

BEFORE THE SENATE FINANCE COMMITTEE

Testimony of Fadi G. Boumitri

Offered as in opposition to **Senate Bill 56**

Chair-woman Roegner and honorable members of this committee, thank you for allowing me to testify here today in opposition to Senate Bill 56. My name is Fadi Boumitri and I am the owner of Ascension BioMedical LLC, a level 2 cultivator located in Oberlin, Ohio.

I cannot stress to you enough the detriment of that Senate Bill 56 will cause not only to me and my company, but to the State of Ohio in general. I will do my best to keep this as brief as possible, but I am happy to elaborate on any of these points at any time. This is especially true if you doubt any of these points. You and I do not know each other, so you would not know, but I am not the type to worry unnecessarily, nor to embellish.

HOW BAD IS THIS BILL FOR BUSINESS?

Senate Bill 56 will ruin my business. I know that sounds like an embellishment, but let me prove it to you. I am \$4.6M into a \$17M construction project to expand my cultivation facility. Within 48 hours after this bill was introduced, I got a phone call from an investor that had previously committed to investing with me. He was asking questions like “how does this affect the business? How does it affect the industry at large? What does this change?” Before I even had a chance to answer, his response: “I’ll be honest, my attorney (who is his investment advisor) has advised me to discontinue my investment until this is defeated.” Within a 72 hours of SB 56 being introduced, I was forced to stop construction on my \$16.5M expansion because investors totaling \$6.5M in commitments were no longer investing. Now, I have the metal beams of a building up, but no walls on it. I have millions in additional loan liability, with nothing to show for it. I am faced with two options, and I’m not sure which is worse: (1) give up on the construction, and slowly bleed the company of money paying for the debts of the quarter-built construction, or (2) continue the construction (if I can get the investment dollars to do so) knowing that the industry and my company could be choked out of existence with this bill at any point, and also knowing that bankruptcy doesn’t exist for cannabis since it is not federally recognized as a legitimate business.

HOW BAD IS THIS BILL FOR THE PUBLIC?

I will get straight to the worst part of what this bill does. This bill, whether purposely designed to do so or not, will directly lead to the following:

1. Increased black market cannabis activity. The price of cannabis at Ohio dispensaries is already higher than black market prices, but a good contingency of people are willing to pay some increase to purchase from a legal, safe market. However, that number has a limit. Increasing the tax by 50% will likely hit that limit. What makes me say that? Take a look at California. The cannabis market in California has a 15% tax, and that is enough

for the black market to continue to flourish while the regulated market suffers. California has a population of 39M and gets 264M visitors per year, yet it has a smaller cannabis market than Michigan with 10M residents and 125M visitors per year. This is attributed to 3 reasons.

- a. the number of years California had a de facto market (also known as a grey market) prior to fully legalized, adult use cannabis,
- b. the high fees on operators in the regulated market, which causes the price of products to be high,
- c. the high taxes on cannabis (15%)

Just as California's grey market flourished with illegal grows, Ohio's grey market is flourishing now, except it is flourishing with the number of people buying cannabis in Michigan, or buying intoxicating hemp from every corner store, or, worst of all: buying Michigan cannabis from Ohio vape shops selling it under the guise of intoxicating hemp.

2. Increased number of Ohioans driving to Michigan for cannabis products. The higher Ohio prices get, the more people will drive to Michigan. And, as cannabis use in Ohio normalizes more and more, the increase in prices from increased taxes in Ohio will lead to more and more people buying their cannabis in Michigan.
3. Decreased revenue to the state of Ohio. Increased traffic to Michigan will mean direct loss of revenue to the state of Ohio. Increased black market sales will mean direct loss of revenue to the state of Ohio. Continued grey market sales at vape shops (whether from intoxicating hemp or from Michigan cannabis masquerading as intoxicating hemp) will mean direct loss of revenue for the state of Ohio.

Other provisions of SB 56 that will also increase prices, and therefore lead to more black market, grey market, and Michigan cannabis sales and decreased revenue to Ohio:

- A. Forcing all products to be sold from a processor to a dispensary. This will cause the price of all flower in Ohio to increase. Right now, those cultivators can sell direct to the dispensary. Adding a layer where they have to move that product to a processor first, then to a dispensary, will add cost to the process, which will increase the price at the register completely unnecessarily. This provision does not create any additional benefit the public good. Quite the contrary, it is detrimental to the public good through the increased cost that will result.
- B. Forcing medical products to be "separated" from adult use products. Medical and adult use products in Ohio are already subject to some of the most stringent standards in the country. Forcing these products to be kept separately serves no legitimate purposes. It does not make any person more safe. The only thing it does is create a logistical hurdle for dispensaries and producers to deal with, which, again, will increase prices unnecessarily.
- C. THC content limits. Whether limiting the amount of THC per edible and per package, and/or limiting THC percentage to 70%, both serve to increase prices (more input materials will mean increased pricing), but it will also force patients and consumers to

consume additional non-active ingredients just to achieve the desired amount of active ingredient. What do I mean by this? Someone who needs a high amount of THC to achieve relief isn't just going to take less. They will need to take an increased amount of gummies, or consume an increased amount of liquid, or take several pills, just to achieve the same relief/effectiveness. That means more sugar, or more capsules (whatever those are made of) just to achieve the same effectiveness. Think of it like this: if you need 500mg of aspirin to relieve a headache, and you can only get 200mg per capsule, you don't stop at 1 capsule. You take 2.5 capsules to get the same result. It will be no different with THC based products.

- D. Sending all revenue to the General Fund. There are nearly 200 cities in Ohio that have taken a chance on the cannabis industry, and many of them took that chance specifically to benefit their communities with the taxation money they were promised in the Initiated Statute. Changing taxation to exclude cities will cause less cities to allow dispensaries. Even if they may have allowed them without the additional tax revenue, they will feel slighted now, and this will lead to less cities allowing dispensaries. Less dispensaries will mean less tax revenue to the state.

CONCLUSION

It is obvious that SB56 is designed to hurt the cannabis industry in Ohio, but the consequences of SB56 will hurt much more than the cannabis industry. It will hurt consumers. It will hurt patients. It will hurt the finances of the entire state. There are too many changes that would need to be made to make this bill beneficial to Ohio, instead of detrimental to Ohio. For all of these reasons, I would ask that you simply defeat the bill, respect the will of the people in passing the Initiated Statute in 2023, and reject any changes to the cannabis industry in Ohio that are detrimental to the public good.

Sincerely,

Fadi G. Boumitri
CEO, Ascension BioMedical LLC