

BEFORE THE OHIO SENATE
Senate General Government Committee

Testimony of Brad Schultz
Accountant of Northwoods Cannabis

Offered in opposition to
Senate Bill 56

February 18, 2025

Chair Roegner, Vice Chair Gavarone, Ranking Member Blackshear and members of this committee, thank you for allowing me to testify here today in opposition to Senate Bill 56. My name is Brad Schultz, and I am the accountant of Northwoods Cannabis, a Level II cultivator and processor located in East Palestine, Ohio.

I would like to provide a brief background of myself as I believe it will help you to understand the unique perspective I bring to this discussion. I was born and raised just north of Detroit, Michigan, however I attended and graduated from Capital University in 2018. I began my career in public accounting here in Columbus and earned my CPA license from the Accountancy Board of Ohio the following year, which I maintain and hold active. I left public accounting in 2021 when an opportunity to become an owner in a Michigan-based Cannabis Cultivation company presented itself. I am still a part-owner and operator of that company to

this day. Northwoods Cannabis acquired its Ohio Level II cultivation and processing licenses in May 2024.

I provide this background to you to show that while our company is new to the Ohio cannabis industry, we are not new to Cannabis as a whole, nor am I new to Ohio. Much of my testimony today may seem counter-intuitive to the business interests I hold in Michigan, and they are. Bad regulatory and tax cannabis policies in this state lead to much better business results for Michigan-sited companies. However, as a citizen of Ohio and a business operator here, I have a strong interest in the success of Ohio's cannabis industry. I hope that these contradictions illustrate the severity of the impacts of SB 56 to the State of Ohio, its citizens and its growing cannabis industry.

While I disagree with many of the changes to current law proposed in SB 56, there are three in particular that I would like to highlight. Those three issues are:

1. The reduction of cultivation space for both Level I and Level II cultivators
2. THC Potency caps of 100mg
3. The increase in excise tax above 10%

The proposed changes to THC potency caps hurt the consumer and industry alike.

The THC limits proposed in SB 56 are a reduction from what is already in place in the industry today, of which medical patients and adult-use customers have become accustomed to. Medical patients who use 550mg edibles will now only be able to use products that are over 80% less potent. Similarly, this hurts the businesses in the industry as THC caps that are lower than neighboring states, or are available via the illicit market, creates a consumer perception that licensed, regulated cannabis is actually an inferior product to what is available in alternative markets, thus driving consumers to spend elsewhere. As such, I would propose that THC limits be maintained at their current levels under current law.

The proposed changes to the excise tax are problematic.

The current excise tax of 10% is in line with neighboring markets and aims to keep Ohio competitive. However, due to high retail prices of cannabis products in our state compared to others, these prices have the consequence of driving Ohioans to purchase cannabis products in neighboring states as well as from the illicit market. Increasing the excise tax will have the opposite effect of which is intended and may actually result in less tax revenue as customers are further motivated to shop

in alternative markets. As such, I would propose that the excise tax rate be maintained at 10% as was passed under Issue 2 in 2023.

The need to maintain the current cannabis cultivation capacity.

A better solution to increasing tax revenue for the state is what brings me to my final point: cannabis cultivation capacity. Some background first: When Issue 2 was passed by the citizens of Ohio in 2023, Level I and Level II cultivators were granted a maximum cultivation capacity of 100,000 square feet and 15,000 square feet, respectively. SB 56 proposes reducing these limits to a maximum of 75,000 square feet for Level I cultivators and 9,000 square feet for Level II cultivators.

This represents a decrease of 25% reduction in capacity for Level I cultivators and a 40% reduction in capacity for Level II cultivators. As you can see, this reduction of canopy space disproportionately hurts the small businesses that make up the Level II cultivator group. Furthermore, our Level II business, Northwoods Cannabis, has relied on and made significant financial investments to expand our cultivation capacity to a 15,000 square foot capacity as allowed under Issue 2. If SB 56 passes as currently written, it would retroactively undermine the investments we have already made and would be detrimental to our business plan and future operations.

In regards to how a larger cultivation capacity would result in an increase in tax revenue for Ohio, I would point you to the most recent sales data published by the Ohio Division of Cannabis Control and the Michigan Cannabis Regulatory Agency. I chose to compare data to Michigan's cannabis industry given that state's proximity to Ohio and the fact that many Ohio citizens openly commute to Michigan for their cannabis purchases, rather than buy from local, Ohio establishments.

As of February 10, 2025, the Ohio Division of Cannabis Control reported the average retail price of one gram of cannabis flower was \$6.74. In Michigan, where cultivation capacity is far greater, the average retail price of one gram of cannabis flower was \$2.38 as of January 31, 2025. That means right now one gram of cannabis flower is 2.8X more expensive in Ohio than in Michigan. If the State hopes to see the benefits of a healthy cannabis industry via increased tax revenue, reducing the available supply of cannabis in Ohio will only exacerbate these retail price discrepancies, driving more sales and resulting tax revenues to Michigan or causing more to be purchased in unregulated, untaxed, and unsafe the illicit market.

In short, I would ask that the Senate consider striking the reduction of cultivation capacity from SB 56 for both Level I and Level II cultivators so as to avoid a

detrimental financial impact to Ohio's cannabis operators, provide motivation for Ohio citizens to purchase cannabis locally, and therefore build a healthier Ohio economy through increased tax revenue. Also, I would ask that the potency caps and excise tax limits in current law be preserved.

Thank you for your time today. This concludes my testimony. I now would submit to any questions that the committee may have.

Respectfully,

Brad Schultz
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