

Tuesday, January 10, 2023

Chairman Stephenson  
Commerce, Finance, and Policy Committee  
**Via email: [simon.brown@house.mn](mailto:simon.brown@house.mn)**

**Re: HF 100 – Omnibus Cannabis Bill (Article I)**

Dear Chairman Stephenson and members of the Commerce Finance and Policy Committee,

On behalf of LeafLine Labs, I respectfully submit this written testimony in response to HF 100 – Article I. LeafLine Labs is one of two in-state manufacturers and retailers of medical cannabis registered with the Minnesota Department of Health. We have been cultivating, manufacturing and retailing medical cannabis products to registered patients in Minnesota since 2015. LeafLine has been, and remains, dedicated to creating and supporting a successful medical cannabis program in the State that provides safe, affordable, accessible medical cannabis for Minnesota patients. We applaud you for your advocacy related to legalizing adult use cannabis in Minnesota through this bill.

If the State makes the decision to move forward with an adult use program, existing medical licensees, who are already well-regulated entities employing hundreds of Minnesota residents, should be included, as has happened in every other state that has permitted adult use after adopting a medical program. We write today to provide some initial comments on certain provisions of the bill that appear in Article 1, and look forward to commenting on additional provisions in the future.

**I. Termination of the Medical Cannabis Program**

The bill contemplates the creation of an Office of Cannabis Management (“Office”) that would be charged with “making rules, establishing policy, and exercising its regulatory authority over the cannabis industry” and states that, in doing so, the Office must:

- (1) promote the public health and welfare;
- (2) protect public safety;
- (3) eliminate the illicit market for cannabis flower and cannabinoid products;
- (4) meet the market demand for cannabis flower and cannabinoid products;
- (5) promote a craft industry for cannabis flower and cannabinoid products; and
- (6) prioritize growth and recovery in communities that have experienced a disproportionate, negative impact from cannabis prohibition.

(HF 100, Article 1, Section 2, Subdivision 1.)

We agree with this list and support the Sponsor’s focus on these goals. We comment today to convey serious concerns that particular provisions of the bill as drafted would preclude achievement of certain of those priorities. Specifically, Article 1, Section 41 [342.42] calls for the medical cannabis licenses issued to LeafLine Labs and the one other medical cannabis licensee to expire on July 1, 2024, with no stated ability to renew the license, and no provisions relating to the issuance of additional medical cannabis licenses. This provision appears to be intended to preclude the current medical cannabis licensees from continuing to provide medical cannabis products to the registered patients of Minnesota, effectively ending the current medical cannabis program in favor of the adult use cannabis program.

If that provision excluding the existing medical cannabis licensees takes effect, then less than 18 months from now Minnesota patients will not have a safe, legal means to purchase medical cannabis products. Even if the Minnesota legislature and the to-be-formed regulatory body operate with the utmost speed, legal sales of adult use cannabis will not occur by July 1, 2024. This lack of continuous access to an adequate supply of medical cannabis products for registered patients would frustrate the Office's mandated priorities with the following unintended result:

- Without a legal means to purchase regulated products, registered patients will have no option other than to purchase unregulated, untested product from the illicit market, which is a threat to Priority #1 – promote public health and welfare.
- With no competition from a legal, regulated market, illicit operators will flourish and expand their operations, in violation of Minnesota's criminal statutes, which is a threat to Priority #2 – protect public safety, and Priority #3 - eliminate the illicit market for cannabis flower and cannabinoid products. Once illicit operators have established a foothold it will be difficult to eliminate them, as seen currently in New York City and in other cities and towns across New York State.
- Without LeafLine Labs and the other medical cannabis licensee, both of which are already producing high quality cannabis and cannabis products from their licensed facilities, there will be no legally available products in the state of Minnesota, which is a threat to Priority #4 - meet the market demand for cannabis flower and cannabinoid products.
- Finally, if LeafLine Labs and the other medical cannabis licensee are forced to shut down their operations then over 130 LeafLine employees and the employees of the other medical cannabis licensee would lose their jobs. These employees are Minnesota residents.

With only two licensed producers of medical cannabis in Minnesota, there is plenty of room to add more bulk cultivation and craft cultivation licenses as well as other license types. By allowing LeafLine Labs and the other medical licensee to continue to serve medical cannabis patients, and then eventually also serve adult use patients, the Office can achieve the priorities discussed above.

Overall, we urge the legislature to not only preserve access to cannabis for patients, but also to reduce the barriers to access. Now is a great time to use legislative means to allow any resident to consult with a medical professional and then access medical cannabis as a potential avenue to wellness.

## **II. Residency Requirement for Licensees**

Article 1, Section 19 [342.20] Subdivision 4(a)(6) states that if a business entity applies for or holds an adult use license "at least 75 percent of the business must be owned by Minnesota residents." While we appreciate the intent to ensure state residents receive the bulk of the economic benefits of the legalized cannabis industry, the residency requirement is legally invalid because it runs afoul of the dormant Commerce Clause of the U.S. Constitution. We urge the legislature to find alternative means to foster economic opportunities for Minnesota residents.

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Thank you for allowing us to identify certain concerns regarding the legislation. We look forward to the opportunity to highlight other provisions of the bill in the future, and we hope that an engaged dialogue between the various stakeholders will lead to an industry-leading adult use program that accomplishes the worthy objectives laid out in the bill.

Best Regards,

Dina Rollman  
Senior Vice President  
Government Affairs