

STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

NADINE Y. ANDO
DIRECTOR | KA LUNA HO'OKELE

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA
SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

DEAN I HAZAMA
DEPUTY DIRECTOR | KA HOPE LUNA HO'OKELE

KA 'OIHANA PILI KĀLEPA
335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: (808) 586-2850
Fax Number: (808) 586-2856
cca.hawaii.gov

Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Finance
Thursday, February 23, 2023
1:30 p.m.
Via Videoconference**

**On the following measure:
H.B. 1082, H.D. 2 RELATING TO MEDICAL CANNABIS**

Chair Yamashita and Members of the Committee:

My name is Iris Ikeda, and I am the Commissioner of Financial Institutions for the Department of Commerce and Consumer Affairs' (Department), Division of Financial Institutions (DFI). The Department offers comments on this bill.

The purpose of this bill is to make various amendments to Chapter 329D and establishes reporting requirements and information sharing systems with the department of taxation and financial institutions and DBEDT.

The DFI defers to the Department of Health (DOH) on this matter as Chapter 329D, Hawaii Revised Statutes (HRS), is under the purview of DOH's oversight. DFI limits its comments to page 6 relating to the financial data banks and other financial institutions may access of individuals and businesses.

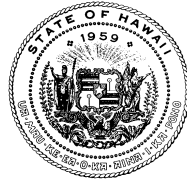
The conflict between state and federal law related to cannabis use is causing public safety, business taxable income and anti-money laundering concerns. State-compliant cannabis companies are largely cash-and-carry operations which heighten

the need for safeguards for the state-compliant activities and sales associated with this business. Barriers for financial institutions to provide banking services to cannabis and ancillary businesses creates a commercial risk from the lack of robust and comprehensive regulation and supervision and a diminished ability to identify operators acting to circumvent federal and state licensing and regulatory frameworks. This raises concerns with respect to tracking the flow of funds, issues of public safety because of cash volume, and a loss of economic activity, workforce development and community development opportunities.

To date, there are no banking services available for medical cannabis dispensaries in Hawaii. The availability of financial data of individuals and business entities may be useful to banks and other financial institutions if banking services were available in Hawaii.

The banks and other financial institutions are subject to federal laws that require the gathering of information on account holders who receive banking services to prevent, detect, and prosecute international money laundering and finance of terrorism. In this case, because marijuana is still classified as a controlled substance on the Federal Controlled Substances Act, it is also subject to the Bank Secrecy and Anti-Money Laundering Acts for money laundering. Consequently, Hawaii's banks and financial institutions are less likely to offer banking services knowing they will violate several federal laws.

Thank you for the opportunity to provide comments on this bill.



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

**Testimony COMMENTING on HB1082 HD2
RELATING TO CANNABIS**

REP KYLE T. YAMASHITA, CHAIR
HOUSE COMMITTEE ON FINANCE

Hearing Date: Thurs. Feb. 23, 2023

Room Number: 308

1 **Fiscal Implications:** N/A.

2 **Department Testimony:** The Department of Health (DOH) supports the original language of
3 H.B. 1082. Addition of a definition for “waiting room” will better serve the needs of qualifying
4 patients by allowing caregivers to assist patients into retail dispensary locations. Removing the
5 requirement that rules for dispensary-to-dispensary sales be adopted pursuant to chapter 91 will
6 allow OMCCR to maintain interim rule-making authority, which remains critical for timely
7 response to public health and safety concerns. Clarifying that each day of a violation of chapter
8 329D, HRS, or chapter 11-850, HAR, is a separate violation will better protect patient and public
9 safety by facilitating enforcement of dispensary compliance. Together, these amendments will
10 enhance the efficiency of DOH in regulating the licensed dispensaries while improving patient
11 and public safety.

12 DOH supports the amendments in Section 3 to increase the number of signs that may be posted
13 at a retail dispensary and removal of the requirement for rulemaking by chapter 91 process for
14 dispensary-to-dispensary sales. The additional sign will assist patients in locating retail
15 dispensaries and allowing DOH to maintain interim rulemaking authority protects patient safety
16 by supporting timely rule changes to address emergent public health concerns.

17 While DOH maintains its strong stance against smoking tobacco and other plant materials, a goal
18 of the medical cannabis dispensary system is to ensure patient access to regulated tested

1 products. Therefore, DOH appreciates the language in Section 5 authorizing DOH to determine
2 specifications for pre-rolled cannabis products, to allow DOH to ensure that these products are
3 manufactured in the safest manner possible.

4 DOH supports the amendments in Sections 7 and 8 to allow certain construction and
5 maintenance personnel to enter areas of retail dispensing locations and production center
6 facilities not containing any cannabis or manufactured cannabis products to not be accompanied
7 on a full-time basis, but reasonably monitored by an individual licensee or registered employee
8 of the dispensary. DOH also supports the entry by a person not on the department-approved list
9 in an emergency situation to repair production center infrastructure, provided that DOH is
10 notified immediately and the repair worker is escorted at all times.

11 DOH also supports the annual dispensary licensing report in Section 10, the health education
12 program requirements in Section 11, and the medical use of cannabis annual report in Section 13.
13 However, DOH offers amended language to not require the sharing of the physical location of
14 dispensary production centers for reason of facility and personnel security and safety.

15 DOH has concerns regarding the following amendments remaining in version HD2.

16 First, the amendment in Section 3 will require the department to acquire a new computer
17 software tracking system as the system currently employed by DOH since 2016 does not have
18 the capabilities specified. Should the legislature maintain this amendment, DOH will be required
19 to acquire another system at substantial cost.

20 Second, DOH opposes the amendments in Section 4 revising the fee structure and requiring the
21 fee structure to be set by rules adopted pursuant to chapter 91. The current fee structure was just
22 implemented by the 2022 Legislature and DOH is concerned that the proposed fee structure will
23 be inadequate to maintain existing personnel and operational costs of licensing, inspecting, and
24 regulating the dispensary industry. DOH objects to the rulemaking by chapter 91 process because
25 this will result in loss of the current interim rulemaking authority which is necessary to timely

1 and efficiently respond to this still evolving industry to support patient safety. DOH offers
2 amended language to address its concerns.

3 Thank you for the opportunity to testify.

4 **Offered Amendments:**

5 DOH respectfully requests the following:

- 6 • Amend Section 4, page 11, line 17 through page 13, line 6 to read:

7 “ **§329D-7 Medical cannabis dispensary rules.** The department shall establish
8 standards with respect to:

9 (1) The number of medical cannabis dispensaries that shall be permitted to operate in the
10 State;

11 (2) A fee structure prescribed by rules adopted pursuant to section 329D-27, provided
12 that the department conducts at least one public hearing to receive comments, for:

13 (A) The submission of applications and renewals of licenses to dispensaries;
14 provided that the department shall consider the market conditions in each county in
15 determining the license renewal fee amounts;

16 (B) The submission of applications and renewals for each additional retail
17 dispensing location or production center or a production center’s additional plant count or
18 addition of a manufacturing operation; and

19 (C) Dispensary-to-dispensary sales authorized by section 329D-6(r);”

20

- 21 • Amend Section 11, page 32, lines 9-10 to read:

22 “(2) The number and publicly-available location of production centers and dispensaries

23 licensed;”

24

Committee on Finance
Rep. Kyle T. Yamashita, Chair
Rep. Lisa Kitagawa, Vice Chair

February 23, 2023
1:30 p.m.
Conference Room 308

Thank you for the opportunity to submit testimony in support of HB1082_HD2

HB1082 was amended in the House to include the language of HB696, a bill that provided for more transparency in the medical marijuana program by reporting on the data collected by the state tracking system and requiring certain integrations and use.

Transparency and accurate data collection is key to a successful and safe cannabis tracking system. To accomplish this in a more robust way, HB1082_HD1 makes changes to the current reporting and access structure in the following ways.

Giving the department of taxation access to the data assists in tax collections and serves the state well when performing routine audits. Data from the system can confirm sales tax, excise tax, and assist in routine business audits.

Allowing banks and other financial institutions certain access helps promote banking for industry members. Banks must follow federal Financial Crimes Enforcement Network (FinCEN) guidelines and must be able to verify that customer transactions are transparent, properly recorded, and conducted exclusively by licensed players in the regulated market. Self-reporting is an option but may not be a viable solution for larger institutions. This access has encouraged more banking options for the cannabis industry in other states.

Requiring the state tracking system to provide integration for other enterprise software systems allows businesses to use other third-party systems of their choice, whether a point-of-sale system or another inventory system. If the system of choice integrates with the centralized state tracking system, the Department of Health, Office of Medical Cannabis Control and Regulation, will have the information they need.

Finally, Metrc believes the reporting required in HB1082_HD1 is important information for policy makers to have and that transparency in the marketplace is always a good thing. The current reporting done by the Department focuses on patient registry data. While it is important to understand the demand for medical cannabis products, it is also important to understand the supply and any trends related to public health. Having this insight into the supply chain could help prioritize policy decisions, especially as the program grows or adult use of cannabis is allowed.

The state tracking system can be an integral part of providing this information. The information is already being collected, why not report on it and use it for policy making decisions.

About Metrc

Metrc the leading and most experienced track and trace technology solution used in the US. Metrc designed the first track and trace system in close collaboration with regulators in Colorado in 2011 and now provides this critical component of cannabis regulatory systems to 23 jurisdictions (21 states, DC and Guam) throughout the country. Track and trace systems are critical to providing and promoting safe, transparent, and secure marketplaces in the cannabis space.



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 22, 2023

TO: Representative Kyle Yamashita
Chair, Committee on Finance

FROM: Mihoko Ito

RE: **H.B. 1082, H.D. 2, Relating to Medical Cannabis**
Hearing Date: Thursday, February 23, 2023 at 1:30 p.m.
Conference Room: 308

Dear Chair Yamashita, Vice Chair Kitagawa, and members of the Committee on Finance:

We submit this testimony on behalf of Cure Oahu in **support** of H.B. 1082, H.D. 2, Relating to Medical Cannabis. Cure Oahu is a vertically integrated licensed dispensary that has been operating in the State of Hawaii since 2018, with two retail locations in the Kapahulu and Kapolei areas.

We support key provisions in this bill to update the medical cannabis dispensary program by: 1) amending the licensing fee structure, 2) clarifying signage requirements, 3) addressing manufactured cannabis product packaging, 4) clarifying escort and background check requirements 5) establishing annual reporting requirements to increase public transparency regarding the medical cannabis registry program, and 6) making other housekeeping amendments.

We believe that this bill will assist the medical cannabis dispensaries overall with streamlining operations and resources and simply remaining operational. The medical cannabis market has, like many other industries, been subject to the recent impacts of inflation and labor shortage issues, both within business operations and with its vendors. We would like to highlight for the Committee the benefits of a few of the proposed changes below.

- **Dispensary fee structure:** Among other things, this measure makes important changes to the dispensary fee structure, which dispensaries must pay to operate in the state. In November 2022, the medical cannabis dispensary program dramatically changed the fee structure through an emergency rulemaking process, without any opportunity for stakeholder input. This change in turn significantly impacted the fiscal outlook of the dispensaries and resulted in sudden overall fee increases ranging from 200-400%. While we understand the need for increasing regulatory resources and support a way to achieve that with predictable fees that can be budgeted for, we believe it is important for stakeholder to have a voice on fee increases due to the dramatic impact it has on operations. This measure codifies reasonable fees that are higher than the dispensary fees set in the original 2015 law, and also allows for reasonable increases which will provide stability in the market.

First Hawaiian Center
999 Bishop Street, Suite 1400
Honolulu, HI 96813

T 808-539-0400
mito@awlaw.com
mtsujimura@awlaw.com

- **Pre-rolled cannabis product:** We also support the allowance for the sale of pre-rolled cannabis flower products. The majority of dispensaries sales today are the flower form of the product, which is typically smoked in some form. Pre-rolls eliminate the need for patients to purchase and invest in cannabis accessories such as rolling paper, grinders, bowls, pipes and other paraphernalia. It also helps new patients who purchase and use flower but are unfamiliar with how to roll the product and help them avoid wasting medicine as they learn to roll themselves. Pre-rolls are sold in many other states across the country, and we believe there is merit to adding them to the product mix for medical cannabis patients.
- **Agency Reporting:** We support the provisions in this measure that add reporting requirements for the medical cannabis dispensary program under Chapter 329D and the individual medical use of medical cannabis under HRS Chapter 329. This will help the Legislature and other stakeholders understand the overall focus of the regulatory agencies in their oversight of the medical cannabis program. For the dispensaries, understanding the priorities of the regulatory agencies involved will help them align expectations and allocate resources accordingly.

We also note that we support the original provisions of H.B. 1082, which were proposed by the administration to clarify violations of chapter 329D, amend the rule-making authority for dispensary-to-dispensary sales and define “waiting room” within a medical cannabis retail dispensary to allow primary caregivers, qualifying out-of-state patients, and caregivers of a qualifying out-of-state patients to access dispensary waiting rooms. These provisions will allow the department to expedite the wholesale rules, which is important to not further delay implementation of the law and ensure continued access to cannabis for medical use. They will also make dispensary visits more convenient and comfortable and recognize the significant role caregivers play in assisting patients with managing their well-being.

We respectfully request that the Committee move this measure to allow for discussions to continue on these issues. Thank you for the opportunity to submit testimony in support of this measure.



Akamai Cannabis Consulting

3615 Harding Ave, Suite 304
Honolulu, HI 96816

TESTIMONY ON HOUSE BILL 1082 HOUSE DRAFT 2
RELATING TO MEDICAL CANNABIS

By
Clifton Otto, MD

House Committee on Finance
Representative Kyle T. Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair

Thursday, February 23, 2023; 1:30 PM
State Capitol, Room 308 & Videoconference

COMPARISON OF INHALATION METHODS



VAPORIZING FLOWER



VAPORIZING OIL



SMOKING

PROVIDE PUBLIC EDUCATION ON BEST INHALATION PRACTICES

§321-30.1 Medical cannabis registry and regulation special fund;
established.

(a) There is established within the state treasury the medical cannabis registry and regulation special fund. The fund shall be expended at the discretion of the director of health:

- (5) To fund public education as required by section [329D-26](#);
- (6) To fund substance abuse prevention and education programs;

ALLOW DISPENSARIES TO SELL HERBAL VAPORIZERS

§329D-10 Types of manufactured cannabis products.

(e) Dispensaries shall be allowed to sell third-party commercially available herbal vaporizers that allow for the use of ground cannabis flower; provided that such devices shall have a means of controlling temperature to prevent combustion.

Aloha.

HB-1082-HD-2

Submitted on: 2/23/2023 1:11:44 PM

Testimony for FIN on 2/23/2023 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Minister, Hector Hoyos (aka) SisterFace	Individual	Support	Written Testimony Only

Comments:

I support this Bill & any bill that makes our Medical Marijuana system work more smoothly & faster