

**Ohio Senate Testimony – Proponent Against SB 56**  
**Before the General Government Committee**  
Ohio General Assembly

**Date:** February 18, 2025

**Madame Chair Roegner, and Members of the Committee,**

My name is **Ryan Hord**, and I am here today representing an **incoming Central Ohio-owned and operated group of four who will have an Ohio retail cannabis license in Columbus, Ohio**. Additionally, I am the owner of **Storad Label Co.**, a **59-year-old packaging and labeling company that serves the cannabis industry**, and have been a **medical cannabis patient for over 20 years**. I have **extensive knowledge of cannabis regulatory frameworks across the country**, having studied and observed how different states have structured their programs—and, more importantly, **the mistakes they have made**.

SB 56 would **repeat many of the same missteps we have seen in states like California, Illinois, and Massachusetts**, where excessive regulation, **onerous excise taxes**, and **barriers to small business participation** have led to a **thriving illicit market, the closure of small operators, and reduced patient and consumer access**.

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## **1. SB 56 Favors Large Out-of-State MSOs at the Expense of Ohio-Owned Businesses**

When Ohio legalized medical cannabis, the program was **intended to be Ohio-run and Ohio-owned**, fostering a local industry that would generate jobs and economic opportunities for small and mid-sized businesses within the state. However, over time, **large Multi-State Operators (MSOs)**—most of which are **headquartered outside of Ohio**—have gained control over a majority of the market.

Now, SB 56 **further solidifies the dominance of these MSOs by granting preferential licensing and limiting access for new Ohio-owned businesses**. We have seen similar trends in **Illinois, Massachusetts, and New York**, where out-of-state corporate interests have **consolidated control of the market**, pushing out local entrepreneurs and limiting competition.

As an incoming Ohio cannabis retailer, I want to see a program that **prioritizes Ohioans, not out-of-state corporations**. Restricting new entrants will **eliminate competition, limit product diversity, and increase costs**—all while forcing consumers back into the illicit market.

If Ohio wants a truly **homegrown** cannabis industry, it must stop favoring large MSOs and ensure **small and mid-sized Ohio-owned businesses have a fair shot**.

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## **2. Increased Taxes Will Harm Patients and Legal Operators**

SB 56 imposes **new excise taxes** on cannabis sales. We have already seen the consequences of this approach in **California, Washington, and Oregon**, where **sky-high tax burdens forced many legal businesses to shut down**.

Ohio must recognize that **excise taxes are ultimately passed onto the consumer**. This means:

- **Higher prices for patients who depend on cannabis as medicine**
- **Higher adult-use prices that drive consumers back to illegal sources**
- **A loss of tax revenue when businesses fail or customers avoid legal dispensaries**

California, for example, **now has a 40% effective tax rate** in some jurisdictions—leading to **a rampant illicit market where over 60% of sales happen outside the legal system**. If Ohio **raises taxes too aggressively**, the legal market will fail, and the state will lose out on **both revenue and public safety benefits**.

Additionally, **Section 280E of the federal tax code** imposes severe financial burdens on legal cannabis businesses. Because cannabis is still federally illegal, businesses are **denied standard tax deductions** that every other industry enjoys. This results in **effective tax rates of nearly 32% on gross revenue**, leaving small businesses with little to reinvest in operations, employees, or community engagement. Without tax relief, small and mid-sized operators will **struggle to stay afloat** while larger, well-funded MSOs continue to dominate.

Ohio legislators must advocate for **fair taxation policies** and recognize that **stacking state-level excise taxes on top of 280E's excessive burden will devastate Ohio cannabis businesses before they even have a chance to compete**.

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### **3. Social Equity and Small Business Growth Require an Open Market**

While SB 56 claims to provide **social equity licenses**, the **lack of new licensing opportunities** contradicts this goal. Many states have tried and failed to implement **meaningful social equity programs** because they **grant licenses too slowly, create unnecessary barriers, or protect corporate interests over small entrepreneurs**.

By contrast, states that have **allowed a fair number of small-business licenses—such as Michigan, which has surpassed \$10 billion in total cannabis sales—have seen significant industry growth, despite recent economic challenges**.

Ohio should **not** repeat the mistakes of states like **Illinois**, where social equity programs were **tied up in legal battles for years** while large corporations continued to dominate the market.

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### **4. Local Bans Will Limit Access and Strengthen the Illicit Market**

SB 56 **allows townships to ban medical and adult-use cannabis businesses**. This will create **cannabis deserts**, forcing patients and consumers to **travel long distances or return to illegal sources**. We've seen this happen in states like **New Jersey and Arizona**, where excessive local bans **stalled market growth and limited consumer access**.

- **Ohio's medical patients—many of whom have serious illnesses—should not have to drive hours to get their medication.**
- **Local bans do not eliminate demand for cannabis; they just shift sales to unregulated markets.**

If Ohio truly wants to create a safe, regulated industry, it must ensure **broad patient and consumer access**, not give townships **the power to eliminate legal businesses altogether**.

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## **5. Strict Criminal Background Restrictions Hurt Industry Growth**

Ohio's cannabis industry **must not exclude individuals** who have prior **non-violent cannabis-related offenses**. Many of these individuals were **unfairly punished under outdated drug policies** and should now have the opportunity to **participate in the legal market**.

SB 56 **fails to create a fair and rehabilitative pathway for these individuals**—something many states have **already recognized as a crucial issue**. States like **New Jersey and New York** have implemented **automatic expungements and priority licensing for those harmed by prohibition**, but Ohio's proposal **would continue to exclude them**.

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## **Conclusion**

SB 56 would **repeat the regulatory failures of other states**, leading to **higher costs for patients and consumers, a shrinking legal market, and an increase in illicit sales**. Instead of **protecting corporate monopolies**, Ohio should focus on **fostering a competitive, small-business-friendly market** that allows for **fair taxation, broad consumer access, and meaningful social equity participation**.

I strongly urge this committee to **reject SB 56 in its current form**.

Thank you for your time. I am happy to answer any questions.

### **Ryan Hord**

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