

**REPORT TO THE THIRTY-FIRST LEGISLATURE
STATE OF HAWAII
2021**

**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 2021

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 December 1, 2020, there are a total of 26 operational licensed medical cannabis facilities statewide; 11 production centers and 15 dispensaries (Table 1).

Table 1. Licensed Medical Cannabis Facilities in Operation November 30, 2020			
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
	Dispensary #3	98-302 Kamehameha Hwy, Aiea, HI 96701	Sept. 24, 2020
TCG Retro Market 1, LLC	Production Center #1	---	Jun. 28, 2017

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.

dba Cure Oahu	Dispensary #1	727 Kapahulu Avenue, Honolulu, HI 96816	Mar. 17, 2018
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
	Dispensary #2	64-1035 Mamalahoa Hwy, Suite J, Kamuela, HI 96743	Feb. 3, 2020
	Dispensary #3	578 Kanoelehua Avenue, Hilo, HI 96720	Sept. 18, 2020
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, Kamuela, 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, 2019, and 2020.

Year	Amount
2016	\$600,000
2017	\$400,000
2018	\$400,000
2019	\$400,000
2020	\$400,000
Total to-date	\$2,200,000

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. The City and County of Honolulu, County of Kauai, and County of Hawaii have current additional 0.5% surcharges which brings the excise tax rate to 4.5% for these counties.⁷ The County of Maui has not adopted a county surcharge.

Year	Amount
2016	No licensee sales
2017	\$91,677
2018	\$531,812
2019	\$983,567
2020 through 11/30/2020	\$1,822,934
Total to-date	\$3,429,990

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

⁷ Source: [General Excise Tax \(GET\) Information | Department of Taxation \(hawaii.gov\)](#)

⁸ Source: BioTrack THC™ Electronic Seed-to-Sale Tracking System.

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 January 1, 2020 through November 30, 2020, DOH identified a total of 40 licensing violations. Fifteen (37.5%) were violations of section 11-850-61 (Tracking Requirements), Hawaii Administrative Rules (HAR) and 7 (17.5%) were violations of section 11-850-51 (Required Security), HAR.

Table 4. All Licensing Violations February 2017 through November 2020				
Section of Hawaii Administrative Rules or Hawaii Revised Statutes Violated	Frequency			
	2017	2018	2019	2020 through 11/30/2020
HAR 11-850-6	0	0	1	0
HAR 11-850-21	0	0	0	2
HAR 11-850-32	0	3	0	0
HAR 11-850-33	1	3	1	2
HAR 11-850-34	0	1	3	3
HAR 11-850-36	2	0	0	1
HAR 11-850-37	0	0	1	0
HAR 11-850-39	0	2	0	0
HAR 11-850-41	0	6	4	0
HAR 11-850-43	1	3	24	1
HAR 11-850-51	1	4	4	7
HAR 11-850-52	3	9	5	1
HAR 11-850-61	0	1	0	15
HAR 11-850-75	0	0	0	1
HAR 11-850-92	0	3	0	1
HAR 11-850-93	0	0	1	3
HRS 329D-10	0	1	5	2
HRS 329D-22	0	1	0	1
Total	8	37	49	40

Conclusions and Recommendations

The number of facilities requiring DOH regulatory oversight has more than doubled, from 10 facilities in 2017 to 26 as of December 2020. Since each licensee can be authorized up to two production centers and three dispensaries, there could eventually be up to 40 facilities to inspect. Through 2020, onsite inspections were conducted for each facility at least once every 60 days. However, due to the considerable expansion of manufacturing activities implemented by the licensees and the authorization of edible products beginning in January 2021, the program will need to increase the frequency of inspections. This will be a significant challenge for the program as the two existing surveyor positions were already fully engaged by inspections and monitoring of facilities in 2019. At least one additional surveyor position is urgently needed to ensure an adequate level of oversight to protect patient and public safety.

It should be noted that violations of section 11-850-61, HAR, "Tracking requirements," and section 11-850-51, HAR, "Required security in all dispensary facilities," accounted for over 50% of all the identified violations in 2020. Both these sections are directed toward ensuring that all cannabis material is accounted for in the system and meets all state requirements. Strong regulatory oversight is needed to prevent the diversion of cannabis intended for medical use to the illegal market and to provide assurance that these products meet compliance requirements for testing, packaging, and dispensing.