

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 2nd Session of the 58th Legislature (2022)

4 COMMITTEE SUBSTITUTE
5 FOR ENGROSSED
6 SENATE BILL NO. 1693

By: Bergstrom, Jett, and
 Pederson of the Senate

and

West (Josh) of the House

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10 COMMITTEE SUBSTITUTE

11 An Act relating to medical marijuana; amending 63
12 O.S. 2021, Sections 422 and 423, which relate to
13 medical marijuana commercial grower and processing
14 licenses; requiring applicant to furnish certain
15 documents before operating; requiring licensee or
16 applicant to acquire a permit or official permission
17 for water use prior to operating; providing licensee
18 to register with Oklahoma Medical Marijuana
19 Authority; authorizing Authority to revoke license if
20 not in compliance; updating statutory language; and
21 providing an effective date.

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BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 63 O.S. 2021, Section 422, is
amended to read as follows:

Section 422. A. The State Department of Health shall, within
thirty (30) days of passage of this initiative, make available on
its website in an easy-to-find location an application for a

1 commercial grower license. The application fee shall be Two
2 Thousand Five Hundred Dollars (\$2,500.00). A method of payment
3 shall be provided on the website of the Department. The State
4 Department of Health shall have ninety (90) days to review the
5 application; approve, reject or deny the application; and mail the
6 approval, rejection or denial letter stating the reasons for the
7 rejection or denial to the applicant.

8 B. The State Department of Health shall approve all
9 applications which meet the following criteria:

10 1. The applicant must be twenty-five (25) years of age or
11 older;

12 2. The applicant, if applying as an individual, must show
13 residency in ~~the State of Oklahoma~~ this state;

14 3. All applying entities must show that all members, managers,
15 and board members are Oklahoma residents;

16 4. An applying entity may show ownership of non-Oklahoma
17 residents, but that percentage ownership may not exceed twenty-five
18 percent (25%);

19 5. All applying individuals or entities must be registered to
20 conduct business in ~~the State of Oklahoma~~ this state; and

21 6. All applicants must disclose all ownership interests in the
22 commercial grower operation; and

23 7. The applicant shall furnish documents evidencing compliance
24 with the provisions of subsection F of this section.

1 Applicants with a nonviolent felony conviction in the last two
2 (2) years, any other felony conviction in the last five (5) years,
3 inmates in the custody of the Department of Corrections or any
4 person currently incarcerated shall not qualify for a commercial
5 grower license.

6 C. A licensed commercial grower may sell marijuana to a
7 licensed dispensary or a licensed processor. Further, sales by a
8 licensed commercial grower shall be considered wholesale sales and
9 shall not be subject to taxation. Under no circumstances may a
10 licensed commercial grower sell marijuana directly to a licensed
11 medical marijuana patient or licensed caregiver. A licensed
12 commercial grower may only sell at the wholesale level to a licensed
13 dispensary, a licensed grower or a licensed processor. If the
14 federal government lifts restrictions on buying and selling
15 marijuana between states, then a licensed commercial grower would be
16 allowed to sell and buy marijuana wholesale from, or to, an out-of-
17 state wholesale provider. A licensed commercial grower shall be
18 required to complete a monthly yield and sales report to the State
19 Department of Health. This report shall be due on the fifteenth of
20 each month and provide reporting on the previous month. This report
21 shall detail the amount of marijuana harvested in pounds, the amount
22 of drying or dried marijuana on hand, the amount of marijuana sold
23 to licensed processors in pounds, the amount of waste in pounds, and
24 the amount of marijuana sold to licensed dispensaries in pounds.

1 Additionally, this report shall show total wholesale sales in
2 dollars. The State Department of Health shall have oversight and
3 auditing responsibilities to ensure that all marijuana being grown
4 by licensed commercial growers is accounted for.

5 D. There shall be no limits on how much marijuana a licensed
6 commercial grower can grow.

7 E. Beginning on ~~the effective date of this act~~ November 1,
8 2021, licensed commercial growers shall be authorized to package and
9 sell pre-rolled marijuana to licensed medical marijuana
10 dispensaries. The products described in this subsection shall
11 contain only the ground parts of the marijuana plant and shall not
12 include marijuana concentrates or derivatives. The total net weight
13 of each pre-roll packaged and sold by medical marijuana commercial
14 growers shall not exceed one (1) gram. These products must be
15 tested, packaged and labeled in accordance with Oklahoma law and
16 rules promulgated by the State Commissioner of Health.

17 F. A commercial grower applicant or licensee shall, prior to
18 engaging in a commercial growing operation, either:

19 1. Acquire a water use permit from the Oklahoma Water Resources
20 Board pursuant to Section 105.9 of Title 82 of the Oklahoma Statutes
21 if the commercial growing operation uses groundwater or water from
22 an Oklahoma stream; or

23 2. Acquire an official statement of permission from the county,
24 municipality, or other political subdivision that provides water if

1 the commercial growing operation uses rural or municipal water and
2 register the statement with the Oklahoma Medical Marijuana
3 Authority.

4 Upon failure of a commercial grower licensee to register the
5 water source of a commercial growing operation with the Authority
6 or, if applicable, receive a permit by the Water Resources Board
7 after ninety (90) days following license renewal, the Authority
8 shall revoke the commercial grower license.

9 SECTION 2. AMENDATORY 63 O.S. 2021, Section 423, is
10 amended to read as follows:

11 Section 423. A. The State Department of Health shall, within
12 thirty (30) days of passage of this initiative, make available on
13 its website in an easy-to-find location an application for a medical
14 marijuana processing license. The Department shall be authorized to
15 issue two types of medical marijuana processor licenses based on the
16 level of risk posed by the type of processing conducted:

17 1. Nonhazardous medical marijuana processor license; and

18 2. Hazardous medical marijuana processor license.

19 The application fee for a nonhazardous or hazardous medical
20 marijuana processor license shall be Two Thousand Five Hundred
21 Dollars (\$2,500.00). A method of payment shall be provided on the
22 website of the Department. The State Department of Health shall
23 have ninety (90) days to review the application; approve, reject or
24 deny the application; and mail the approval, rejection or denial

1 letter stating the reasons for the rejection or denial to the
2 applicant.

3 B. The State Department of Health shall approve all
4 applications which meet the following criteria:

5 1. The applicant must be twenty-five (25) years of age or
6 older;

7 2. The applicant, if applying as an individual, must show
8 residency in ~~the State of Oklahoma~~ this state;

9 3. All applying entities must show that all members, managers,
10 and board members are Oklahoma residents;

11 4. An applying entity may show ownership of non-Oklahoma
12 residents, but that percentage ownership may not exceed twenty-five
13 percent (25%);

14 5. All applying individuals or entities must be registered to
15 conduct business in ~~the State of Oklahoma~~ this state; and

16 6. All applicants must disclose all ownership interests in the
17 processing operation; and

18 7. The applicant shall furnish documents evidencing compliance
19 with the provisions of subsection G of this section.

20 Applicants with a nonviolent felony conviction in the last two
21 (2) years, any other felony conviction in the last five (5) years,
22 inmates in the custody of the Department of Corrections or any
23 person currently incarcerated shall not qualify for a medical
24 marijuana processing license.

1 C. 1. A licensed processor may take marijuana plants and
2 distill or process these plants into concentrates, edibles, and
3 other forms for consumption.

4 2. As required by subsection D of this section, the State
5 Department of Health shall, within sixty (60) days of passage of
6 this initiative, make available a set of standards which shall be
7 used by licensed processors in the preparation of edible marijuana
8 products. The standards should be in line with current food
9 preparation guidelines. No excessive or punitive rules may be
10 established by the State Department of Health.

11 3. Up to two times a year, the State Department of Health may
12 inspect a processing operation and determine its compliance with the
13 preparation standards. If deficiencies are found, a written report
14 of the deficiency shall be issued to the licensed processor. The
15 licensed processor shall have one (1) month to correct the
16 deficiency or be subject to a fine of Five Hundred Dollars (\$500.00)
17 for each deficiency.

18 4. A licensed processor may sell marijuana products it creates
19 to a licensed dispensary or any other licensed processor. All sales
20 by a licensed processor shall be considered wholesale sales and
21 shall not be subject to taxation.

22 5. Under no circumstances may a licensed processor sell
23 marijuana or any marijuana product directly to a licensed medical
24 marijuana patient or licensed caregiver. However, a licensed

1 processor may process cannabis into a concentrated form for a
2 licensed medical marijuana patient for a fee.

3 6. Licensed processors shall be required to complete a monthly
4 yield and sales report to the State Department of Health. This
5 report shall be due on the fifteenth of each month and shall provide
6 reporting on the previous month. This report shall detail the
7 amount of marijuana and medical marijuana products purchased in
8 pounds, the amount of marijuana cooked or processed in pounds, and
9 the amount of waste in pounds. Additionally, this report shall show
10 total wholesale sales in dollars. The State Department of Health
11 shall have oversight and auditing responsibilities to ensure that
12 all marijuana being processed is accounted for.

13 D. The Department shall oversee the inspection and compliance
14 of licensed processors producing products with marijuana as an
15 additive. The State Department of Health shall be compelled to,
16 within thirty (30) days of passage of this initiative, appoint
17 twelve (12) Oklahoma residents to the Medical Marijuana Advisory
18 Council, who are marijuana industry experts, to create a list of
19 food safety standards for processing and handling medical marijuana
20 in Oklahoma. These standards shall be adopted by the Department and
21 the Department may enforce these standards for licensed processors.
22 The Department shall develop a standards review procedure and these
23 standards can be altered by calling another council of twelve (12)
24 Oklahoma marijuana industry experts. A signed letter of twenty

operating, licensed processors shall constitute a need for a new council and standards review.

E. If it becomes permissible under federal law, marijuana may be moved across state lines.

F. Any device used for the processing or consumption of medical marijuana shall be considered legal to be sold, manufactured, distributed and possessed. No merchant, wholesaler, manufacturer or individual may be unduly harassed or prosecuted for selling, manufacturing or possessing marijuana paraphernalia.

G. A processor applicant or licensee shall, prior to engaging in a processing operation, either:

1. Acquire a water use permit from the Oklahoma Water Resources Board pursuant to Section 105.9 of Title 82 of the Oklahoma Statutes if the commercial growing operation uses groundwater or water from an Oklahoma stream; or

2. Acquire an official statement of permission from the county, municipality, or other political subdivision that provides water if the processing operation uses rural or municipal water and register the statement with the Oklahoma Medical Marijuana Authority.

Upon failure of a processor licensee to register the water source of a processing operation with the Authority or, if applicable, receive a permit by the Water Resources Board after ninety (90) days following license renewal, the Authority shall revoke the processor license.

SECTION 3. This act shall become effective November 1, 2022.

COMMITTEE REPORT BY: COMMITTEE ON ALCOHOL, TOBACCO AND CONTROLLED
SUBSTANCES, dated 04/14/2022 - DO PASS, As Amended and Coauthored.