



March 13, 2018

Chairman Blessing, Vice Chair Reineke, Ranking Member Clyde and the Members of the Ohio House Government Accountability and Oversight Committee:

Thank you for the opportunity to testify regarding HB 495. My name is Thomas Rosenberger, and I am the Executive Director of the National Cannabis Industry Association of Ohio. We are a trade association representing level I and level II cultivators, processor and dispensary hopefuls, and ancillary cannabis businesses. Additionally, we are the state affiliate of the National Cannabis Industry Association which counts over 1,500 cannabis businesses as members.

After extensive discussions with the businesses we represent, I am here today to testify in opposition of HB 495 because of the negative impact it will have on medical marijuana businesses and on patient access.

HB 495 would require every transaction between a medical marijuana entity and their employees, independent contractors, sellers of goods and services, and other medical marijuana entities to occur through the closed loop payment system. In requiring this, we are artificially limiting the vendors, suppliers and contractors a medical marijuana entity can use to those who opt-in to the closed loop payment system. These limits will not only increase the cost of services and supplies for medical marijuana entities, but will also jeopardize key components of Ohio's Medical Marijuana Control Program.

For example, dispensaries are required to file reports with the Ohio Automated Rx Reporting System in real time. This requires dispensaries to have access to internet services, but how many internet service providers are going to go to the trouble of setting up a special account with an authorized financial institution and fully participating in a closed loop payment system in order to provide services to only a handful of customers?

Furthermore, HB 495 requires patients to set up an account with an authorized financial institution before they can purchase medical marijuana. Every additional step we create for patients is a barrier to their participation in the program, and could lead to them to seek marijuana on the illicit black market instead.

Additionally, in amending section 3796.031 of the Ohio Revised code, HB 495 would require the closed loop system to be in place by the September 8<sup>th</sup>, 2018 operational deadline for Ohio's Medical Marijuana Control Program. This timeline is unlikely to be met, as we have only 6 months to write the rules in accordance with Chapter 119, issue an RFP, and develop and test the closed loop software.

Finally, a closed loop payment system is unnecessary to provide banking services to cannabis businesses. The Financial Crimes Enforcement Network (FinCEN) has reported that as of September 2017, 400 state-chartered financial institutions are actively providing services to the cannabis industry and have filed more than 39,000 Suspicious Activity Reports. Here in Ohio, the Department of Commerce and the industry are actively working to recruit banks and credit unions chartered in Ohio to provide financial services to cannabis businesses.



This is a model that has worked well in other states such as Washington where state regulators are on record saying most cannabis businesses have access to banking, and where 99% of all taxes paid by cannabis businesses are received in a form other than cash.

We believe the free market system used in Washington, which doesn't negatively impact patient access, artificially limit the supplies and vendors for medical marijuana entities, or jeopardize Ohio's Medical Marijuana Control Program is the best way to address concerns about cash. Such a system does not require any legislative intervention, and so we urge the members of the committee to reject HB 485

Thank you and I am available for any questions members of the committee may have.