



Senate Bill 254 Sponsor Testimony

Senator Lou Terhar
Senate Finance Committee
November 13, 2018

Chairman Oelslager, Vice Chair Manning, Ranking Member Skindell, and members of the Senate Finance Committee, thank you for having me today to present sponsor testimony on Senate Bill 254.

Senate Bill 254 seeks to ensure that the medical marijuana program, enacted by HB 523 of the 131st General Assembly, be operated in a way that prevents tax evasion, money laundering, and corruption of the distribution chain.

Last GA's House Bill 523 permitted, but did not require, the medical marijuana regulators at the Department of Commerce to establish a closed-loop payment system. To date, no closed-loop payment system has been established, but it is now clear that the program should not move forward without these protections in place. We the legislature have the opportunity to establish this closed-loop payment system before the program becomes operational, which means that we can ensure that the money that makes its way into the industry is monitored. However, we must act quickly, because the Department of Commerce anticipates that dispensaries will be ready for business in 2019.

Senate Bill 254 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. Private industry will operate the system. SB 254 sets up a bid process in which those banks, credit unions, or other financial institutions who wish to participate in the rollout of a closed-loop system can do so, and it requires Commerce to conduct a bid 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 all entities pay the appropriate taxes, that cash cannot be laundered, and that we will be able to track who is buying medicinal marijuana and will comply with US Secretary of Treasury regulations. 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 that bank marijuana entities, are at risk of Federal prosecution or other sanctions.

These fears were rekindled because the previous US Attorney General signaled a departure from the Obama administration's hands-off enforcement stance towards state enacted 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 SB 254 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 this legislation.

I urge your favorable consideration of SB 254. 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.

