



3/14/22

SB560 MEDICAL MARIJUANA REGULATION ACT

PROPONENT

ORAL IN PERSON TESTIMONY

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To the Committee on Federal & State Affairs,

I'd like to first thank the committee for taking time to hear SB560 and all of the work that has gone into preparing for this important, necessary and highly desired program. My name is Heather Hobbs Steppe and I am the president of the Kansas Cannabis Chamber of Commerce (not associated with the Kansas Chamber of Commerce), Continuing Education Cannabis Instructor at JCCC, graduate of the Leadership OP program in 2021, and co-founder of KC Hemp Co.®. I am submitting this testimony on behalf of the Kansas Cannabis Chamber, and myself, in support for SB560.

While cannabis based businesses in our organization overwhelmingly support this bill, there are a few key points that we want to bring to your attention.

Mitigating the black market is a goal of most medical and recreational programs across the country. Safeguarding the industry with common sense regulations can eliminate the influx and exportation of the black market through reasonable licensing fees, accommodations for conceal and carry permits while also creating public health initiatives for patients and consumers.

The demand for cannabis is at an all time high from registered voters across this state suggesting over 70% want this program. I'd like to point out that consulting with law enforcement to enact common sense regulations surrounding the products is advised. A thriving industry cannot be had without the help and support of law enforcement.

With all of that said, I would be hard pressed not to bring up the egregious overreach of law enforcement you will likely hear/read in opposition testimony. Law enforcement's job is just that, to enforce the law, not create the law. For them to take a stance against this industry goes against public health and public safety while feeding into the already horrible public perception of keeping this plant illegal to advance their bottom line through civil asset forfeiture which has run rampant in this state.

There are a few suggestions The Kansas Cannabis Chamber would like to propose for additional thought and consideration when moving forward with this bill:

1. Licensing fees: The high licensing fees associated with the cultivation licensing is a recipe for disaster for Kansas based businesses. In an industry that is already riddled with high cost, regulation and ZERO opportunity for tax write-offs thanks to federal clause 280E of the tax code, it would be virtually impossible for businesses to not only make money but to sustain, especially small businesses across the great state of Kansas. This language effectively prices them out of participating in a program, especially small rural farmers who may only use this as an opportunity to provide a specialty crop. Kansas is an agricultural state and our farmers should be able to have full participation in the program. It is worth noting that high fees equate to smaller participation in the program which equates to fueling the black market. Reasonable fees to encourage entrants into the industry is imperative to public health, quality of product in the market, and will help curb the thriving black market that now exists in Kansas. If your goal is to compete with the black market, you need larger industry participation for keeping patient costs low.

PROPOSED RESOLUTION: \$5/square foot with a minimum of 1000 square feet for cultivators with \$20,000 application fee

PROPOSED RESOLUTION: \$100,000 bi-annual processing fees with \$20,000 application fee

PROPOSED RESOLUTION: \$100,000 bi-annual dispensary license with \$20,000 application fee

A robust economic impact from the cannabis industry is reliant on keeping fees reasonable to allow participation in the program. A positive economic impact for the cannabis program in Kansas relies on varied participants, at all levels of business to drive competition and increase innovation.

2. Limiting how much of the market one person or entity may control: We would never support the capping of licenses in the program but do suggest limiting the amount of licenses one entity may obtain for the first 3 years of the program to enable an opportunity for the market to level without predatory corporate practices such as anti competitive tactics, buyouts, and monopolistic style business practices. We propose imposing market share limitations for the first 3 years of the industry and then opening it up once the market has leveled. In other states, such as MO, There is a limit to the amount one entity can own that is 2 cultivation, 2 processing facilities and 5 dispensaries. Adopting a model similar to this in Kansas would limit the market share of major corporations and give smaller businesses an opportunity to thrive and compete in the market.

PROPOSED RESOLUTION: IMPOSE MARKET SHARE LIMITATIONS FOR THE FIRST 3 YEARS OF THE INDUSTRY ONLY ALLOWING ONE COMPANY TO ONLY HOLD 2 CULTIVATION LICENSES, 2 PROCESSING FACILITY LICENSES, AND UP TO 4 DISPENSARIES.

“The concentration of power through large corporations, whose goal is to create anti-competitive tactics through absorbing competitors and pricing them out of the market with fees and regulatory costs presents questionable ethics & business practices that have riddle many industries.”

3. Provide language that defines equity to halt under the table deals of larger corporations to gain control of more licenses through legal workarounds outside of the bounds defined by statute. Recommended language can be supplied upon request and is taken from Maryland’s Cannabis Commission to mitigate unethical corporate practices.

3. We would like to see language removed from the bill that recommends expungement + a 10 year waiting period for license holders with prior felony convictions especially for those of cannabis or drug convictions and non-violent crimes. In Kansas, this could take upwards of 20 years. It is important to note that you cannot expunge federal felonies. We would like to see the language reflect either a waiting period post conviction or eliminating non-violent felony offenders from the list of those not able to get a license.

There are a lot of wonderful things about this bill including the qualifying medical conditions, the low cost for obtaining a medical card, and the employment licensing program, to name a few. We are thrilled and available to work with the legislative bodies and you all work through this bill to provide unbiased factual information beneficial for the industry. Our goal at the Kansas Cannabis Chamber is to help businesses navigate the industry post legalization and provide recommendations to the legislature as the industry evolves over the course of its lifespan.

I will leave you with this quote.

“The legalization movement has broad public support and has its origins in grassroots advocacy. Public policy around it should rightly, serve the public. Sensible regulation to prevent excessive corporate power, protect public health, and serve the public good must not become a sidenote. It is up to us to build a fair market where everyone has an opportunity to compete and thrive. Let’s reap the benefits of competition and enjoy an innovative market that respects workers, consumers, and the cannabis plant itself for generations to come”

Title, Shaleen, Bigger is Not Better: Preventing Monopolies in the National Cannabis Market (January 26, 2022). Ohio State Legal Studies Research Paper No. 678, Drug Enforcement and Policy Center, 2022, Available at SSRN: <https://ssrn.com/abstract=4018493> or <http://dx.doi.org/10.2139/ssrn.4018493>