

# SUNMED GROWERS

*Medicine from the Sun*

February 12, 2021

## **HOUSE BILL 32 – FAVORABLE WITH AMENDMENTS Cannabis - Legalization and Regulation (Inclusion, Restoration, and Rehabilitation Act of 2021)**

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 HB 32, 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 HB 32. 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.

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.

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.

Unlimited Cultivator Licenses. HB 32 would permit issuance of up to 200 retailer licenses but contains no limit on the issuance of cultivator and processor licenses. SunMed suggests that an initial limitation upon the number of cultivator licenses, with the ability to increase the number of licenses, could enable a smoother and more effective roll-out of an adult-use program. Regulatory oversight, inspection, verification and administration of cultivator licenses is necessarily time-consuming and intensive. It is also crucial to the success of a new regulated adult-use industry. The regulatory body – ATC or MMCC – could be overwhelmed and could be unable to adequately process and vet an unlimited number of applicants for cultivator licenses. SunMed believes that, if there are a limited number of adult-use cultivator licenses issued, with the ability of the regulatory body to increase licenses if needed, the newly created adult-use market has the best chance to succeed. This model -- initial limited licensure, with the ability to increase licenses -- seems to have worked well to enable the success of Maryland's medical-use industry and could translate as a viable template for transitioning to legal adult-use.

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 does not believe that creating production caps or tier/classes of licenses is the most effective method to achieve such objectives. HB 32 would enable the creation of classes of cultivator licenses and production caps. SunMed believes this is not appropriate. Any production caps could hurt supply, lead to increased consumer prices and possibly encourage the illicit market in cannabis. For a successful adult-use industry to arise, traditional market forces of supply and demand need to operate, free from artificial classes/tiers/caps.

Taxation. Legislation should make clear that taxation occurs only at the consumer point of sale, and not at any transfer between cannabis businesses. 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 HB 32 (potentially 43%) could make legally purchased adult-use cannabis significantly more expensive than illicit cannabis. This issue should be closely examined.

Consideration in 2022 Session of General Assembly. The considerations involved in moving from medical-use cannabis to full adult-use cannabis are myriad and complex.

HB 32 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 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 HB 32 as a vehicle to focus attention and discussion but suggests that passage of such important legislation might best await next year's 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 HB 32 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, with the prospect of fulsome debate and finely tuned legislation emerging in the 2022 session of 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