

**REPORT TO THE THIRTY-FIRST LEGISLATURE
STATE OF HAWAII
2022**

**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 2022

EXECUTIVE SUMMARY

Pursuant to Act 241, Session Laws of Hawaii, 2015, the Department of Health submits a report to the 2022 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 27, 2021, there are a total of 28 operational licensed medical cannabis facilities statewide; 11 production centers and 17 retail locations (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
	Retail Location #1	1314 S. King Street, Honolulu, HI 96814	Aug. 9, 2017
	Retail Location #2	2113 Kalakaua Avenue, Honolulu, HI 96815	Aug. 22, 2019
	Retail Location #3	3131 N Nimitz Hwy, Honolulu, HI 96819	Mar. 17, 2021
Manoa Botanicals LLC, dba Noa Botanicals	Production Center #1	---	Feb. 9, 2017
	Retail Location #1	1308 Young Street, Honolulu, HI 96814	Oct. 9, 2017
	Retail Location #2	46-028 Kawa Street, Kaneohe, HI 96744	Feb. 13, 2019
	Retail Location #3	98-302 Kamehameha Hwy, Aiea, HI 96701	Sept. 24, 2020
TCG Retro Market 1, LLC dba Cure Oahu	Production Center #1	---	Jun. 28, 2017
	Retail Location #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
	Retail Location #1	73-5613 Olowalu Street, Suite 7, Kailua-Kona, HI 96740	Jun. 24, 2019
	Retail Location #2	64-1035 Mamalahoa Hwy, Suite J, Kamuela, HI 96743	Feb. 3, 2020
	Retail Location #3	578 Kanoelehua Avenue, Hilo, HI 96720	Sept. 18, 2020
Lau Ola LLC, dba Big Island Grown	Production Center #1	---	Oct. 3, 2018
	Retail Location #1	750 Kanoelehua Avenue, Suite 104, Hilo, HI 96720	Jan. 14, 2019
	Retail Location #2	64-1040 Mamalahoa Highway, Kamuela, HI 96743	Mar. 7, 2019
	Retail Location #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
	Retail Location #1	44 Paa Street, Kahului, HI 96732	Aug. 8, 2017
	Retail Location #2	1087 Limahana Place, Lahaina, HI 96761	Mar. 12, 2021
Pono Life Sciences Maui, LLC, dba Pono Life Maui	Production Center #1	---	Feb. 14, 2017
	Retail Location #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
	Retail Location #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, 2020, and 2021.

Year	Amount
2016	\$600,000
2017	\$400,000
2018	\$400,000
2019	\$400,000
2020	\$400,000
2021	\$400,000
Total to-date	\$2,600,000

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	\$99,871
2018	\$572,170
2019	\$1,201,168
2020	\$2,023,138
2021	\$2,568,947
Total to-date	\$6,465,294

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.

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.

Licensing Violations

For the period from January 1, 2021 through December 27, 2021, DOH identified a total of 111 licensing violations. This was a 164% increase over violations identified in 2020. The most common violations involved sections 11-850-61 (Tracking Requirements), 11-850-42 (Allowed Quantities for Dispensing), and 11-850-51 (Required Security), Hawaii Administrative Rules (HAR).

Table 4. All Licensing Violations February 2017 through December 2021					
HAR or HRS Section Violated	Frequency				
	2017	2018	2019	2020	2021
HAR 11-850-6	0	0	1	0	0
HAR 11-850-21	0	0	0	2	0
HAR 11-850-32	0	3	0	0	0
HAR 11-850-33	1	3	1	2	0
HAR 11-850-34	0	1	3	3	0
HAR 11-850-36	2	0	0	2	3
HAR 11-850-37	0	0	1	0	0
HAR 11-850-39	0	2	0	0	0
HAR 11-850-41	0	6	4	0	0
HAR 11-850-42	0	0	0	0	32
HAR 11-850-43	1	3	24	1	0
HAR 11-850-51	1	4	4	8	3
HAR 11-850-52	3	9	5	1	12
HAR 11-850-61	0	1	0	15	49
HAR 11-850-75	0	0	0	1	3
HAR 11-850-91	0	0	0	0	1
HAR 11-850-92	0	3	0	1	3
HAR 11-850-93	0	0	1	3	1
HRS 329D-6	0	0	0	0	1
HRS 329D-10	0	1	5	2	3
HRS 329D-22	0	1	0	1	0
Total	8	37	49	42	111

Conclusions and Recommendations

The number of facilities requiring DOH regulatory oversight has almost tripled from 10 facilities in 2017 to 28 as of December 2021. While OMCCR strives to conduct onsite inspections of each facility at least once every 60 days, the growing numbers have posed a significant challenge for the program's two existing surveyor positions who were already fully occupied by inspections and violation investigations in 2019. Although one additional surveyor position was authorized by the legislature in 2021, the position has yet to be established. Indication of the hurdles involved in building a regulatory program for this novel, emerging, and rapidly evolving industry that does not readily fit into the State's civil service structure.

The significant increase in regulatory violations identified in 2021 provides evidence of the need for ongoing, strong oversight of the medical cannabis industry. Violations of HAR sections 11-850-61 "Tracking requirements," 11-850-42 "Allowed quantities for dispensing," and 11-850-51 "Required security in all dispensary facilities," accounted for 84% of the violations. These sections are directed toward ensuring that all cannabis material is accounted for in the system and that patients remain within their legal limits.

Additionally, the authorization of edible cannabis products has highlighted an urgent need for dedicated subject matter expertise in good manufacturing practices and laboratory testing to ensure that these products are safe for patients to consume. The continued expansion of manufacturing activities and product types coupled with the increasing numbers of facilities have greatly amplified the complexity of maintaining dispensary licensing oversight. A supplemental budget request for three positions (two manufacturing specialists and one laboratory specialist) was submitted.