2017
	Dispensary #2	2113 Kalakaua Avenue, Honolulu, HI 96815	Aug. 22, 2019
Manoa Botanicals LLC, dba Noa Botanicals	Production Center #1	---	Feb. 9, 2017
	Dispensary #1	1308 Young Street, Honolulu, HI 96814	Oct. 9, 2017
	Dispensary #2	46-028 Kawa Street, Kaneohe, HI 96744	Feb. 13, 2019
TCG Retro Market 1, LLC dba Cure Oahu	Production Center #1	---	Jun. 28, 2017
	Dispensary #1	727 Kapahulu Avenue, Honolulu, HI 96816	Mar. 17, 2018

¹ §329D-2(f), HRS.

² §329D-2(g), HRS.

³ §329D-2(l), HRS.

⁴ §329D-2(i), HRS.

⁵ §329D-2(k), HRS.

Hawaiian Ethos LLC	Production Center #1	---	Aug. 9, 2018
	Production Center #2	---	May 29, 2019
	Dispensary #1	73-5613 Olowalu Street, Suite 7, Kailua-Kona, HI 96740	Jun. 24, 2019
Lau Ola LLC, dba Big Island Grown	Production Center #1	---	Oct. 3, 2018
	Dispensary #1	750 Kanoelehua Avenue, Suite 104, Hilo, HI 96720	Jan. 14, 2019
	Dispensary #2	64-1040 Mamalahoa Highway, Waimea, HI 96743	Mar. 7, 2019
	Dispensary #3	74-5617 Pawai Place, Kailua-Kona, HI 96740	Jul. 26, 2019
Maui Wellness Group, LLC, dba Maui Grown Therapies	Production Center #1	---	Feb. 1, 2017
	Production Center #2	---	Oct. 2, 2019
	Dispensary #1	44 Paa Street, Kahului, HI 96732	Aug. 8, 2017
Pono Life Sciences Maui, LLC, dba Pono Life Maui	Production Center #1	---	Feb. 14, 2017
	Dispensary #1	415 Dairy Road, Kahului, HI 96732	Sept. 27, 2017
Green Aloha, Ltd.	Production Center #1	---	June 21, 2017
	Production Center #2	---	Oct. 21, 2019
	Dispensary #1	4-1565 Kuhio Highway, #3, Kapaa, HI 96746	May 18, 2018

LICENSING FEES COLLECTED

MCDLS collected an initial licensing fee of \$75,000 from each of the eight licensees in May 2016. An annual \$50,000 renewal fee was collected from each licensee in 2017, 2018, and 2019.

Year	Amount
2016	\$600,000
2017	\$400,000
2018	\$400,000
2019	\$400,000
Total to-date	\$1,800,000

TAXES COLLECTED

Excise Taxes

A 4% general excise tax is assessed on cannabis and manufactured cannabis products purchased at the licensed dispensaries by qualifying registered patients. Oahu has an additional 0.5% surcharge which brings Oahu's excise tax rate to 4.5%.

Year	Amount
2016	No licensee sales
2017	\$91,677
2018	\$531,812
2019	\$983,567
Total to-date	\$1,498,334

Income Taxes

The eight dispensary licensees are structured as either a limited liability company or an S corporation and therefore do not pay state or federal income taxes.

Licensing Violations

For the period from February 1, 2017 through November 30, 2019, a total of 94 licensing violations were determined by DOH. Eighty-five were violations of Chapter 11-850, Hawaii Administrative Rules and 7 were violations of Chapter 329D, Hawaii Revised Statutes (Table 4). Ninety-two of 94 (97%) violations were promptly corrected and the licensees remain in compliance. Two violations are pending corrective actions.

⁶ Source: DOH Medical Cannabis Dispensary Licensing Section, Office of Medical Cannabis Control and Regulation.

⁷ Source: BioTrack THC™ Electronic Seed-to-Sale Tracking System.

One is for submission of annual financial audits per HAR 11-850-39 and one is for compliance with county zoning ordinances per HRS 329D-22.

Table 4. All Licensing Violations February 2017 through November 2019)					
Section of Hawaii Administrative Rules or Hawaii Revised Statutes Violated	Frequency				Status
	2017	2018	2019*	Total*	
HAR 11-850-6 Number of production centers per license	0	0	1	1	Corrected
HAR 11-850-32 Production centers	0	3	0	3	Corrected
HAR 11-850-33 Retail dispensing locations	1	3	1	5	Corrected
HAR 11-850-36 Transport	0	1	3	4	Corrected
HAR 11-850-37 Inspections	2	0	0	2	Corrected
HAR 11-850-39 Audits	0	0	1	1	Pending
HAR 11-850-41 Record retention	0	2	0	2	Corrected
HAR 11-850-43 Disposal or destruction	0	6	4	10	Corrected
HAR 11-850-51 Required security in all dispensary facilities	1	3	24	28	Corrected
HAR 11-850-52 Required security in production centers	1	4	4	9	Corrected
HAR 11-850-61 Tracking requirements	3	9	5	17	Corrected
HAR 11-850-75 Quality control, health, safety, and sanitation standards	0	1	0	1	Corrected
HAR 11-850-92 Packaging and labeling for retail sale	0	3	0	3	Corrected
HAR 11-850-93 Advertising and displays prohibited	0	0	1	1	Corrected
HRS 329D-10 Types of manufactured products	0	1	5	6	Corrected

HRS 329D-22 Medical cannabis zoning	0	1	0	1	Pending
Total to-date	8	37	32	94	

Conclusions and Recommendations

The number of facilities requiring DOH regulatory oversight more than doubled during the period from 2017 to 2019. Since each licensee can be authorized up to two production centers and three dispensaries, the number of facilities can eventually double again. Because the two existing surveyor positions are already fully engaged in providing ongoing inspection and monitoring of the current facilities, it is recommended that at least one additional surveyor position be established to ensure maintenance of the current level of oversight.

Violations of section 11-850-51, HAR, “Required security in all dispensary facilities,” and section 11-850-61, HAR, “Tracking requirements,” were the most commonly identified violations (28% and 18%, respectively). Most of the violations of section 11-850-51, HAR, were for failure to maintain 24-hour continuous video monitoring as a result of power or equipment failure and maintenance or repair of equipment. Other reasons included failure to provide timely notice to DOH of failed video monitoring and the positioning of cameras to ensure comprehensive surveillance of facilities. Most of the violations of section 11-850-61, HAR, were for untagged plant material and products and inventory errors. MCDLP continues to work with the licensees to ensure that they understand the requirements for remaining compliant with Chapter 11-850, HAR, and Chapter 329D, HRS, and repercussions for failure.

Maintaining statutory authority for unannounced inspections of dispensary facilities is essential to the intent of Act 241 (SLH 2015) of ensuring safe and legal access to medical cannabis for qualifying patients.