



## MEMORANDUM

To: Chairman Blessing and Members of the Government Accountability and Oversight Committee  
From: Representative Bill Seitz  
Date: February 12<sup>th</sup>, 2018  
Re: HB 495 Sponsor Testimony

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Chairman Blessing and Members of the Government Accountability and Oversight Committee,

I am pleased to present sponsor testimony today on House Bill 495. Whether you support or oppose Ohio's Medical Marijuana Legislation, we all should share a desire that the program be operated with tight controls to prevent tax evasion, money laundering, and unsavory characters becoming involved in the distribution chain. We all should desire a system that lets the state carefully monitor who is recommending medicinal marijuana, who is buying it, and how often. After all, we learned these lessons the hard way with the Opioid Crisis and the pill mills, which we finally reined in after years of overprescribing, abuse, and black market sales. That is what HB 495 is all about.

In the legislation that we passed last session, we stated that the State may set up a closed-loop payment system to ensure that no cash changes hands in the grow-process-sell-purchase chain. However, the State itself was not willing to accept this legislative invitation. I cannot say as I blame the State, as it is not generally in the debit card business, and its other adventures with novel IT systems have been checkered, to say the least.

HB 495 accomplishes the goals of a closed-loop system by using state chartered banks and/or credit unions, who are much more familiar with payment processing systems than is the State itself. It sets up a bid process in which those banks or credit unions who wish to participate in the rollout of a closed-loop system can do so, and it requires the Commerce Department to conduct such a process. In the closed-loop system, we will have a cashless system for payment by customers to dispensaries, by dispensaries to processors, by processors to cultivators, and for payment to the suppliers and employees at each level of the chain. This will ensure that taxes are paid, that cash cannot be laundered, and that we will be able to track who is buying medicinal marijuana. The information will be available to all State and Federal law enforcement agencies, and to the US Treasury's Financial Crimes Enforcement Network.

Once operational, all medical marijuana entities and all customers must use the cashless system. As many of you know, the Federal government continues to believe that marijuana is a Schedule I Drug, and that those who are in the chain of involvement, including the financial institutions who bank marijuana entities, are at risk of Federal prosecution or other sanctions. These fears have recently been

rekindled because the current US Attorney General has signaled a departure from the previous administration's hands-off enforcement stance towards bona fide medical marijuana enterprises. However, Congress has, for the last several years, passed budget legislation expressly denying any money towards the Department of Justice to enforce Federal laws against medical marijuana. That legislation is up for renewal again, and HB 495 is part of a national effort in medical marijuana states that is intended to influence Congress to renew its ban on funding, especially for states that have adopted a closed-loop debit system such as we propose in HB 495. That is one reason why it is urgent that we pass HB 495. The other reason being that the Ohio program is supposed to be fully up and running by September of this year.

Subsequent to my introduction of this bill, it occurred to me that we may want to amend it to clarify that the closed-loop system records will not be considered open records under the Ohio Open Records Law, at least to the extent that they would reveal the names or personal identifying information about patient-buyers, or any medical information about particular ailments of particular patients who purchase medical marijuana. Such information should be non-public anyway when held by the bank or credit union, but absent an amendment, it might be deemed public record when and if the Commerce Department accesses it.

I urge your favorable consideration of HB 495. Solving the bankability issue is critical if the medical marijuana program that we have previously authorized is to be successful. I will be happy to answer your questions.