

**REPORT TO THE THIRTY-SECOND LEGISLATURE
STATE OF HAWAII
2023**

**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 2023

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

On November 7, 2022, Governor Ige signed amendments to the interim Hawaii Administrative Rules (HAR), Title 11, chapter 850. The amendments became effective on November 17, 2022 and conform regulations with enactments of 2022 SLH Act 309 [§§6, 7, 46]. The amendments permit a dispensary licensee to operate up to three production centers (up from two) and add up to two additional retail dispensing locations to a total of four. There has been great interest in these amendments and two licensees have already initiated the process to add additional retail sites, and a third has contacted MCDLS regarding the process.

In addition, licensees are now allowed up to five thousand cannabis plants per production center (an increase from the previous limit of three thousand plants). However, the licensees are allowed no more than fifteen thousand cannabis plants total. This increase will allow licensees to grow and produce more product for sale in their dispensaries.

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, 2022, there are a total of 32 operational licensed medical cannabis facilities statewide; 11 production centers and 21 retail locations (Table 1). For security reasons, the location of production centers is not publicly disclosed.¹

Table 1. Licensed Medical Cannabis Facilities in Operation October 31, 2022			
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
	Production Center #1	---	Jun. 28, 2017

¹ §329D-2(k), HRS

TCG Retro Market 1, LLC dba Cure Oahu	Retail Location #1	727 Kapahulu Avenue, Honolulu, HI 96816	Mar. 17, 2018
	Retail Location #2	4850 Kapolei Pkwy. Kapolei, HI 96707	Feb 3, 2022
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
	Retail Location #3	7 Aewa Pl., #3 Makawao, HI 96768	Mar. 25, 2022
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
	Retail Location #2	115 N Market St. Wailuku, HI 96793	May 27, 2022
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
	Retail Location #2	2827 Poipu Road Koloa Kauai, Hawaii 96756	Sept. 17, 2022

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, 2021, and 2022 as required by statute.

Year	Amount
2016	\$600,000
2017	\$400,000
2018	\$400,000
2019	\$400,000
2020	\$400,000
2021	\$400,000
2022	\$400,000
Total to-date	\$2,800,000

TAXES COLLECTED

Excise Taxes

A 4% general excise tax is assessed on cannabis and manufactured cannabis products purchased at the licensed dispensaries by 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.³ 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

² Source: DOH Medical Cannabis Dispensary Licensing Section, Office of Medical Cannabis Control and Regulation.

³ Source: [General Excise Tax \(GET\) Information | Department of Taxation \(hawaii.gov\)](#)

⁴ Source: BioTrack THC™ Electronic Seed-to-Sale Tracking System.

2021	\$2,568,947
2022	\$2,428,035
Total to-date	\$8,893,329

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, 2022 through November 21, 2022 MCDL identified a total of 87 licensing violations. This was a drop from the number of violations identified in 2021. The most common violations involved HAR sections 11-850-51 (Required Security), and 11-850-33 (Retail Dispensing Locations).

MCDLS identified 5 violations that had never been issued prior to this year. These violations included: HAR 11-850-17 (Background Checks), 11-850-38 (Reports), 11-850-81 (Laboratory Testing Required), 11-850-143 (Labeling for Retail Sale), and HRS 329D-9(b) (Manufacturing of Medical Cannabis Products).

Table 4. All Licensing Violations February 2017 through November 21, 2022						
HAR or HRS Section Violated	Frequency					
	2017	2018	2019	2020	2021	2022
HAR 11-850-6	0	0	1	0	0	0
HAR 11-850-17	0	0	0	0	0	1
HAR 11-850-21	0	0	0	2	0	1
HAR 11-850-32	0	3	0	0	0	0
HAR 11-850-33	1	3	1	2	0	6
HAR 11-850-34	0	1	3	3	0	0
HAR 11-850-36	2	0	0	2	3	5
HAR 11-850-37	0	0	1	0	0	0
HAR 11-850-38	0	0	0	0	0	1
HAR 11-850-39	0	2	0	0	0	0
HAR 11-850-41	0	6	4	0	0	0
HAR 11-850-42	0	0	0	0	32	0
HAR 11-850-43	1	3	24	1	0	0
HAR 11-850-51	1	4	4	8	3	48

HAR 11-850-52	3	9	5	1	12	4
HAR 11-850-61	0	1	0	15	49	5
HAR 11-850-75	0	0	0	1	3	5
HAR 11-850-81	0	0	0	0	0	1
HAR 11-850-91	0	0	0	0	1	2
HAR 11-850-92	0	3	0	1	3	3
HAR 11-850-93	0	0	1	3	1	0
HAR 11-850-143	0	0	0	0	0	2
HRS 329D-6	0	0	0	0	1	0
HRS 329D-9(b)	0	0	0	0	0	1
HRS 329D-10	0	1	5	2	3	0
HRS 329D-22	0	1	0	1	0	2
Total	8	37	49	42	111	87

Conclusions and Recommendations

The number of facilities requiring MCDLS regulatory oversight has more than tripled from 10 facilities in 2017 to 32 as of November 2022. Four new retail sites were opened in 2022, and as stated above, two new retail locations are underway and a third is planned. With the recent amendments to Chapter 392D, HRS, and Chapter 11-850, HAR, to allow additional retail locations and production sites, as well as increased plant counts, the dispensary licensing system is expected to continue to expand, providing improved physical access for patients as well increased product volume and variety.

The expanding numbers of facilities to inspect coupled with the industry’s continuous implementation of new processes to extract cannabinoids from cannabis plants and development of new products from these extracts have greatly amplified the complexity of maintaining regulatory oversight of dispensary licensees. While the number of inspection positions has increased from two to five, the continued expansion of the industry far outpaces the ability of MCDLS to conduct comprehensive inspections. In addition, the new products and processes have highlighted an urgent need for training, especially related to good manufacturing practices and laboratory testing. Without additional personnel and training, patient, product, and public safety could be jeopardized.

MCDLS recommends expanding DOH authority to regulate cannabis cooperatives or multi-card (stacked) grow/production sites (“co-ops”). The number of these has grown exponentially since the dispensary licensing system legislation was implemented and the program has learned that several process and sell manufactured cannabis products without any safeguards or inspections in place. Since the Office of Medical Cannabis Control and Regulation is tasked by the State of Hawaii with ensuring patient access to safe cannabis and manufactured cannabis products for medical use, there is an

inherent need to ensure that cultivation and manufacturing processes cause no harm to patients or the land. The ability to inspect co-ops test their products is a necessary component of the State's regulatory system.