



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
TWENTY-NINTH LEGISLATURE, 2018**

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**ON THE FOLLOWING MEASURE:**

H.B. NO. 2742, H.D. 1, RELATING TO MEDICAL CANNABIS.

**BEFORE THE:**

HOUSE COMMITTEE ON FINANCE

**DATE:** Friday, February 23, 2018

**TIME:** 11:00 a.m.

**LOCATION:** State Capitol, Room 308

**TESTIFIER(S):** Russell A. Suzuki, Acting Attorney General, or  
Tara K.C.S. Molnar, Deputy Attorney General

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Chair Luke and Members of the Committee:

The Department of the Attorney General provides comments on this bill.

This bill adds a new section to chapter 329D, Hawaii Revised Statutes (HRS), to establish the office of medical cannabis control and regulation that would administer medical cannabis dispensary licensure and regulation pursuant to chapter 329D, HRS, and the registration of qualifying patients pursuant to section 329-123, HRS (page 1, lines 13-16).

The proposed wording establishing the office of medical cannabis control and regulation, which would register qualifying patients, should be amended to clarify that it also includes the registration of primary caregivers, as allowed under section 329-123, HRS, and that registration would be done pursuant to the medical use of cannabis outlined in part IX of chapter 329, HRS (page 1, line 16). If the Committee is inclined to move this measure forward, we suggest that it amend the wording on page 1, line 16, to read, "qualifying patients and primary caregivers, pursuant to part IX of chapter 329."

The Department of the Attorney General respectfully recommends that, if the Committee moves this measure forward, it amends the bill as suggested.

## HAWAII EDUCATIONAL ASSOCIATION FOR LICENSED THERAPEUTIC HEALTHCARE

To: Representative Sylvia Luke, Chair Finance (FIN)  
Representative Ty Cullen, Vice-Chair Finance (FIN)  
Members of the Finance (FIN) Committee

Fr: Blake Oshiro, Esq. on behalf of the HEALTH Assn.

Re: **REVISED Testimony In Support on House Bills (HB) 2742, HD1**  
RELATING TO MEDICAL CANNABIS - Establishes the Office of Medical Cannabis Control and Regulation in the Department of Health to administer cannabis patient registration and dispensary licensing and regulation. Extends civil service exemptions. Extends interim rulemaking authority. Appropriates moneys.

Dear Chair Luke, Vice-Chair Cullen, and Members of the Committee:

HEALTH is the trade association made up of the eight (8) licensed medical cannabis dispensaries under Haw. Rev. Stat. (HRS) Chapter 329D. We **support HB2742, HD1** as this bill purports to potentially improve administration and oversight by the Department of Health (DOH).

The medical cannabis dispensary industry is still in its initial fledgling stages of development. While we appreciate all of the diligence and hard work by the DOH thus far, we do believe that there are ways in which improvements to the administration of the program could be improved, and we see the approach in the bill as possible way in which to achieve these improvements. medical cannabis dispensary program with additional patient access, product controls and safety, and provide improvements to the administration of the program.

Thank you for your consideration.

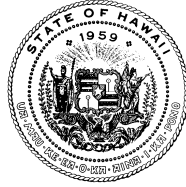
**HB-2742-HD-1**

Submitted on: 2/22/2018 10:54:04 AM

Testimony for FIN on 2/23/2018 11:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	OCC Legislative Priorities Committee, Democratic Party of Hawai'i	Support	No

Comments:



STATE OF HAWAII  
DEPARTMENT OF HEALTH  
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**LATE**

**Testimony COMMENTING on H.B. 2742, HD1  
RELATING TO MEDICAL CANNABIS.**

REPRESENTATIVE SYLVIA LUKE, CHAIR  
HOUSE COMMITTEE ON FINANCE

Hearing Date: Friday, February 23, 2018 Room Number: 308

1 **Fiscal Implications:** Estimated total cost \$2,777,836. Current combined budgeted expenditures  
2 are \$1,552,270 for FY2018 and are projected to increase to \$1,616,359 for FY2019.  
3 Administrative infrastructure expenditures of approximately \$280,000 for 4 new positions  
4 (Program Manager, secretary, IT Specialist, and data analyst) and office furniture and equipment.  
5 Operations and regulatory staff salary expenditures of approximately \$246,000 for 4 new  
6 positions (2 Registry Program Specialist and Epidemiologist and 2 Dispensary Licensing  
7 Surveyors). IT systems improvements and other one-time expenditures of approximately  
8 \$635,477 to upgrade patient registry system and patient cards and system development for use in  
9 enabling reciprocity. In addition, the Department requests forgiveness of the \$1,500,000  
10 advance general funds provided to the Department as start-up costs of the dispensary licensing  
11 program. This brings the total estimated cost to \$4,277,836 for state fiscal year 2019.

12 **Department Testimony:** Thank you for the opportunity to COMMENT on this measure.

13 The Department supports the goal of H.B. 2742 and the intent of this measure.  
14 Notwithstanding, the Department respectfully requests that this new Office of Medical Cannabis  
15 Control and Regulation be placed under the Deputy Director of Health Resources Administration  
16 (DDHRA) rather than the Director of Health. HRA is the more appropriate placement since

1 HRA and this program are operational in scope and this program will remain highly regulatory in  
2 order to maintain a robust regulatory system aimed at ensuring patient safety, product safety, and  
3 public safety. Reporting to the DDHRA provides better access to subject matter experts at the  
4 operational and regulatory level.

5 The new Office will be composed of the Patient Registry Program currently under the  
6 Chronic Disease Public Health Nursing Division and the Medical Cannabis Dispensary  
7 Licensing Program currently under the Office of Health Care Assurance. There are seven (7)  
8 FTEs in the Patient Registry Program and five (5) FTEs in the Dispensary Licensing Program for  
9 a total of twelve (12) staff.

10 Both programs also depend on other direct and indirect infrastructure resources from their  
11 respective host programs such as managerial, IT, and administrative and human resources  
12 support normally associated with larger operational offices. Similar and new resources would  
13 need to be provided as part of the new Office of Cannabis Control and would require the  
14 approval of four (4) additional staff such as for an overall Program Manager, secretary, IT  
15 specialist, and data analyst. Each “sub-program”, or unit, will also require two (2) positions in  
16 anticipation of greater numbers of registered patients and the number of additional inspections as  
17 more dispensary production centers and retail sales locations open across the state. This will  
18 bring the total number of positions for a consolidated Office of Cannabis Control to twenty (20).

19 The Office will need to embark on significant improvements in the patient registration  
20 process including an upgrade in patient registration cards and a better IT platform to support out-  
21 of-state reciprocity and for generating reports to DBEDT and other executive branch departments  
22 and for the legislature. These improvements were anticipated in order to consolidate the

1 programs into a single Office, and prior to this measure, but the consolidation required by this  
2 measure could prove timely for coordination and procurement purposes.

3 A consolidated Cannabis Control Office with 20 FTEs and upgraded IT systems would  
4 cost approximately \$2,777,836, excluding general funds advances to establish the dispensary  
5 licensing program. Ongoing annual operating expenditures are estimated at \$2,142,359. Annual  
6 operating expenditures would be partially offset by patient registry and dispensary licensing fees  
7 of approximately \$1,303,102, resulting in an unfunded net balance of \$839,257.

8 The Department supports extending interim rulemaking to July 1, 2025 and extending the  
9 exempt status of staff to June 30, 2025. The Department also requests making permanent the  
10 exempt status for persons in exempt positions prior to the Act and who transfer into the  
11 consolidated Office as a consequence of the Act. This is crucial for recruitment and longer-term  
12 retention because of the specialized nature of those positions.

13 As indicated above, the Department respectfully requests the Legislature not require the  
14 Department to repay the initial appropriation of \$1,500,000 which was necessary to launch the  
15 dispensary licensing program, and to not require program self-sustainability. As a result, the  
16 Department respectfully requests future funding of the consolidated office to come from general  
17 funds and that fees collected from dispensary licenses and patient registration be deposited  
18 directly into the general fund and that the medical cannabis registry and regulatory special fund  
19 be abolished and all balances be deposited into the general fund.

20 Thank you for the opportunity to testify on this bill.