



August 29, 2022

Aloha Members of the Dual Use Cannabis Taskforce:

I would like to start by commending the members of the Tax, Market Structure, and Medical Use workgroups for your time and consideration, particularly the working group chairs. These recommendations speak to the diligence and thoughtfulness that you have put into your roles as members of this taskforce. So may I be the first, and hopefully not the last, to thank you for examining these complicated cannabis policy topics and navigating them as public service volunteers with the level of detail expected of policy professionals.

With regards to the recommendations, broadly, MPP supports nearly all the recommendations put forth by the workgroups. However, we wanted to highlight areas of support or suggest minor revisions. Our comments are as follows:

I. Report on the investigation findings of the Tax Working Group

Recommendation I: We support this recommendation but would suggest a minor amendment to the last sentence. “The legal and regulatory framework should promote the development of a mature well-functioning market that can effectively compete in the intra and interstate market”. We agree with and advise lawmakers to heed the suggestion of the Tax Department in their discussion of the over regulation of the current cannabis market in Hawaii. The status quo is simply unsustainable for businesses to be viable intra and interstate. However, the regulatory framework should not be set up with the intent of only eliminating the grey market, the regulatory framework should be crafted to take into consideration the current scope of the cannabis industry nationally, positioning the state to be competitor in the state, domestic, and international markets. Currently, there are 19 adult use cannabis states and 37 medical cannabis states. Additionally, the Marijuana Opportunity & Record Expungement (MORE) Act which removes cannabis from the list of controlled substances has passed the current US House of Representatives twice. Earlier this summer, Sen. Chuck Schumer formally introduced the Cannabis Administration & Opportunity (CAO) act which would also remove cannabis from the list of controlled substances is expected to receive a hearing this fall. The CAO is historic in that it would mark the first time that a cannabis legalization bill will be heard in the US Senate in 50 years. Indeed, federal legalization is on the horizon and Hawaii must create a regulatory framework that helps develop this industry intra, and interstate, and eventually internationally.



Recommendation II: We applaud the recommendation of an initial 9.5% total effective tax rate. High cannabis taxes have proven detrimental to the goal of eliminating the grey market. Additionally, if enacted, a 9.5% initial tax rate would be among the lowest initial cannabis tax rates in the nation¹ which would serve to the benefit of businesses, patients, and consumers.

Recommendation III: We strongly support the recommendation that medical patients not being subject to cannabis excise tax. Low or no taxes for cannabis patients promotes affordability for medical patients and preserves medical access.

Recommendation IV: We support the recommendations that limits on the number of licenses issued to producers and manufactures be kept to minimum. Limited licensing serves to the benefit of the existing operators and prevents real market competition causing prices to remain inflated. We also support the recommendation that the cannabis regulator have discretion over the number of licenses issued, allowing it to respond to market developments. A nimble regulatory structure will best allow Hawaii to adapt to market changes and demands.

II. Report on the investigation findings of the Market Structure Working Group

We strongly support the recommendations of both the Tax and Market Structure working groups that a single independent regulatory body be created to manage all state cannabis efforts including medical, adult-use and hemp-derived products. We also strongly support the recommended license types included in the report, particularly the delivery and on-site consumption license. We also support the recommendation that there should be a numerical limit on how many licenses of a particular type that a licensee might acquire to prevent monopolization of the market.

III. Report on the investigation findings of the Medical Use Working Group

We support the recommendations of the medical use working group, particularly the recommendation that medical dispensaries be authorized to provide delivery services and curbside pick-up and the recommendation to eliminate the list of qualifying conditions as a requisite for registration in the medical cannabis registry and allow qualifying physicians and/or APRNs to determine if cannabis is suitable treatment.

We also strongly support the patient protection recommendations regarding employment. Even though large numbers of Hawaii residents are federal employees, there are thousands of private employees that also use medical cannabis and

¹ " Cannabis Tax Revenue in States that Regulate Cannabis for Adult Use" Updated April 5, 2022.
<https://www.mpp.org/issues/legalization/cannabis-tax-revenue-states-regulate-cannabis-adult-use/>



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continue to face medical discrimination. This recommendation would reduce discrimination and stigmatization of medical cannabis patients. We would also caution that the issue of medical cannabis patients and gun permits is now being litigated in federal court in Florida's northern district by Florida agriculture commissioner Nikki Fried against the Department of Justice and Alcohol, Tobacco, and Firearms Division.²

Thank you for the opportunity to provide feedback on these recommendations. I'm happy to answer any questions you may.

Sincerely,
DeVaughn L. Ward, Esq.
Senior Legislative Counsel
Marijuana Policy Project

² See *Fried v. Garland*, 4:22-cv-00164-AW-MAF, US District Court Northern Florida (2022)



August 28, 2022

ATTN: Dual Use Cannabis Task Force

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Dear Honorable Members of the Dual Use of Cannabis Tax Force,

A heartfelt thank you to this Task Force and all of the Working Groups for the diligent and painstaking process of exploring Cannabis legalization in such a meaningful and robust way. I know how much this is to take on. It can be difficult to pin down solutions, but sharing and understanding perspective is where it all starts. Public safety is as important as undoing the harms done by the decades-long drug war. While functional regulatory frameworks are as important as social, environmental, and economic reform and stability.

I would like to express immense gratitude for the opportunity to provide testimony to you today. I look forward to meeting everyone virtually on Monday, August 29th. Please consider the following testimony as you explore the framework of Adult-Use or Dual-Use Cannabis legalization in Hawaii. In the following testimony, I will aim to summarize concerns and considerations loosely regarding the agenda items for the upcoming Dual Use Cannabis Task Force meeting. Although, I will also attempt to provide meaningful and well-founded insight into Cannabis legalization attempts and associated frameworks from a breadth of experience in the Cannabis sector, spanning over 20yrs. The last 5 or so have been hyper-focused on Cannabis Policy, Advocacy, Community Organizing, and Cannabis & Hemp Economics. Largely these efforts have been attempting to right the wrongs of California's Prop 64, but my work and understanding of Cannabis span both nationally and globally.

I am playing a little catch-up on Cannabis policy here in Hawaii, as I recently moved to the Big Island, please forgive my tardiness to this important process. I feel passionate that the State of Hawaii can get this right, by fulfilling its kuleana to the kaiāulu and to the Āina.

I will briefly introduce myself and list some of the experiences and qualifications that I have here under Personal Introduction. These commitments and accomplishments along with a deep passion for Hawaiian culture and this magnificent land have brought me to speak on the matter of Cannabis Legalization in Hawaii today.

There have been many developments globally centered around plant medicine, and mostly the Cannabis Sative L. plant, over the past few years. State by state attempts to effectively legalize and decriminalize Cannabis. I can say that growing up in the hills of Mendocino County, with generational legacy farmers, It almost seemed that this day would never come.

The Hawaiian Islands are world-renowned legacy Cannabis producing regions. With unique appellations and terroir-rich heritage. Meaningful Cannabis & Hemp policy in the State of Hawaii can really set the bar for Social, Environmental, and Economic Justice.

In full disclosure, I am currently fulfilling an independent contract with Big Island Grown (Lau Ola LLC) as well. I am grateful to be consulting with this team on forming meaningful Cannabis policy, civic engagement, community outreach, and other advocacy efforts. I find this team's values are aligned with my own and I am honored they have encouraged me to present today on my own accord, speaking from my personal opinion to share my experience and perspective. This being the case, you may see some overlap in testimony. Specifically on the agenda items being heard at the upcoming meeting.

Please find testimony on pages below.

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Testimony for the Dual Use Cannabis Task Force of Hawaii - Concerning the August 29th, 2022 Meeting

Testimony Line Items are as follows:

1. Observations and Encouragements
2. Tax Recommendations
3. Market Structure Recommendations
4. Medical Recommendations
5. Personal Introduction
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Observations and Encouragements:

Many states have legalized Cannabis for Medical and Adult-Use. Most of the markets that have emerged have overtaxed and over-regulated their Cannabis supply chain. I have seen one after another take an avoidant stance with industry stakeholders and patients, due largely to pre-existing stigmas and implicit biases.

Legalization is most often seeking to bolster tax revenues. This seems to be the primary motivator of legalization for most states. However, it has become very apparent that what we call the “Green Rush” mentality has actually spilled over into policy and regulation. This has been the biggest hindrance to functional regulation in most of these states.

These approaches have driven the existing market further underground in most instances instead of encouraging participation in the regulated supply chain. It can also make the purchasing of medicine unattainable for low SES demographics. Often those most marginalized communities, many harmed by the war on drugs. Not to mention the very patients that medical legalization aims to serve.

I very adamantly encourage a slow-rolled approach to legalization in the State of Hawaii. Legalization needs to have the type of thorough and meaningful engagement with legacy Cannabis representatives, that I see maturing nicely overall here in Hawaii. This is the only way to ensure the transition of unregulated and untested supply chains.

Both medical and gray markets need to be considered at every turn in order to bring them into a compliant and regulated framework.

Recognizing the most marginalized communities and those most affected by the drug war is paramount to building trust in the Cannabis ecosystem. Environmental Justice, Social justice, and honorable transparent policy are what will assure a functional Cannabis landscape and a revered framework on a national scale.

Encouraging outside-of-the-box thinking, creative frameworks, and circular economic feedback loops are important for a new emerging sector as “green” as Cannabis. With the amount of attention that the sectors of Cannabis & Hemp are getting, we are in a unique position to allow these “industries” to feed economic cycles, nonprofits, grants

Tax Recommendations:

I recommend keeping an eye on the federal regulations, as the potential for mounting taxes of 20% or higher range can result in the decimation of the regulated supply chain infrastructure. We believe that there will need to be ongoing assessment and iterative processes. Ideally, this will include definitive goals and timelines of course.

Recommendations:

- Establishing a meaningful tax structure will be done through meaningful engagement between regulators and stakeholders. A lack of meaningful engagement is where many states have fallen short and suffered the consequences of a competitive illicit market.
- Any increase beyond 15% should be subject to well-substantiated documentation through data-driven review.
- *I am not sure why states think that the tax rate should be raised significantly if the number of taxable businesses is increasing. The expansion alone would inherently bring in more tax revenues. Beware of the green \$ in the eyes. Once you have this proposed 20% tax with a potential Federal Tax added, you are looking at a potential 45% in taxes levied against Cannabis.*
- I believe there may be other models to explore here. We are assessing a couple of potential models that check a lot of boxes for everyone. We will update you on that as soon as we have a more definitive outline.

- **Recommend that the Task Force seeks additional testimony on Licence types and expansion.**
 - The Market Structure PIG input suggests more license types than this PIG does. It is important to move in unison and with clarity here.
 - This section directly opposes some of the expanded license recommendations put forth by the Market Structure PIG.
 - Again, it is important to align on purpose and intention.
 - Overall, license expansion of "production" is most viable to start with, as these are the vast number of current operators that can be immediately brought into the regulated fold. Sustaining supply and diverting gray market competition at the same time.
- It is evident looking at other states that this is the most common and sensible strategy. While we would love to see Cannabis treated like any other industry. That is just simply not a reality currently. The learning curve around regulation is steep at best and most states that have attempted to house it in an existing body have failed to keep it there and have spent so much time and energy starting over. This hurt their industry growth and the already overburdened agency that tried to take it under its purview.
- There may be a potential to create a sub-agency within an existing department such as DOH, as mentioned in the broader findings and recommendations of this report. Yet again, it is recommended for the ultimate decision to be a process that is inclusive of both stakeholders and regulators.

Market Structure Recommendations:

- **PARITY IN TREATMENT** - While this sounds great in theory, Cannabis is already not treated in parity from a banking and regulatory standpoint as it stands. Can Hawaii's independent banking or a local credit union change that? Perhaps, but these things take time.
 - Although it would be wonderful in many aspects, it completely contradicts other recommendations by Task Force Working Groups and is not necessarily compatible with other limitations placed on Cannabis due to federal prohibition.
- **Recommend that the Dual Use Cannabis Task Force find clarity** - between "no limit" on licenses and the "limited" license sentiment from other PIG
- **Recommend to lower personal plant count** or in some way curb the potential of illicit activity that may come with higher personal plant counts. I am an avid supporter of Home Growing and believe that access to personally cultivated plant medicines is a Human Right. However, I can say from personal experience that 6 is plenty for personal use and 12 is the average plant count for Home Grows. 20 plants that can be grown in cycles and sizes capable today can produce a lot of Cannabis. An abundance of unregulated products may result in further market diversion. Also, I recommend exploring the definition of plant count by plant maturity (veg/bloom) to allow breeding and genetic diversification to prosper amongst some of the longest-established legacy home growers.

- **Recommendation 4** - "To avoid other states' unique challenges in the oversupply and undersupply of cannabis, the regulatory body should be given authority to manage license fees and other license requirements to manage the general number of cultivation/retail licenses in the market."
 - **SUPPORT**
- **Recommendation 5** - "The State should establish geographic indicators, appellations, or other forms of intellectual property or branding protection, similar to the Department of Agriculture's "Seals of Quality" program and potentially in partnership with the Hawaii Tourism Authority, to protect and promote Hawaii's unique genetics and world-renown brand."
 - **SUPPORT**
- **Recommendation 6** - "Similar to other states, there should be an independent regulatory body that consists of a smaller oversight board supported by a larger advisory board yielding the powers and duties to regulate and control the adult-use and medical cannabis licensing and registration programs."
 - **SUPPORT**
- **CONCERN** - While I am an avid supporter of direct sales and much of my advocacy and policy work in states like California and even nationally consists of a focus on Direct to Consumer (DTC) sales. In California, these lobbying efforts have been because these small farmers have been knocked around for 5yrs by big business posturing for market capture and operating at a loss to do so.
 - The importance of DTC is important for any small farming business today.
 - This will be incredibly important once national legalization opens up as well.
 - However, specific to Cannabis, out-of-the-gate DTC sales could create a regulatory nightmare while attempting to establish a regulatory framework and monitor all the existing parts of the supply chain. I fear it will leave regulators with their hands full attempting to mitigate public safety concerns of everyone going DTC at once.
 - I think there are alternative models that can benefit everyone in the interal to full DTC sales. These solutions can be explored in the first year or two of legalization. Such as farmer's markets where licensed retailers fulfill the compliant POS requirements for farmers and still allow farmers to build direct-to-consumer relations, brand recognition, and the like as the market prepares for expansion.
- **Cooperative size and direct sales out of the gate**
 - This is an item that is concerning for various reasons. While I fully respect and advocate daily for a diversified market landscape, and come from Mendocino County where caregiving and cooperatives were my life for a long time, it is important to mitigate risk and regulatory burdens as well. Welcoming healthy competition is one thing but a free for all is another thing altogether. Too many moving parts to manage requires constant correction and a significant administrative lift when it comes to the regulation of a new, yet existing, supply chain.

- I am working with the team at BIG to assess some models that we think will benefit all concerned groups.
- I recommend a "slow rolled" approach to any and all expansion. Consumer sales are already modeled and relatively easy to implement as they have been established by the existing medical supply chain with rigorous compliance already in place. This is the easiest and safest place to start Adult-Use sales in my opinion. However, any cultivator should be able to sell their product to a retailer to fulfill the testing and sale of the product through controlled environments.
 - A slow-rolled approach with review by the Task Force, and any established advisory boards, on an annual, bi-annual, or quarterly basis - gives regulators a runway to establish best practices
 - It allows the market to begin the intake of products on day 1 of legalization with very little regulatory burden out of the gate.
 - It encourages immediate participation in the regulated supply chain while keeping the market accountable to testing requirements and eliminating the risk of mismanagement or market diversion
- I firmly believe the market should be expanded by license types, cooperative models, direct-to-consumer sales, farm tourism, patient access, and more. It is just a matter of time and the ability to operate/regulate these expansions in a safe and meaningful way. It should also be focused on local ownership as long as possible and help local equity operators survive while keeping large MSOs at bay.

Medical Use Recommendations:

- **I LOVE THIS-** Background from Medical Use Working Group Document:
 - "Medical - The drafters of the 2000 bill legalizing the medical use of cannabis in Hawai'i, envisioned a day when the islands could be the epicenter of cannabis research and education. We recommend the State return to this leadership role as legalization of cannabis is gaining momentum nationally and globally. The Hawai'i Department of Health's Office of Cannabis Regulation & Control deserves the resources to develop a current, evidence-based public health education program for medical cannabis patients, medical providers, dispensary staff, employers, public safety officials, and the wider public. Should the state legislature decide to legalize adult use as well, a supplementary education program will be needed. We believe that quality education is the key to safe cannabis use."

I would really love to see some significant exploration by the state of Hawaii to utilize resources such as grant funds, nonprofit partnerships, research, and education to expand the impact of Cannabis legalization in Hawaii. Exploration of these opportunities could lead to an increase in the patient's access to low-cost medicine, provide economic

regeneration and advance the studies of social and environmental impacts of both farming and plant medicines. I firmly believe that Hawaii can become a leader in these efforts, which I have not seen one other state take a lead in.

- **I support the idea of safe access for patients such as delivery and curbside pickup.**
 - However, I recommend the allowance of licensed 3rd part delivery drivers with locking safety boxes in inconspicuous vehicles ONLY, for deliveries to patient homes. An operating dispensary taking this on would be whole other scope of work entirely.
 - Curbside pickup may be an easier lift for a dispensing business model and viable consideration here
- **Recommendation 4 - This is potentially concerning**
 - I completely respect and agree with medical providers' ability to assess their patients and these privileges. Their expertise is paramount in the patient/provider relationship.
 - However, this model leaves an opening for abuse of qualifying physicians simply "selling scripts" not to espouse that any would even do that, ethically speaking. But we have seen this happen in other states, such as California. That is VERY difficult to mitigate, especially as acceptance increases and the moving parts become intensive to manage and monitor.
- **Recommendation 5 - "Recommend all registered medical cannabis patients retain their right to grow their own cannabis plants and/or designate a caregiver as currently provided by law."**
 - **SUPPORT**
- **Recommendation 6 - "Recommend that registered medical cannabis patients remain exempt from any new taxes that may be levied on the sale of cannabis or cannabis products in an adult use program."**
 - **SUPPORT** - In intention... But if everyone has medical and nobody is paying taxes then this will be a failed framework also (see concern B above)
- **Recommendation 7 - "Recommend that all cannabis and cannabis products, intended for sale or distribution, be subject to the same testing standards currently provided by law, to ensure safety and quality of all commercial cannabis statewide for medical use."**
 - **SUPPORT**
- **Recommendation 8 - "Recommend that medical cannabis retail locations maintain a dedicated inventory for medical patients, and offer a private meeting space for patient consultation with staff members."**
 - **SUPPORT - W/amendments:** Again this will create an inherent bandwidth issue and would only end up functional with subsidy from government funds or taxes
 - Recommend that they encourage separate facilities and well-qualified consultants for this. This could also be job creation where those Canna-curious demographics who can afford it, and do not qualify for low to no-cost support, go to seek guidance and education before use as well.

- **Recommendation 9** - "Recommend that in a Dual Use program, existing licensees will continue to operate without disruption as the new program is integrated into daily operations."
 - **SUPPORT** - Consider a "Caregiver Carryover" model which we will provide more detail on
- **Recommendation 10** - "Recommend that, in a Dual Use program, that legislation and regulation currently in place be reviewed and amended to allow for expanded production and wholesale limits in anticipation of increased demand."
 - **SUPPORT** - I recommend phased and iterative timelines that stakeholders can assist in outlining. Again, with a focus on a "Slow Rolled" approach. Unlike most green rushing states that have moved too fast, only to their detriment.

Patient Protections: SUPPORT ALL

Patient & Public Health Education:

- "Recommend the state DOH develop a robust education campaign aimed to reduce ignorance and stigma surrounding the medical use of cannabis for medical professionals, healthcare administrators, and insurance providers."
 - **SUPPORT**
 - I recommend amending this to include data-informed research and education. As stated previously, we can seek overlapping funds for public education and safety. Environmental initiatives and community resiliency are leading topics of conversation right now. Hawaii must remain at the forefront of such discussions.
 - We can allocate tax dollars directly to this from the Cannabis industry.
 - There are so many solutions here and so many funds becoming available for public health, mental health, social justice, community reinvestment, criminal justice reform, and the like. If the Cannabis Task Force, or any working group herein, would like to explore this further at all - I would be happy to discuss it.

Survey results and input:

- "Three-quarters of patients reported no issues with employment, traffic violations, housing, medical benefits, insurance, child custody, or purchasing firearms because of their medical cannabis use, or were unable to use medical cannabis in public"
 - **COMMENT** - Is this correct?? No issues at all? That seems like it must be a typo considering the following excerpts:
 - "The main issues encountered by patients were not being able to obtain a gun or permit (14%) and not being able to use their medical cannabis in public places (9%). For some patients, the Schedule 1 classification is a barrier to accessing housing and governmental assistance. Patients commented also that the federal law on cannabis places financial burden

on patients since health insurance does not cover medical cannabis treatment."

- "Legislation could also improve the medical use program by addressing the current access and socioeconomic or legal issues which patients are encountering in relation to their medical use and enable providers to achieve the best quality of care for their patients."
 - **RESOUNDING SUPPORT**

Survey Concerns Worth Highlighting

- "However, many were wary about the possible interference by major corporations and big businesses buying up land, profiting off the adult-use industry, and pushing out medical cannabis users. A patient stated:"
 - "The business of cannabis does not work for patients because the primary concern of the "industry" is making a good return on its investment. This will drive the transfer of dispensary ownership to large mainland companies once adult use is authorized in Hawaii, which will solidify the commercial monopoly of cannabis and deprive the local community of any direct financial benefit while continuing the unreasonable prices because the dispensaries will still have to violate federal law and won't be able to deduct their business expenses from their federal tax returns."
- Other public health concerns raised include harm to youth with easier access to children and youth, increased substance abuse, and more intoxicated drivers and workers.
 - I firmly believe that tax dollars need to be allocated toward educational campaigns, medical research, and analysis. These should be prerequisites for any legalization framework and unfortunately, fall shamefully short in almost every state that has legalized. Again, this is an opportunity for Hawaii to move ahead of the pack with substantiated and well-informed market progression.
- Furthermore, there was concern that increased recreational use through tourism may negatively impact the environment and the local people of Hawai'i.
 - This is a primary reason that Hawaii should not allow larger MSOs and larger capital interests to enter the market prematurely or at all ideally. In that case, this could be a concern. If we keep the businesses localized as long as we can, we can then put components in place that mitigate impacts and complement local economics. Legalization can help to incorporate giveback programs and initiatives as well. These should be more prevalent in other industry sectors anyway. Many states that legalized previously realized this and they are again backpedaling now.
 - We recommend a runway of at least 5yrs to prioritize small local businesses, social equity applicants, patients, local ecosystems,

and existing industry pioneers who built this "normalization" in the face of incredible risk and overwhelming judgment.

- In California, for example, even 5yrs has proved to be an insufficient runway for small local businesses. Primarily because of a rushed approach to legalization, local control, and limited Administrative Agency bandwidth.
- Most parties currently operating in the medical market in Hawaii are considered "Craft" in the definitions being defined on a national front.

Thank you sincerely for your time in reading this testimony.

Personal Introduction:

Sam De La Paz - Strategic Consultant. Specializing in business and non-profit consulting, policy, green economics, communications, brand development, fundraising, marketing, sales, innovative solutions, and more.

Nonprofit positions include:

- VP of [Hessel Farmers Grange](#) in Sebastapol California (the first Cannabis & Hemp Farmer's Grange, under the Order of Granges, in the US)
- Board Seat for [Sonoma County Growers Alliance](#) in Sonoma County, California
- Regional Chair for Sonoma County on the Regional Council of the [Origins Council](#)
- Advisor to the [Ohana Legacy Foundation](#) based on Kauai

I have worked with many companies, and organizations spanning the green spaces of Cannabis, Hemp for sure. But my relationships span far beyond only these spaces. I have worked in and have deep ties to global leaders in sectors like Testing and Analytics, Water, Regenerative Farming, Circular Economics, Bioplastics, Travel & Tourism, Affordable Housing, and more. With a deep passion for Environmental and Social justice, I believe that we have a lot of course-correcting to do and it will take all of these sectors and more to accomplish the change we need to see. Cannabis & Hemp are at the forefront of a paradigm shift that is long overdue. Our current economic models are dysfunctional at best. The detrimental effects that we have had on our planet are evident. I hope we can work together to correct some of the environmental and societal injustices we see today.

I have a sincere passion for the sustainability and regeneration of our planet, our economic systems, and the whole of our living ecosystems. Of which, both Hawaiian Mana and the beloved Aina are near and dear to my heart. These beautiful islands bestow such gifts upon humankind. Let us help to preserve and honor the heritage, culture and legacy of Hawaii.

Mahalo Nui for the opportunity to submit testimony today.

Sincerely,

Sam De La Paz

References:

- [Tax Foundation Comments to the Cannabis Administration and Opportunity Act](#)
 - Excerpt image Attached below - Cannabis tax increases by state [Table]
Submitted by www.TaxFoundation.org regarding proposed [Federal Cannabis Taxes](#)

TABLE 2.

Federal Cannabis Tax Would Significantly Increase Tax Burden and Retail Prices
Effective State Tax Rates with or without Federal Tax by State

State	Current Effective State Tax Rate	Effective Tax Rate with Federal Tax	Tax Rate Increase with Federal Tax	Retail Price Increase with Federal Tax
Alaska	23%	27%	17%	13%
Arizona	24%	36%	31%	20%
California	30%	39%	24%	18%
Connecticut (a)	27%	32%	17%	15%
Colorado	24%	32%	25%	20%
Illinois	27%	37%	26%	20%
Maine	21%	29%	26%	17%
Massachusetts	20%	31%	36%	20%
Michigan	16%	27%	41%	20%
Montana	23%	34%	33%	20%
Nevada	25%	34%	24%	20%
New Jersey (b)	24%	30%	21%	15%
New Mexico	20%	31%	36%	20%
New York (a)	27%	34%	19%	16%
Oregon	20%	31%	36%	20%
South Dakota	21%	33%	34%	20%
Vermont	23%	34%	32%	20%
Virginia	30%	41%	27%	20%
Washington	43%	54%	20%	20%

Note: Calculation based on average market price (\$1,309 per pound) in Colorado from July 1, 2021. Prices assumed to be uniform nationwide. Assumptions: (a) 20% THC assumed; (b) \$30 tax burden per ounce. Source: State statistics.

- [Cannabis vs the Constitution: Recent Article on the potential effects of Dormant Commerce Clause and Equity](#)
- [The casualties of California legalizing pot - The Washington Post](#)
- [Cannabis Farmers Struggle despite booming industry](#)
- [Inside California's Cannabis Crisis - Rolling Stone](#)
- [Cannabis Farmers at increased risk of taking own lives](#)
- [The Critical Importance of Social Equity in Cannabis](#)
- [Cannabis has become big business, so why are small businesses struggling to survive](#)
- [Biggest challenges for the Cannabis industry in 2022](#)

From: [Alexis Muller](#)
To: HiSocialEquityPIG@gmail.com; HiMarketStructurePIG@gmail.com
Cc: [DOH.OMCCR](#)
Subject: [EXTERNAL] Hawaii Dual use task force (testimony)
Date: Monday, August 29, 2022 2:12:18 PM

Hi my name is Alexis Muller and I want to say thank you to the task force members for letting me submit my testimony. I want to commend you on your dedication, research, and open-mindedness each one of you has set forth over these last few months in ensuring we implement a successful dual use system in Hawaii. It is important to remember that 1000's if not millions of cannabis users are clinicians, lawyers, scientists, parents, and community leaders who are successful. I hold a master's degree in cannabis science and therapeutics from the school of pharmacy at the University of Maryland and have a successful career serving our community using plant-based medicines. The over regulation of cannabis has virtually destroyed the medicinal uses of cannabis as a plant medicine. The belief that government can monetize on this plant medicine has blurred the lines of its true value. In August 2021 when CBD was banned from smokable products, drinks, and gummies in Hawaii an extremely important cannabinoid was removed from patient access. This is an essential cannabinoid to cannabis medicine, its non-intoxicating, and combats the psychoactive properties of THC and has proven scientific and medicinal value conducted through research. I received my masters in cannabis science and therapeutics and I am willing to sit down, talk to and educate any task member who is interested in learning about the endocannabinoid system, terpenes, cannabinoids and scientific facts regarding the absolute essential value that this plant holds for our community. Listening to the task force ask questions during the meetings, it is apparent there is a need for more education on medical cannabis so the task force may continue to make educated decisions on this matter. The over regulation of this plant medicine will only further slow the progress that so many have worked tirelessly to free. I ask you use evidence-based medicine to regulate cannabis and ensure minimal regulations so that anyone who needs access to this plant has access.

Thank you for your time,
Alexis Muller
Grass Roots Consulting, LLC



To: Chairs & Members of the Dual Use of Cannabis Task Force

Fr: Jaclyn L. Moore, Pharm D., CEO Big Island Grown Dispensaries

Re: TESTIMONY in response to the Tax Working Group Report; Market Structure Working Group Report; and Medical Use Working Group Report

Thank you, members of the Dual Use of Cannabis Task Force, for all your hard work and considerations in crafting recommendations through your Working Group subcommittees. We appreciate the opportunity to provide testimony in response to the reports produced by the Tax, Market Structure, and Medical Use Working Groups.

Jaclyn L. Moore, Pharm.D.
CEO Big Island Grown Dispensaries

Tax Report:

Recommendation I: "The committee recommends that if

Hawaii lawmakers decide to proceed with adult-legalization, they should pursue a legal strategy that promotes a cannabis industry that is not subject to burdensome levels of regulation and taxation."

SUPPORT

Recommendation II: "If the State elects to legalize recreational

use, a cannabis excise tax should be levied on the final sale of cannabis products." **SUPPORT with Amendments** - Any increase beyond 10% Hawaii excise tax rate should be subject to well-substantiated documentation through data-driven review and should consider the implications of the combined state & federal tax rate on the sustainability of the program.

Recommendation III: "This committee recommends parity in taxation between the medical and cannabis market if and only if the following trigger has been met."

Big Island Grown disagrees with a total of 19.5% tax at year 5 and beyond. Proposed federal taxes as referenced in the Cannabis Administration & Opportunity Act (CAOA) would impose a federal excise tax rate starting at 10% year 1-2 and increasing to 25% in year 5 and beyond. Please take this into consideration when proposing a year 5 State tax rate of 19.5%. Overtaxing cannabis provides a competitive advantage, and drives consumers to the illicit market. This is the opposite of what we are trying to do. States that have seen high taxes on cannabis have seen a strengthening of the illicit market.

Recommendation IV: "This report assumes that the market will

be segmented into producers, manufacturers, retailers, and testing facilities. It recommends that limits on the number of licenses issued to producers and manufactures be kept to minimum." **SUPPORT**

This recommendation is extremely important. It is critical to have a mechanism in place to ensure Hawaii does not run into issues with oversupply or product or an oversaturation of licenses. A recent article in MJ Biz (June 27, 2022) titled "Adult Use Marijuana Companies Struggle to Stay Afloat Amid Overproduction Falling Prices" describes the state of affairs in mature markets like Colorado, Oregon, and Washington. ... "wholesale cannabis prices have tumbled, because growers are producing more flower than the retailers can absorb." We support the State performing a market study in the interim to determine how many licenses are appropriate and continue to update the study periodically and adjust as needed.

There have been multiple news stories, especially coming from California, where businesses are forced to sell to the illicit market just to survive. Please remove the incentive for diversion by making impactful recommendations such as this that are data driven and promote a healthy & sustainable program.

Recommendation V: "This report finds that a strong

independent cannabis agency is most likely to oversee the development and operation of a well-functioning cannabis market." **SUPPORT**

Regarding banking, as an existing operator without access to a single local bank willing to bank us, the importance of the State creating a banking fix cannot be emphasized enough. We cannot wait for the federal government to solve this issue. This is a serious safety concern that will only get amplified once other operators come online.

Market Structure Report:

Big Island Grown would like to provide some feedback on the following recommendations:

Recommendation 2 - "The licensing structure should be horizontal" **SUPPORT**

Recommendation 3 - "Home grown cannabis plants for personal use by those over the age of 21 should not require a license to grow up to 20 plants." **SUPPORT W/Amends** - Lower Plant count in order to not incentivize illicit activity and define by plant maturity (veg/bloom).

Recommendation 4 - "To avoid other state's unique challenges in the oversupply and undersupply of cannabis, the regulatory body should be given authority to manage license fees and other license requirements to manage the general number of cultivation/retail licenses in the market." **SUPPORT**

Recommendation 5 - "The State should establish geographic indicators, appellations, or other forms of intellectual property or branding protection, similar to the Department of Agriculture's "Seals of Quality" program and potentially in partnership with the Hawaii Tourism Authority, to protect and promote Hawaii's unique genetics and world-renown brand." **SUPPORT**

Recommendation 6 - "Similar to other states, there should be an independent regulatory body that consists of a smaller oversight board supported by a larger advisory board yielding the powers and duties to regulate and control the adult-use and medical cannabis licensing and registration programs." **SUPPORT**

Big Island Grown agrees with requirements for licensing to include financial and inventory audits (at varying degrees for the size of the license, i.e. less intense for small operations), require testing for all commercially sold cannabis, requires a pre-inspection by regulators before allowed to operate, have an approved security plan, demonstrate compliance with county/state building, zoning, and other codes, permits, and submit evidence of business and tax data. This recommendation ensures the integrity of the market and businesses.

Big Island Grown agrees with additional/alternative methods of managing the number of market participants and supply of cannabis by providing the governing body authority to adjust license requirements such as fees, to discourage new entrants when the market becomes saturated. This is the second working group to recommend data driven market study to determine the appropriate amount of licenses.

Regarding the transition phase of the industry after legalization is passed and before the issuance of the first license (page 23), Big Island Grown is in support of allowing current licensees to sell on day 1, and have the interim Regulatory authority (DOH) authorize production to be sold to licensees to ensure demand is met with supply.

Medical Use Working Group Report:

BIG ISLAND GROWN supports all the recommendations from both the Patient Protections and Patient/Public Health Education sections of the report. We support all of the recommendations from the Medical Considerations section except for recommendation #2 which reads "Recommend that THC content per serving, and per package, allow for higher THC content in medical use products than those approved to be sold on the adult-use market".

Big Island Grown opposes any restrictions placed on THC content, or an allowance for higher THC content solely on medical use products. Patients seeking relief for conditions currently not listed as a qualifying condition, those that cannot afford the time and additional cost of a certifying providers visit & DOH registry process should be able to access high[er] THC containing products in an adult use market. Advancements in

breeding, grow tech, curing, and testing can yield higher potency flower with [THC] greater than 30% becoming more common. The same occurs for concentrates with products currently sold in the state regularly testing between 70-90%. Any restrictions on THC potency in an adult use market would be prohibitory in nature. People deserve access to high quality, tested, clean craft cannabis [products] regardless of whether they choose to access it via the medical program or the adult use market.

ROBERT HAYES

8/29 TESTIMONY

Market Structure – Michele Nakata Chair

Commercial Grow (vii): Allows for commercial grow's bigger than 10,000 sq feet while co-ops are capped at 5,000 square feet. It is necessary for Medical Patients to also benefit from the Economies of Scale that Medical and Recreational growers are allowed, why not give the patients every opportunity to receive exceptional medicine at a reasonable price point through a grow size of their choosing. This is fair and equitable in a new market structure.

AS STATED ON - Pg. 16 OF THE TAX REPORT: "It is usually better for producers to discover the right size of scale rather than lawmakers that understand little about the production process".

Taxation - Issac Choy

Recommendation II – concerning the effective graduated taxes rates it is unclear how the proposed rates would encourage legacy growers to opt into the legal system or how the taxes would apply to coops that are growing their own medicine. Personal grows are not taxed at all so why should medical patients, who do not have the expertise or physical ability to grow, be taxed if growing on a coop's property?

Finally, having been immersed in the local cannabis culture for over five decades, from flying with operation green harvest to growing in the Napa Valley of cannabis, in Puna, the proposed tax rates are a non-starter for most in the gray market. I suggest considering a dramatically lower tax structure and increasing tax rates more gradually than proposed. The committee may also want to offer a teaser rate which is grandfathered, for say the first 100 applicants, that will help commence the migration from the gray market, promote trust amongst the growers by setting a clear financial carrot to get the party started.

1
Isaac Choy - Jason Hanley testimony

Aloha. My name is Jason Hanley and I own a care giver farm with 900 patients currently growing on it. Currently the tax board has sales of dispensary cannabis at 50 million. This would lead one to believe that the dispensaries are making money. The remainder estimated at 190 million is stated as coming from the gray market. Since there are very few medical patients and cooperatives operating in the gray market, because of uncertain laws and threats of punitive punishment, this would lead one to believe that the 190 million is coming from the black market. This data needs to be further examined.

What effects did dispensaries being established have on creating a larger black market with 329 card applications on the rise and possibly reaching 50,000 patients by 2024 with increase in education and the positive effects of cannabis in the medical world. Many patients are also using both the gray market and dispensaries as recorded through our personal database.

Hawaii introducing a monopolized cannabis market through dispensaries has put the patients of Hawaii in a quandary of choosing a side. Most patients feel it is unfair that licenses were given to big business owner such as Mobi Pc and not one local grower was chosen. Too bad to the problem the dispensaries are at the mercy of their multi million-dollar investors from places such as Canada resulting in no room to drop prices in dispensaries for medical folks.

A review of the quality of the medicine coming from the dispensaries also generally show a inferior product for the customer.

The tax board also related price hikes in dispensaries related to over regulation and to get a clear picture of this a financial review would need to be conducted and transparent to the public to show where these regulatory problems are as well as questions like how much money is leaving Hawaii and going to dispensary investors possibly causing inflation of price to the consumer

Lastly, if dispensaries made 50 million last year than this would lead one to believe that the cost of 480\$ an ounce is bringing people into dispensaries and there are medical patients that can afford it. This would also lead one to believe that the 190 million remaining estimate black market earnings can build a healthy medical market providing cannabis at a rate of 159\$ an ounce and affordable to those patients on fixed income and low salary earners.

Thank you and please help the patients who cant afford dispensary prices. These include the homeless, the sick, and the elderly on fixed income. Cooperatives support these people with 45% of our patients on our cooperative farm on fixed income.

From: [James Anthony](#)
To: [DOH.OMCCR](#)
Subject: [EXTERNAL] Fwd: Task Force testimony for 8/29/22
Date: Sunday, August 28, 2022 12:41:31 PM

----- Forwarded message -----

From: James Anthony <[REDACTED]>
Date: Sun, Aug 28, 2022 at 2:59 PM
Subject: Task Force testimony for 8/29/22
To: <omCCR@doh.hawaii.go>

Honorable Task Force Members:

I am submitting written testimony for the 08/29/2022 meeting, agenda item III as chair of the Hawai'i Cannabis Hui. The Hui has been meeting weekly for over two years now, specifically on social equity issues. The Hui includes: cannabis activists; 329 patients, caregivers, cooperatives, and collectives; licensed hemp farmers, Native Hawaiians and other Hawaii kama'aina--even some licensed dispensaries are participating and supporting the social equity initiative.

This year the Legislature acknowledged the particular importance of the social equity issue as the primary framework for cannabis legalization. (*See*, SR 139 SD1.) Legalization must only be considered in the context of justice for Native Hawaiians and other victims of the war on drugs (and continuity of medical access) first, *then* business profit-making, not the other way around. This Task Force's "task" is to start a discussion *in this framework* now--and to generate a report with appropriate recommendations and options, on that basis.

RE ITEM III: MARKET STRUCTURE WORKING GROUP REPORT

The state's primary concern in creating a just and equitable market structure for cannabis legalization must be social equity for Native Hawaiians and other resilient survivors of the vicious war on drugs (whose devastating impact on individuals, families, and communities continues to this day without any relief or remedy in sight).

With this in mind, the Hui respectfully opposes the Market Structure WG's recommendations unless the following changes are included (there are some WG recommendations with which the Hui is in some degree of alignment, including horizontality).

1. No cultivation license should be allowed to exceed 5,000 square feet of flowering canopy. Gigantic plantation style industrial cultivation is a huge destructive factor in *the unworkable failed "mess" that is the California regulatory system*—and most other systems throughout the North American continent and beyond (hereafter, "the mess" or, "the California mess").

See the following recommendations adapted from the recently written analysis of one of the

visionary founders of the California medical and adult use cannabis systems based on his critical analysis of the failure there:

“1,000,000 square foot cultivation facilities don’t work. Human-scale cultivation has always produced the highest quality cannabis and distributed it most efficiently— and it is the way to avoid the California mess. Human-scale cultivation and a short direct route from the farm to consumers has always produced the highest quality cannabis. Avoid the mess. Get it right. Keep it small—and beautiful.

“Enact an industry-wide 5000 square foot canopy limit. Award those licenses easily and widely, without over-regulation and excessive taxation. Allowed those licensees to make any product they want out of the cannabis they grow, and then sell them directly to consumers, straight from the farm gate or the workshop floor.

“In this scenario everyone important wins: patients, consumers, and small local and Native Hawaiian farmers. (The losers are large scale heavily capitalized plantation growers that, by law, are motivated only by profit—and they should lose; that’s your “task”: to recommend a system that results in that wise policy outcome).

“Hundreds of legacy artisanal producers will get into the new industry without the barrier of massive capital investment requirements for scale facilities. They will grow small-batch, top-quality cannabis—and turn it into a wide range of artisan quality products. Consumers would still get higher quality cannabis at lower prices, most of the middlemen costs could be substantially reduced, and risks would be far lower for everyone.

“Imagine a cannabis artisans’ village that houses many small producers in one geographic location. Consumers and patients could walk from shop to shop, selecting from dozens of different strains and products, all of the best quality. The same customers would provide clientele for a range of other non-plant touching businesses: restaurants, boutiques, lifestyle shops, music and comedy venues, even consumption lounges and cannabis hospitality facilities. What a wonderful experience it would be.

“This type of broadly distributed cultivation of cannabis would solve all or most of the problems in California caused by excessive scale. Excellent quality cannabis would replace mediocre plantation style crops and prices would drop, so consumers would be attracted back to the legal market. Legacy producers would flock to the legal opportunity, reducing the supply of unregulated cannabis. Reasonable tax revenue would expand along with the growing legal market, and more people would be able to become entrepreneurs instead of employees.

“Hawaii doesn’t need scaled-up cannabis companies trapped by the thankless and impossible task of producing high quality cannabis in massive facilities. Instead of disappointing unrealistic profit expectations of investors, Hawaii can focus instead on an achievable goal: providing the financing, infrastructure, and marketing capacity that small producers will need to succeed. If we take that kind of mutually beneficial approach—with each part of the industry focusing on what it does best—with all of us taking into account the natural inclinations of the cannabis plant, without trying to force it into a huge exploitative hierarchical pyramid that the plant itself resists, then together we can position the industry for real, steady organic growth.

“Hawaii must not accept the California and continental status quo. Hawaii can avoid the

boom-and-bust cycle that has been so destructive for so many companies and so many markets, and fulfill the promise of the excitement and optimism of early days of legal cannabis in other jurisdictions. The brightest of futures is still possible if we have the courage to think outside the pyramid structure of “bigger is better” which model has failed everywhere tried in cannabis.”

2. This approach further implies that license “stacking” must be forbidden.

Cultivation licenses must be prohibited from overlapping ownership and control. If investors and lenders wish to support multiple famers, they must do so without consolidation of control—bona fide individual and small collective farmers must control each 5,000 SF license independently.

3. Require that licensees be Sustainable Business Corporations under Hawai‘i law.

Require that for annual license renewal they must report to the satisfaction of the regulator (DBEDT) satisfactory progress on specific metrics for 4 bottom lines:

- 1) **Environmental Sustainability**;
- 2) **Best Labor Practices**, including, **Living wages** and benefits for their workers; and
- 3) **Social justice for resilient survivors of the war on drugs** and economic empowerment for Native Hawaiians; as well as
- 4) **Only reasonable return on investment (profit)** to investors and owners, and reasonable interest paid on loans by lenders.

RE ITEM II: TAX WORKING GROUP REPORT

The Hui supports only the standard GET for cannabis, excluding that for medical purposes.

RE ITEM IV: MEDICAL USE WORKING GROUP REPORT

The Hui supports the Medical Use WG recommendations at that time.

Respectfully submitted on behalf of the Hawai‘i Cannabis Hui,

Jas Anthony

James Anthony
Chair, Hawai‘i Cannabis Hui
(Hui Ho‘okaulike, a Hawaii Nonprofit Corporation)
Best,

James



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Best,

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