

4/24/2023

RE: Written Testimony on SF73 Legal Recreational Marijuana

Dear Committee Chair, Committee Administrator, and Committee Members,

**I would like to submit this written testimony for the Tuesday, April 25, Finance Committee Hearing on SF73. Please see #5 & #7 on my list of concerns below that pertain directly to finance. This testimony is specifically concerned with the finance structure on Hemp Low-Dose THC edibles and Hemp Derived Consumer Products.**

I am an industrial hemp farmer in Zumbrota, Minnesota where we grow industrial hemp for our attractions Hemp Maze Minnesota and Canna Disc Golf. We are an agritourism business that educates and informs the public about industrial hemp/cannabis. We have grown industrial hemp since 2018 and opened our retail hemp business in 2019. We also own the Olde Pine Theatre, a performing arts venue, in Pine Island, Minnesota and a hemp farm in Hager City, Wisconsin. We sell our CBD and CBG flower as well as our other hemp medicinal products (topicals, tinctures, gummies, vapes, drinks, and low-dose THC products) at our on-site farm store and at the Olde Pine Theatre during events. **The 9<sup>th</sup> engrossment of SF73 list hemp 909 times while marijuana (illegal cannabis) is listed just 63 times. The companion bill HF100 lists hemp 1,240 times and marijuana (illegal cannabis) 73 times.** We would like to do business as usual and if either of these bills pass as they are written it will dramatically affect how we do business. **Hemp is already legal on a federal level with the passing of the 2018 farm bill.** Minnesota already has state statute MN 151.72 that regulates hemp products specifically CBD and THC derived from the hemp plant. As written SF73 will have a detrimental effect on industrial hemp growers, processors/manufacturers, and retailers. **Let's be honest, we are talking about legalizing recreational marijuana at the state level. Minnesota already has a medical marijuana program and a regulated licensed industrial hemp industry through the Minnesota Department of Agriculture.** I have read through 139 pages of the fiscal note, SF73-1E. I am listing key elements of the fiscal note that concern me as a farmer, processor, and retailer of hemp cannabinoid products in two states, Minnesota & Wisconsin.

1) SF73-1E Page 9 The Office of Cannabis Management is established effective July 1, 2023. The MDA assumes it will be responsible for standing up the Office of Cannabis Management for at least the first year after passage.

There is currently no funding for this in the fiscal note and may cause repercussions in the hemp edible and consumer product space for 2023. **The Minnesota Department of Agriculture (MDA) will see an extensive increase in expenses and will not be prepared to monitor 5,000 retail locations and the countless edible low-dose THC products on the market.**

2) SF73-1E Page 10 FY24 is estimated at \$1,250,000; this is based on 5,000 low-potency licenses. It is expected to be high in the first year because these retailers are already selling the products and will seek the licenses when available.

The fiscal stance of this bill plans to ride the hemp industry to fund the way to a Marijuana Recreational Program in Minnesota. The author is referring to the current hemp low-dose 5mg per serving THC products available in edibles and drinks that are now legal in Minnesota under MN Statute 151.72. **This is asinine.** We are hemp growers and producers of hemp products that have nutritional and medicinal value. We do not sell our products with the intent to get people high. That is why MN Statute 151.72 has the dose limit on any hemp derived THC at 5mg per serving. THC in low doses coupled with other cannabinoids like CBD and CBG have a calming effect on the body and helps people deal with anxiety and sleep deprivation. **WE ARE NOT IN THE BUSINESS OF GETTING PEOPLE HIGH!** The 2018 Farm Bill made hemp a legal farm commodity. The 2018 Farm Bill states, "the term "hemp" means the plant species *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis." **Hemp growers, processors, cannabinoid retailers, and consumers should not be paying the way for a Marijuana Recreational Program in Minnesota. Many of our customers choose to come to us because they do not want marijuana. If you charge them an additional 8% tax on their hemp derived cannabinoid consumer products are you not stepping into taxation without representation???**

3) SF73-1E Page 10 The OCM is directed to enter into interagency agreement with the Department of Agriculture to assure that edible products meet appropriate standards related to food safety. The OCM is granted temporary expedited rulemaking authority.

Although this is ambitious, will the newly formed OCM under the Minnesota Department of Agriculture really be prepared to monitor 5,000 low-dose retail locations on July 1, 2023 and review the countless edible/drink low-dose THC products? **This seems highly unlikely and if the OCM is granted temporary expedited rulemaking could they not just shut down the hemp low-dose THC market as well as the hemp CBD and cannabinoid market in Minnesota?**

4) SF73-1E Page 10 **Approval of cannabis flower, products, and cannabinoids**

Directs the office to approve all types of cannabis flower, cannabinoid products, and hemp-derived consumer products other than topical products for sale by rule.

Prohibits the office from approving cannabis flower, cannabinoid products, or

hemp-derived consumer products designed for smoking or inhaling through vapor that contains an added flavor.

As a hemp cannabinoid retailer I am concerned that many of the hemp consumer products we currently sell will be omitted. **We cannot survive as a business selling only hemp topical products.** We

currently sell hemp CBD vape cartridges and vape disposables that are flavored to mimic the hemp cannabis strains. **We will no longer be able to sell a majority of our current vape products.** What is the reasoning behind this? The cannabis plant naturally contains hundreds of terpenes. Different level of terpenes create different therapeutic effects and this is why people choose different strains of cannabis. **We should be able to mimic the plants natural characteristics.**

5) SF73-1E Page 10 It is assumed that there will be revenues of \$2,169,500 for the license applications. This estimate is based on the one-time \$250 application fee for the estimated 8,678 licenses. FY24 is estimated at \$1,250,000; this is based on 5,000 low-potency licenses. It is expected to be high in the first year because these retailers are already selling the products and will seek the licenses when available. FY25 is estimated at \$229,875, FY26 at \$303,435 and FY27 at \$386,190 based on a ramp-up of 25%, 33% and 42%. It is currently written in the bill that it is a one-time charge so the ongoing rate of revenue from new applications is unknown. It is also expected that total application fees would exceed this amount, but we cannot quantify it.

It is clear here that the author expects the hemp retailers in Minnesota to carry the way to legalization of recreational marijuana in the state. The \$250 is just the application fee. There is an additional \$500 licensing fee. This is \$750 from each hemp cannabinoid retailer in Y24 generating. With the estimation of 5,000 retailers that is \$3,750,000. **In Article 7 (see #6 below) the author states, "there are currently approximately 9,000 retailers . . ." which would mean \$6,750,000 generated from application and licenses, this is essential a tax that will be passed down to consumers. Hemp farmers, retailers, processors, manufacturers, and consumers should not have to pay for the establishment of the Office of Cannabis or the legalization of recreational marijuana.**

#### 6) SF73-1E Page 67 **ARTICLE 7 Temporary Regulations of Certain Products**

MDH assumes this section of the bill is effective the day following enactment and that MDH is granted regulatory authority over the sale of any product that contains cannabinoids extracted from hemp and that is an edible cannabinoid product or is intended for human or animal consumption by any route of administration.

Businesses selling edible cannabinoid products are required to register with the commissioner of health by October 1, 2023. MDH is prohibited from charging a fee for registration. MDH estimates that there are currently approximately 9,000 retailers selling edible cannabinoid products and assumes that number will continue to grow. MDH assumes that an IT solution will need to be built for retailers to submit applications for registration. MNIT estimates the cost to build an automated registry for retailers and annual maintenance. MDH assumes the need for a communications plan and associated campaign to educate retailers on the requirements and process for becoming registered with the state.

As a hemp cannabinoid retailer we will have to register with Minnesota Department of Health, MDH. It is expected that the MDH will be able to monitor approximately 9,000 hemp retailers in Minnesota. Again, this is very ambitious but really not attainable nor realistic.

Repeal of MN 151.72 will not happen until July 1, 2024 but it looks like the Department of Health will have immediate jurisdiction over all of our hemp cannabinoid products.

7) SF73-1E Page 122 Article 2 provides the tax structure for the retail sale of recreational cannabis. For the purposes of this summary the term "recreational cannabis" includes the following: adult-use cannabis flower, adult-use cannabinoid products, adult-use cannabinoid solution products, and lower-potency edible products as defined in chapter 342.

Page 125 Under this bill, the retail sale of cannabis would be taxed at the general sales tax rate and a 8% gross receipts tax would be added. The criminal tax provisions of Minn. Stat. § 289A.63 would apply, and CID would have jurisdiction over investigation of failure to file and/or pay these taxes as well as filing of false returns. CID would treat these criminal tax investigations as we would a general rate sales tax criminal tax investigation.

We see here that the author wants to tax hemp low-dose THC at the same rate as the Recreational Marijuana Program. The current proposed sales tax is 8% added to the current general sales tax of 6.875%, meaning we will see a general sales tax rate of 14.875% plus county/municipal taxes. This could very easily result in a hemp low-dose THC black-market. It will likely turn customers to buying hemp low-dose THC edibles and hemp consumer products online or out of state. **This will be detrimental to the current hemp low-dose THC market in Minnesota.**

**This is also an attempt to have the industrial hemp products, farmers, manufacturers, and consumers of these products fund the establishment of the Office of Cannabis Management and the legal recreational marijuana program.**

I urge you all to take a closer look at this bill before moving forward and ruining the businesses and lives of farmers, processors, and retailers of hemp cannabinoid products in Minnesota. **PLEASE CONSIDER TAKING HEMP OUT OF THE BILL.** The 2018 Farm Bill makes hemp a legal farm commodity. If you must, amend MN 151.72 to regulate and monitor hemp cannabinoid products further. Hemp, Hemp, Hooray!

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