



March 2, 2021

**Senate Bill 708 – FAVORABLE WITH AMENDMENTS
Cannabis - Legalization and Regulation**

SunMed Growers, LLC (SunMed) submits these comments in support of the statement of The Maryland Wholesale Medical Cannabis Trade Association (CANMD), in general support of SB 708, with suggested revisions.

SunMed is one of the largest cultivators of medical cannabis licensed by the Maryland Medical Cannabis Commission (MMCC). SunMed has been an active partner of MMCC in helping to achieve the General Assembly's objective of developing a well-regulated business industry devoted to providing safe and cost-effective medical cannabis to patients in need throughout the State. SunMed writes to highlight several concepts that it believes are important as the General Assembly considers moving from medical-use cannabis to fully legal adult-use cannabis.

Social Equity/Justice. SunMed embraces and supports the social equity/justice provisions of SB 708. Any move to legalized adult-use should appropriately address social equity/justice issues, seek to ameliorate historical harms and provide incentives and support to minorities and historically disadvantaged or harmed people. SunMed supports the concept of assessing a dual licensee fee on existing medical cannabis licensees as a fair methodology for providing financial and technical support to social equity applicants.

Immediate Participation for Medical-Use Licensees. Every state that has moved from medical-use to legalized adult-use cannabis has admitted medical licensees as licensees for adult-use without delay or onerous qualification. Medical licensees in good standing have demonstrated the ability to comply with stringent regulatory requirements and can provide an immediate jump-start to enable a successful adult-use program. This is key to a new industry and its success. SunMed supports the provisions of SB 708 that provide for dual licensee inclusion of existing medical use cultivators.

Regulatory Oversight. MMCC has an experienced, professional staff that has successfully overseen and regulated the blossoming and maturing of Maryland's medical cannabis industry. SunMed believes that such regulatory expertise and experience would be invaluable to the successful inauguration of legalized adult-use cannabis. If primary regulatory oversight were to be tasked to the recently created Alcohol and Tobacco Commission (ATC), SunMed fears that the success of the adult-use industry could be delayed or hampered as ATC seeks to wrestle through numerous safety, security and regulatory issues that may have already been encountered and addressed by MMCC. SunMed urges that primary regulatory authority for cannabis – medical and adult use – be vested in a single entity, MMCC, an experienced and successful regulator.

Cultivator Licenses. SB 708 would create up to 40 Cultivator Licenses for Social Equity Applicants in addition to dual licensee cultivator licenses, and thereafter allows the Commission to award additional cultivator licenses after a demand study is performed. SunMed supports the construct of the SB 708 that enables the Commission to award additional Cultivator Licenses if a demand study indicates additional licenses are warranted.

Classes/Tiers/Production Caps. While SunMed supports lowering barriers to entry to the cannabis market to achieve Social Equity/Justice objectives, and creating funding vehicles to encourage participation, it questions whether creating production caps or tier/classes of licenses is the most effective method to achieve such objectives. Any production caps/tiers limitations could hurt supply, lead to increased consumer prices, possibly encourage the illicit market in cannabis and possibly result in lower tax revenues to fund the social programs under SB 708. If tiers are created, any existing medical cultivation licensees who become dual license growers, and who would exceed proposed tiers created as of the date of passage of the bill, should be able to expand their businesses in accordance with their business plans and without any tier limitation, by an additional amount at least equal to their production capacity as of the date of bill passage, so that such dual licensees can supply the adult use market without impact upon existing medical consumers. This would enable prompt supply to the adult-use market and immediate tax revenues to fund social equity programs under the bill.

Taxation. SunMed supports the construct under SB 708 that taxation should occur only at the consumer point of sale, and not at any transfer between cannabis businesses. Additionally, it is imperative that total tax levied on legal cannabis is set at a level that makes the price of legal cannabis competitive with the market for illicit cannabis, otherwise taxation merely encourages the illegal, unregulated market. It appears that the total taxation level of SB 708 (potentially up to 25%) could make legally purchased adult-use cannabis marginally more expensive than illicit cannabis. This issue should be closely examined.

Consideration by General Assembly. The considerations involved in moving from medical-use cannabis to full adult-use cannabis are myriad and complex. SB 708 is comprehensive in its identification and addressing the intersection of many intricate issues and public policy objectives involved in legalizing cannabis. Limitations imposed by the current pandemic, however, stifle the ability to adequately communicate, discuss and fine-tune thoughts, ideas and suggestions of all stakeholders in such significant legislation. Written statements/views, remote video discussions and hearings, and telephonic conference calls – communication forms necessitated by the pandemic – impinge upon the ability of stakeholders and legislators to fully engage in dialogue and collaborative analysis needed to produce exemplary legislation on an important subject such as legalization of cannabis and addressing harms caused by historical injustice. SunMed applauds the introduction of SB 708 as a vehicle to focus attention and discussion and is willing to work with all interested stakeholders on adult-use legislation, whether in this year’s session of the General Assembly or any other session when people can meet and exchange views in person.

Conclusion. SunMed would like to offer its support, insight and energies to crafting workable legalized adult-use legislation. We appreciate the introduction of SB 708 as a vehicle to focus upon the many issues involved in legalization of cannabis and we look forward to working with all stakeholders to insure that Maryland continues as a model for a well-run, well-conceived governmentally regulated cannabis industry. SunMed urges a continuation of input, discussions and proposed solutions to legislation that enables Maryland to move safely and successfully from medical-use to adult-use cannabis. SunMed believes that it is necessary to continue to refine issues and solutions, and SunMed will work diligently in that regard, with the prospect of fulsome debate and finely tuned legislation emerging from the General Assembly.

Thank you for considering the above thoughts and suggestions.

Sincerely,

SunMed Growers, LLC

Jake Van Wingerden

Jake Van Wingerden
President

CC: CANMD