

Legislative Oversight Committee

Meeting Minutes, February 10, 2022

Call to order: A meeting of the Legislative Oversight Committee convened on February 10, 2022 at the Oklahoma State Capitol, Senate Room 535, Oklahoma City, OK. Written notice was provided four days in advance, in compliance with Open Meeting Laws. The meeting was called to order at 2:02 p.m., upon which time quorum was established in accordance with Joint Rule 10.5.

Members Present: Rep. Meloyde Blancett, Rep. Jeff Boatman, Rep. Kyle Hilbert, Rep. Cyndi Munson, Rep. Osburn

Chairman Roger Thompson, Sen. Kim David, Sen. Chuck Hall, Sen. Dewayne Pemberton, Sen. Julia Kirt, Sen. Frank Simpson, Sen. Michael Brooks

Others: From LOFT: Executive Director Mike Jackson, staff members Regina Birchum, Bradley Ward, Frank Magness, Andrew Welch, Kaitlyn Jasper, Mike Davis and Zach Sumner. Legislative staff: House fiscal director Mark Tygret and Senate fiscal director Anthony Sammons. From the Oklahoma Medical Marijuana Authority: Executive Director Adria Berry, staff members Barrett Brown, Kelsey Pagonis, William Huffman, Kelly Williams, La Juan Lewis.

Approval of Minutes: Chairman Thompson presented the minutes from the December 15, 2021 meeting for approval. A motion to adopt the minutes was made by Sen. Hall. The motion was seconded by Rep. Boatman. The motion was adopted unanimously in accordance with Joint Rule 10.6.

LOFT Presentation of Draft Report: Regulation of Oklahoma's Medical Marijuana

Chairman Thompson provided opening remarks, thanking all guests who were in attendance. Chairman Hilbert provided additional remarks and then recognized Director Mike Jackson to for presentation of the Rapid Response Evaluation of Regulation of Medical Marijuana.

Director Jackson provided some introductory comments regarding the evaluation's focus on regulatory needs and noted the topic of the evaluation involved many agencies, several of which had representatives present. He also thanked Director Berry and the staff of the Oklahoma Medical Marijuana Association for their cooperation.

Director Jackson provided an overview of the report's objectives and findings, as well as some background information relevant to the report. Director Jackson requested the chairmen recognize Mr. Andrew Welch to present the report's first finding. Before recognizing Mr. Welch, Chairman Thompson recognized Director Adria Berry for any comments and to introduce staff present. Director Berry offered brief remarks and turned it back over to the Chairmen.

Chairman Thompson recognized Mr. Andrew Welch to present the first finding of the report. Mr. Welch presented key components of the report's first finding and then yielded for questions.

Chairman Thompson recognized Director Berry for any comments or a response regarding the finding. Director Berry noted that OMMA agreed with the report and that they worked with LOFT on the data. Chairmen Thompson opened up the floor to the Committee for questions.

Chairman Hilbert asked LOFT for percentage of population figures for only the adult population of medical marijuana patient license holders. LOFT stated that when measuring only those Oklahomans aged 18 years or older, the percent of population is 13 percent.

There was discussion about business survival rates in light of the density of businesses. Director Berry said that supply and demand is difficult to determine due to the unlimited amount of product that a patient can buy. There was additional discussion about the medical marijuana market, prompted by Rep. Martinez's question about Oklahoma's market size relative to the number of growers and processors.

Senator Kirt asked for clarification regarding how licenses are determined to be active as opposed to operational. Director Berry explained what an active means within OMMA and said the office is working on getting numbers regarding those that are operational.

There was discussion about the legal status of businesses, including where all the product is going. Director Berry said OMMA will be able to track product once its seed-to-sale program is operational. She noted there was a court hearing about implementation of the program on February 24th.

Senator Simpson asked for explanation about licenses belonging to businesses that are no longer operating. Director Berry said a business can surrender its license if they no longer want to do business or they can let the license expire, or not renew the license.

In response to questions from Rep. Munson, there was discussion about the types of licenses required for operation, and how the Oklahoma Tax Commission is involved in licensing. There was additional discussion about the amount of tax revenue being received and whether OMMA knows the quantity and type of product being sold. Director Berry said once the seed-to-sale program is operational, the office can conduct data analysis to determine those things.

Rep. Boatman asked if fees are one-time or annual. Director Berry said the commercial licenses are an annual fee.

Senator Simpson asked for clarification regarding whether the state could put in place guidelines for the naming of businesses and labeling of products. Director Berry said those type of things are typically handled by local public decency standards, but that OMMA was willing to work with the Legislature on this issue.

At the conclusion of questions, Chairman Hilbert recognized Director Jackson who asked that Mr. Frank Magness be recognized to present the report's second finding. Mr. Magness was

recognized, and presented key aspects of Finding 2. Director Jackson yielded to the Chairmen for any questions on the finding.

Chairman Hilbert recognized Director Berry for comments on Finding 2. She noted that OMMA is working to clarify the different licenses under their authority. Chairman Hilbert opened the floor to questions from the Committee.

Sen. Kirt asked whether OMMA has the technology it needs. Director Berry said that not at this moment, but they are moving to the same software as OBN.

Chairman Thompson recognized Director Jackson for presentation of the report's third finding. Director Jackson presented an overview of Finding 3 and then yielded to the Chairman for any questions. Chairman Thompson recognized Director Berry for remarks on the finding. Director Berry said she looks forward to the Legislature's feedback about the proposals within the finding.

Chairman Thompson stated he felt the report lacked information about illicit activity. There was discussion about the current limited data. Director Berry said OMMA cannot currently answer how many businesses are operating legally or illegally. She said staff increases and working with OBN could help to determine that. There was additional conversation about the number of enforcement staff hired as a result of legislation. Director Berry said OMMA now had 8 enforcement officers, and depending on legislative intent, will either expand that number or collaborate with local law enforcement.

Sen. Simpson asked for clarification regarding businesses out of compliance with the Tax Commission, including whether there are penalties for noncompliance. Director Berry informed the committee that if a business loses its license then it can no longer operate. Director Berry asked the committee to recognize Ms. Louis for additional information. Ms. Lewis said letters are sent out every 3 months, but that a business cannot be shut down before 24 months. Chairman Hilbert questioned the accuracy of the 24 month timeframe, stating most businesses can be shut down for noncompliance within 3 months.

Rep. Blancett asked if the State knew how much tax money was not being remitted and whether there was an audit plan for those businesses out of compliance. Director Berry stated that OMMA has an auditing team, they go out to audit and flag those for OTC if there is issue.

Rep. Blancett requested that OMMA and OTC develop an action plan and if LOFT could provide an addendum. Director Jackson confirmed LOFT would be happy to assist with that.

Sen. Simpson asked if regulation could get to where it needs to be. Director Berry said she felt OMMA is on the right track and will get it under control.

Rep. Hilbert noted that OMMA has a unique funding structure, and asked about the projected expenditures for the office. Director Berry said OMMA's budget for next year is \$42 million. She also said that figure depends on number of licenses and those that purchase products.

Chairman Hilbert asked about recent actions regarding illegal grower operations. Mark Woodward, Director of OBN, was recognized to address the question. He said that since last April, OBN had shut down 90 farm operations that are part of bigger operations. Mr. Woodward noted the impact of Senate Bill 1033 and its partnership with OMMA. He said that OBN now has a full-time enforcement unit that has 24 agents, including 3 intelligence agents. He said OBN was getting the tools it needed.

There was discussion about the month-over-month taxes and how the proposed moratorium would work. Director Jackson provided information about Oregon's moratorium.

Rep. Blancett asked questions regarding certificate of quality for products. Director Berry discussed protecting the public safety, and said their office is the only one in the nation that has a quality assurance lab. With the new tools, Berry said OMMA will be able to pull bad product off the shelf faster.

Rep. Blancett asked about legislative process regarding implementing some of the proposed recommendations. Director Jackson explained that due to the number of bills filed to address this topic, there should be opportunity to use some of those measures to incorporate any recommendations.

Chairman Hilbert recognized Director Jackson to present the report's recommendations. After presenting a brief summary of the recommendations, Chairman Hilbert recognized Director Berry for closing comments. Director Berry said OMMA stands ready to work with the Legislature, and that OMMA is already working on many of the recommendations.

Chairman Thompson gave closing remarks, noting that time is of the essence to address the industry problems. He said this industry touches almost all agencies, and thanked all agencies involved in regulation.

Under new business, Chairman Hilbert told members that the scoping memos for LOFT's next two projects were on the website.

The meeting was adjourned 3:18 pm