



SB 516: FWA

March 8, 2023

The Honorable Melony Griffith, Chair
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, Maryland 21401

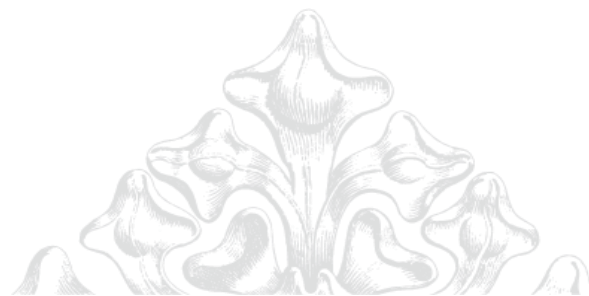
The Honorable Guy Guzzone
Senate Budget & Taxation Committee
3 West, Miller Senate Office Building
Annapolis, Maryland 21401

Dear Chairs Griffith, Guzzone and Committee Members:

I am pleased to submit the following testimony for Senate Bill 516: Cannabis Reform Act on behalf of Grow West LLC. By way of background, Grow West MD is a licensed cannabis cultivator and dispensary operator in Cumberland, MD. Our Maryland family business applied for and was awarded a license to grow and dispense medical cannabis in 2016. We have always appreciated the opportunity to build a Maryland-owned and operated business, in an economically disadvantaged area, and as our top priority, grow a safe, quality product for the patients of our State.

Grow West provides good jobs to over 150 employees; paying family sustaining wages and benefits; enabling many to become first-time homebuyers, purchase automobiles, start families and contribute to the local economy.

Grow West has watched with admiration how much time and effort the Sponsors have devoted to this legislation and to developing a well-functioning adult use cannabis market. The deliberations of the Cannabis Work Group were incredibly professional and thorough, and the legislation shows the seriousness with which the General Assembly has embraced this challenge.





On any number of issues, SB 516 gets the policy right the first time. By giving medical growers the opportunity to convert to serve the adult use market, and doing so on an expedited timeline, Marylanders will have a safe, legal source of cannabis for adult use as soon as this summer. We believe this policy will minimize the ability of illicit suppliers to capture the expanded adult use market, and that Maryland can avoid the chaotic and dangerous circumstances we have seen in other states. Similarly, SB 516 sets tax rates thoughtfully, which will reduce the ability of dangerous illicit drugs to supplant the regulated legal adult use market.

We respectfully submit that there are a handful of areas where SB 516 could be improved to ensure a successful rollout of adult use cannabis.

Conversion Fees

The conversion fees for medical cannabis providers, if passed, will be the highest in the nation. Missouri, the state that most recently moved to an adult use market, required their existing licensees to pay \$2,000 to convert their license. Missouri's transition to the recreational market is important to note for Maryland in that they realized that the existing medical market is needed to provide product and support to stand up the adult use market.

As the Committee knows, cannabis growers are severely hampered in their ability to access capital from traditional sources. Securing sums of as much as \$2,500,000.00 is critically difficult for our industry, even if the business were in a stronger position than it currently is. Moreover, for companies like Grow West to access such large sums of capital, it will inevitably hinder our ability to access capital that we will need for investments and hiring. We are also concerned that such large fees are a greater problem for independent local operators like Grow West, because Multi-State Operators (MSOs) from out-of-state have greater ability to access and arbitrage capital across states and markets.

Hold Period for Sales of Licenses

Finally, the legislation calls for a prohibition against selling a newly converted license for a period of five (5) years. Grow West respects the state's desire to award licenses to those businesses making a long-term commitment to the state; in fact, Grow West is still owned and operated by its original Maryland-based team. We respectfully suggest that the General Assembly consider allowing adult use licensees who have converted from medical licenses to credit their medical



ownership period toward the five-year hold requirement.

Micro Licenses

The bill also provides for 100 micro licenses and notes that each licensee can occupy up to 10,000 square feet of canopy space. If all 100 micro licenses are awarded and occupy the maximum amount of space, the market would need to absorb an additional 1 million square feet in canopy space. Additionally, the language would allow these micro licensees to associate with other micro licenses in a way that could change the face of the market. We respectfully suggest that the General Assembly consider limiting the number of licenses provided until a later date to reassess the newly formed market.

In short, we are excited to support many of the provisions of the Act, including canopy restrictions and mentorship opportunities for minority licensees. However, the provisions listed above should be addressed by the Committee to ensure that Maryland's adult use market is a model for other states to follow. Thank you for your time and consideration of this matter. Should you or your staff have any questions regarding these matters, I can be reached at susan.valois@growwestmd.com

Sincerely

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Grow West MD

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