

TESTIMONY – JOINT LEGISLATIVE BUDGET HEARING ON TAXES

FEBRUARY 23, 2020

PRESENTED BY: NGISTE ABEBE, NEW YORK MEDICAL CANNABIS INDUSTRY ASSOCIATION

Hello. My name is Ngiste Abebe and I am director of public policy at Columbia Care, a New York- headquartered cannabis operator and one of the ten registered organizations in New York’s medical cannabis industry.

I am also president of the New York Medical Cannabis Industry Association, which represents eight of the state’s medical cannabis companies. Our mission is to protect and serve the patients in New York’s medical marijuana program while leading the way for establishing a safe, well-regulated and equitable adult-use program.

I am speaking to you today in my official capacity as Association president.

New York, as you know, has the potential to become the largest and, with thoughtful timing and equity measures, possibly most significant regulated adult-use cannabis markets in the country. The cannabis industry presents many opportunities for the state – by creating much-needed new revenue and jobs and helping address long-standing harm inflicted on communities of color by decades of ill-conceived prohibition policy.

The state has the opportunity to set the gold standard for adult-use regulation, which is why it’s so important that we get this right.

The Association enthusiastically supports efforts to regulate cannabis for adult-use. But we also believe that the current proposals from both the Governor and the Legislature need to be strengthened so that the market can be launched in a manner that maximizes equity, jobs, and revenue as quickly as possible. Time is of the essence for New York, especially in consideration of neighboring states’ existing and pending policies and potential changes in federal policy.

Every state in the nation that has established a successful adult-use program has done so by relying on the existing medical cannabis industry to jump-start its efforts. The medical industry has been operating in New York for over five years, providing products on which patients rely to treat a wide variety of symptoms and ailments and improve their quality of life.

We have done so despite the fact that the state has one of the most restrictive and inaccessible medical programs in the nation, and also in the face of significant challenges posed by the pandemic after our operations were appropriately deemed essential by the state.

Because of their existing knowledge and infrastructure in the state, the medical cannabis operators are uniquely positioned to expedite the process of getting adult-use

products to market, which we estimate could be done as early as January 2022 – years earlier than what is currently contemplated by Governor Cuomo’s budget proposal.

Importantly, the medical cannabis operators are committed to seed critical equity efforts on Day One, again providing much-needed opportunities and funding to the communities that have borne the disproportionate impact of cannabis prohibition.

As the adult-use proposals on the table currently stand, the Legislature’s plan (Marijuana Regulation & Taxation Act, or MRTA) has critical elements that the Association supports, including comprehensive social equity policies, dedicated tax revenue for direct community reinvestment, delivery, consumption licenses, and much more.

Specific to the medical cannabis program, the MRTA would increase dispensaries; give healthcare practitioners discretion to recommend cannabis as a treatment; increase patient supply limits; and make it easier for both patients, and healthcare practitioners to participate. It is critical that the final adult-use framework include these and other protections and support for the existing medical program, or there is a threat that it will cease to exist altogether and leave thousands of patients without products on which they rely. Oregon is a prime example of how adult use can leave out patients—a medical program that once had over 400 dispensing locations now has only one medical dispensary.

As we have jointly expressed with the Drug Policy Alliance and the NY Cannabis Growers & Processors Association, the MCI supports these policies in the MRTA. That said, we are seeking amendments that would:

1. Codify whole flower as an approved medical cannabis form, which could reduce patient costs by up to 50% immediately;
2. Clarify the process by which Registered Organizations (ROs) may be licensed in the adult-use market upon payment of a fee to be used in the social equity fund; and
3. Allow ROs to wholesale their products to independent retailers, at least until such time that independent cultivators are operational and able to support the adult-use market.

The Association wants to see a fair and level playing field that enables New York’s cannabis market to be diverse, competitive, and successful. If the taxes and fees associated with cannabis are too high, it will undercut the program and drive business to the robust legacy marketplace. Instead, the State should aim to create a regulated market that encourages legacy operators to seek licensure and encourage customers to utilize regulated businesses, thereby maximizing jobs with good benefits, tax revenue, and equity principles at the outset.

The Governor has conservatively estimated that an adult-use cannabis program will generate \$300 million in annual tax revenue. A recent report released by the Center of NYC Affairs at the New School suggested legal cannabis sales under the governor's proposal would generate \$159 million in state excise and sales tax revenue by 2023, climbing up to \$765 million in 2027. In addition, the report found that the cannabis industry has the potential to create 50,806 jobs, \$2.2 billion in worker salaries, and a total of \$6.1 billion in economic output.

The Association thinks all of these estimates are very conservative, and we have an economic study underway that we are aiming to release in the next week.

I want to stress that the state has the ability to start realizing the considerable economic and social benefits of regulating cannabis for adult-use more quickly if it utilizes the medical cannabis operators as a launching pad - just as the 15 other states with regulated cannabis for adult-use have done.

Allowing the existing medical cannabis operators to be assessed a pre-determined, one-time license fee to seed the social equity fund on Day One, for the privilege of remaining vertically integrated (a regulatory mandate of the medical program) and co-locate adult-use product at their existing dispensaries, will mean New York can implement a program significantly sooner than the timeline presented in the Governor's budget proposal.

To be clear, this framework is included in the MRTA, and we are supportive. Not only does this framework enable the creation of an equitable and competitive adult-use marketplace, but it provides critical protections for the existing medical cannabis patients. As we've seen in other states, this framework reduces costs to patients and helps maintain a viable medical program which more appropriately - and safely - serves certain vulnerable patient populations.

New York is making its third attempt at adult-use legalization, and that offers the opportunity to learn from both the successes and mistakes that other states have made. I have touched on some of the high-level issues that are of particular concern to the Association.

Our industry supports nearly a thousand jobs and has made considerable investments to serve the patients of New York. We want to continue to operate here, we want to help New York get adult-use right and we stand ready and willing to assist you in creating the most equitable, competitive, and well-regulated adult-use program in the nation. I am happy to entertain any questions you might have. Thank you for your time and consideration.