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DEPARTMENT OF HEALTH
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**Testimony COMMENTING on HB696
RELATING TO MEDICAL CANNABIS DISPENSARIES**

REP. DELLA AU BELATTI, CHAIR
HOUSE COMMITTEE ON HEALTH & HOMELESSNESS

Hearing Date: 02-04-23

Room Number: 329

1 **Fiscal Implications:** N/A.

2 **Department Testimony:** The Department of Health (DOH) Office of Medical Cannabis
3 Control and Regulation (OMCCR) understands the intent to establish system access and system
4 integration requirements for the medical cannabis dispensary computer software tracking system
5 and to require DOH to submit an annual report to the legislature on data captured using the
6 computer software tracking system. OMCCR comments to clarify that the “computer software
7 tracking system” referenced in section 329D-6(j), HRS, is a commercial, off-the-shelf cannabis
8 seed-to-sale tracking system that is intended to track cannabis plant material and manufactured
9 cannabis product to ensure that there is no diversion of cannabis from the licensee’s operation.
10 Although the system collects retail sale data, it does not collect and tax data or financial data.

11 The state’s system can and does integrate with other enterprise software systems that the
12 dispensary licensees use, including point-of-sale and seed-to-sale tracking systems. Licensees
13 are not required to use the same seed-to-sale tracking system as the state, however, the systems
14 that the licensees use, must be able to integrate with the state’s system.

15 Thank you for the opportunity to testify.

16 **Offered Amendments:** N/A.

17



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DEPUTY DIRECTOR | KA HOPE LUNA HO'OKELE

Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Health and Homelessness
Saturday, February 4, 2023
9:30 a.m.
Via Videoconference**

**On the following measure:
H.B. 696 RELATING TO MEDICAL CANNABIS DISPENSARIES**

Chair Belatti and Members of the Committee:

My name is Iris Ikeda, and I am the Commissioner of Financial Institutions of the Department of Commerce and Consumer Affairs' (Department), Division of Financial Institutions (DFI). The Department offers comments on this bill.

The purpose of this bill is to establish system access and system integration requirements for the computer software tracking system for medical cannabis dispensaries and requires the department of health to submit an annual report to the legislature on data captured using the computer software tracking system.

The DFI defers to the Department of Health (DOH) on this matter as Chapter 329D, Hawaii Revised Statutes (HRS), is under the purview of DOH's oversight. DFI limits its comments to page 3 relating to the financial data banks and other financial institutions may access of individuals and businesses. DFI's understanding of the software used by DOH is that it does not collect financial data on individuals or

businesses, and instead collects data on the cannabis plant as it makes its way through the phases of growing, cultivation, production, and sale.

The banks and other financial institutions are subject to federal laws that require the gathering of information on account holders who receive banking services for the purpose of verifying that bank customers are who they say they are in order to prevent, detect, and prosecute international money laundering and finance of terrorism. In addition to the name, contact information, date of birth, banks gather financial information including information about employment, type of activity the individual might have on the account, the length of time the individual has been in the state, whether the individual is a citizen. In the case of a business account, the bank will also ask about the company's business plan, business owners, as well as financial information about the business. All of this information is considered personal information to the account and is only shared on a need-to-know basis.

Thank you for the opportunity to provide comments on this bill.

JOSH GREEN M.D.
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Choose an item.



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DEPARTMENT OF TAXATION

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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 696, Relating to Medical Cannabis Dispensaries

BEFORE THE:

House Committee on Health & Homelessness

DATE: Saturday, February 4, 2023

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 329

Chair Au Belatti, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 696 for your consideration.

H.B. 696 amends section 329D-6(j), Hawaii Revised Statutes, by adding further requirements to the Department of Health's computer software tracking system for medical cannabis dispensaries. Data collected by the computer software tracking system shall be made available to the Department for the purpose of taxation and regulation of cannabis and manufactured cannabis products.

This measure takes effect on July 1, 2023.

The Department is able to administer this measure as currently written.

Thank you for the opportunity to provide comments on this measure.

House Committee on Health and Homelessness
The Honorable Rep. Della Au Belatti, Chair
The Honorable Rep. Jenna Takenouchi, Vice Chair

Saturday, February 4, 2023
9:30 AM
Conference Room 329

Thank you for the opportunity to submit testimony in support of HB 696.

Transparency and accurate data collection is key to a successful and safe cannabis tracking system. To accomplish this in a more robust way, HB 696 makes changes to the current reporting structure in the following ways.

Giving the department of taxation access to the data assists in tax collections and serves the state well when performing routine audits. Data from the system can confirm sales tax, excise tax, and assist in routine business audits.

Allowing banks and other financial institutions certain access helps promote banking for industry members. Banks must follow federal Financial Crimes Enforcement Network (FinCEN) guidelines and must be able to verify that customer transactions are transparent, properly recorded, and conducted exclusively by licensed players in the regulated market. Self-reporting is an option but may not be a viable solution for larger institutions. This access has encouraged more banking options for the cannabis industry in other states.

Requiring the state tracking system to provide integration for other enterprise software systems allows businesses to use other third-party systems of their choice, whether a point-of-sale system or another inventory system. If the system of choice integrates with the centralized state tracking system, the Department of Health, Office of Medical Cannabis Control and Regulation, will have the information they need.

Finally, Metrc believes the reporting required in HB 696 is important information for policy makers to have and that transparency in the marketplace is always a good thing. The current reporting done by the Department focuses on patient registry data. While it is important to understand the demand for medical cannabis products, it is also important to understand the supply and any trends related to public health. Having this insight into the supply chain could help prioritize policy decisions, especially as the program grows or adult use of cannabis is allowed.

The state tracking system can be an integral part of providing this information. The information is already being collected, why not report on it and use it for policy making decisions.

About Metrc

Metrc the leading and most experienced track and trace technology solution used in the US. Metrc designed the first track and trace system in close collaboration with regulators in Colorado in 2011 and now provides this critical component of cannabis regulatory systems to 23 jurisdictions (21 states, DC and Guam) throughout the country. Track and trace systems are critical to providing and promoting safe, transparent, and secure marketplaces in the cannabis space.

HB-696

Submitted on: 2/2/2023 10:17:14 AM

Testimony for HLT on 2/4/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Victor K. Ramos	Individual	Support	Written Testimony Only

Comments:

SUPPORT