



Ohio House Government Oversight Committee
Senate Bill 261
Matt Close, Executive Director, Ohio Medical Cannabis Industry Association
March 16, 2022

Chairman Wilkin, Vice Chair White, Ranking member Brown and members of the Government Oversight Committee, my name is Matt Close, and I am the Executive Director of the Ohio Medical Cannabis Industry Association (OMCIA). The OMCIA would like to thank Senator Steve Huffman for sponsoring SB 261, which we believe is a necessary corrective measure of the Ohio Medical Marijuana Control Program (MMCP). While we support these corrective changes to the program, I testify before you today as an interested party because of two major provisions contained in the bill that expand and exceed what the industry views as corrective.

As the trade association for Ohio's Medical Marijuana Control Program licensees, our membership currently spans cultivators, processors, dispensaries, and testing labs. While the association was formed to advocate and educate on behalf of our members, our primary purpose is to work collaboratively with our regulators and the legislature toward the effort of improving and enhancing the State of Ohio's program. Mr. Chairman and members of the committee, attached to my written testimony you will find more information about the industry process, the program's history, including its timeline, as well as other relevant information we believe you will find of interest.

As it relates to the corrective changes contained in SB 261, over a year ago we invited our members to share with us issues they were having with the current structure of Ohio's program, and ways in which the program could be improved to assist licensees in providing Ohio's patients with consistent supply and high-quality medicine. We deliberately compiled what they thought would be good ideas for a corrections bill and put forth what industry actors saw fit for a clean mark-up to a statute that had not been touched in years. It should be noted that level 2 cultivators, along with the rest of the industry, agreed to corrective suggestions only, and it was after the OMCIA officially positioned itself in opposition to expansion measures added to the bill draft, that the level 2's left the association. It is for these reasons we testified in the Ohio Senate as proponents, in hopes to recover what had once been a broadly supported corrective bill that benefited all licenses equally. However, with the additional expansions beyond corrective still contained in the measure before you today, we are forced to testify now as interested party. Having said that we do want to thank the committee for deliberating this important issue that modernizes the program from inception which will truly helps nearly 130,000 Ohioans.

At this time, I would like to start out by correcting a few misnomers to Ohio's industry stated in the past few months. First, Ohio is not overpriced related to other states. In fact, based upon state published data, Ohio is relatively low in terms of price. Below you will find a breakdown of regional pricing. Ohio's medical cannabis on a per gram basis is less expensive than Illinois, Pennsylvania, and Maryland. We are nominally more expensive than Michigan which legalized medical marijuana for home grow back in 2008, and recreational use in late 2018.



State	Price Per Gram Plant Material	Active Patients	First Dispensary Opened
Pennsylvania	\$14.05 ¹	384,254 ¹	January 18, 2018 (4 years)
Illinois	\$12.46 ²	65,041 ²	November 2015 (6 years)
Maryland	\$10.53 ³	139,593 ⁴	December 1, 2017 (4 years)
Ohio	\$9.50⁵	130,641⁶	January 16, 2019 (3 years)
Michigan	\$4.22 ⁷	235,788 ⁷	Medical Marijuana since 2008 Recreational & first dispensary 2018

Secondly, it has been stated that Level 1 cultivators in Ohio are mainly multi-state operators. This is simply not true. Roughly 55% of licensed Level 1 cultivators are Ohio-owned businesses while 62% of licensed Level 2 cultivators are owned by Ohioans. Other states refer to smaller grow licenses as “craft cultivation licenses” typically intended to preserve a place in the industry for small business owners. As you can see by the breakdown, national operators have also applied for or acquired these smaller Level 2 licenses, including multibillion dollar publicly traded companies.

Let me be clear, there are multiple good provisions in this bill that will allow for a streamlined regulatory process that will lead to decreased prices for Ohio’s patients, namely the consolidation of the program under the sole regulatory authority of the Ohio Department of Commerce. However, we do have a couple of very grave concerns with a few provisions currently housed in SB 261.

In 2016, HB 523 created the MMCP and established by legislative intent that the program’s cultivation area be determined by the Department of Commerce via Ohio Administrative Code. This intent was wisely inserted to prevent oversupply by allowing the Department of Commerce to nimbly adjust cultivation area in a timely and necessary manner based on patient population and market demand. This remains an extremely important point, as Ohio medical marijuana market is not a free market. Ohio’s program is based on a limited patient population who can purchase a relatively low quantity of medical marijuana. Excess cultivation area could yield a gross oversupply, sending medical marijuana trickling into the illicit market.

SB 261 expands by more than double the allowable grow space for level 2 cultivators and locks cultivation space for all into statute, as opposed to its current home in more adjustable administrative rule with established caps. We do not agree with this expansion as the Department of Commerce

¹ [Pennsylvania Medical Marijuana Advisory Board Report November 16, 2021, page 4 and 19](#)

² [Illinois Medical Cannabis Patient Program February 2022 MCPP Update](#) – note the average price per gram has increased around \$1.00 since 2019, leveling off around 10.53 in 2021

³ [Maryland 2021 Legislative Report page 6](#)

⁴ [Maryland Medical Cannabis Commission FY 2021 Annual Report](#)

⁵ [Ohio MMCP Product Data January 2022](#)

⁶ [Ohio Medical Marijuana Control Program – Program Update \(February 2022\)](#) patients with both an active registration and an active recommendation

⁷ [Michigan Marijuana Regulatory Agency Monthly Report January 2022](#) page 4 (pricing) and 21 (patients)



currently monitors the supply available to Ohio patients and is best suited to ensure that supply meets current demand. It is important to note that the Department of Commerce has already begun accepting applications for currently operating cultivation licenses to expand beyond their initial cultivation space and has just recently granted several expansions to license holders. We firmly believe that our regulators are best to determine when expansion is appropriate based on patient population and market demand rather than a broad and arbitrary statutory number that may lead to oversupply.

Additionally, the OMCIA, along with the Ohio Legislative Black Caucus and Senator Huffman, came up with language to create a social equity study in SB 261 to study what future licenses would look like to address social inequities in the program. The goal of this panel has been prevented from the outset by the inclusion of a provision that gifts permanent preferential treatment to all Level 2 cultivators in future competitive application processes – even to those multibillion dollar publicly-traded companies. The OMCIA does not feel as though expansion, and the awarding of additional cultivation licenses or further cultivation space, should be addressed until this study has provided its findings and Commerce has determined that more cultivation space is warranted based on actual Program Data.

It should also be noted that the OMCIA, the sponsor, and the Ohio Legislative Black Caucus seek to address the missing social equity component of our program in the bill. SB 261 attempts to address social equity by studying this segment of the industry and how future expansions of licenses could support the participation of minorities and women in the program. The OMCIA believes that before any additional expansion is awarded beyond the current licensees, the findings of this study should be applied. We are also concerned that giving level 2 cultivators preferential treatment in the award of future level 1 licenses further undercuts this study.

SB 261 also includes a provision that would award a cultivation license to three stand-alone processing licenses that also initially applied for a cultivation license and were denied or disqualified. This is simply bad public policy. Cultivation licenses were awarded through a competitive merit-based application process. It does not make sense to award those who did not score high enough or were disqualified during the initial application process a grow license now more than three years later. There were plenty of other cultivation applicants who scored higher than these chosen few who were also denied. This provision is a handout and massive windfall for a targeted group of people.

Mr. Chairman and members of the committee, thank you for your time and interest on this important topic. Several OMCIA members are prepared to testify in opposition to SB 261 if the expansive measures included in the current version of the bill are not removed. Please know that OMCIA hopes to remain a valued resource to you as you deliberate SB 261 and would respectfully advocate to restore the measure back to its original intent of only being a corrective measure. At this time, I would be happy to answer any questions you or the committee may have, thank you.