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March 3, 2022

COMMITTEE SUBSTITUTE
FOR

SENATE BILL NO. 1693

By: Bergstrom

[medical marijuana - commercial grower and
processing licenses - permit or official permission
for water use prior to operating - effective date]

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

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

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

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

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

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

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

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

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

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

21 C. A licensed commercial grower may sell marijuana to a
22 licensed dispensary or a licensed processor. Further, sales by a
23 licensed commercial grower shall be considered wholesale sales and
24 shall not be subject to taxation. Under no circumstances may a

1 licensed commercial grower sell marijuana directly to a licensed
2 medical marijuana patient or licensed caregiver. A licensed
3 commercial grower may only sell at the wholesale level to a licensed
4 dispensary, a licensed grower or a licensed processor. If the
5 federal government lifts restrictions on buying and selling
6 marijuana between states, then a licensed commercial grower would be
7 allowed to sell and buy marijuana wholesale from, or to, an out-of-
8 state wholesale provider. A licensed commercial grower shall be
9 required to complete a monthly yield and sales report to the State
10 Department of Health. This report shall be due on the fifteenth of
11 each month and provide reporting on the previous month. This report
12 shall detail the amount of marijuana harvested in pounds, the amount
13 of drying or dried marijuana on hand, the amount of marijuana sold
14 to licensed processors in pounds, the amount of waste in pounds, and
15 the amount of marijuana sold to licensed dispensaries in pounds.
16 Additionally, this report shall show total wholesale sales in
17 dollars. The State Department of Health shall have oversight and
18 auditing responsibilities to ensure that all marijuana being grown
19 by licensed commercial growers is accounted for.

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

22 E. Beginning on ~~the effective date of this act~~ November 1,
23 2021, licensed commercial growers shall be authorized to package and
24 sell pre-rolled marijuana to licensed medical marijuana

1 dispensaries. The products described in this subsection shall
2 contain only the ground parts of the marijuana plant and shall not
3 include marijuana concentrates or derivatives. The total net weight
4 of each pre-roll packaged and sold by medical marijuana commercial
5 growers shall not exceed one (1) gram. These products must be
6 tested, packaged and labeled in accordance with Oklahoma law and
7 rules promulgated by the State Commissioner of Health.

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

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

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

19 Upon failure of a commercial grower licensee to register the
20 water source of a commercial growing operation with the Authority
21 or, if applicable, receive a permit by the Water Resources Board
22 after ninety (90) days following license renewal, the Authority
23 shall revoke the commercial grower license.

SECTION 2. AMENDATORY 63 O.S. 2021, Section 423, is

amended to read as follows:

Section 423. 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 medical marijuana processing license. The Department shall be authorized to issue two types of medical marijuana processor licenses based on the level of risk posed by the type of processing conducted:

1. Nonhazardous medical marijuana processor license; and

2. Hazardous medical marijuana processor license.

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

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

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

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

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

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

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

8 6. All applicants must disclose all ownership interests in the
9 processing operation; and

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

12 Applicants with a nonviolent felony conviction in the last two
13 (2) years, any other felony conviction in the last five (5) years,
14 inmates in the custody of the Department of Corrections or any
15 person currently incarcerated shall not qualify for a medical
16 marijuana processing license.

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

20 2. As required by subsection D of this section, the State
21 Department of Health shall, within sixty (60) days of passage of
22 this initiative, make available a set of standards which shall be
23 used by licensed processors in the preparation of edible marijuana
24 products. The standards should be in line with current food

1 preparation guidelines. No excessive or punitive rules may be
2 established by the State Department of Health.

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

10 4. A licensed processor may sell marijuana products it creates
11 to a licensed dispensary or any other licensed processor. All sales
12 by a licensed processor shall be considered wholesale sales and
13 shall not be subject to taxation.

14 5. Under no circumstances may a licensed processor sell
15 marijuana or any marijuana product directly to a licensed medical
16 marijuana patient or licensed caregiver. However, a licensed
17 processor may process cannabis into a concentrated form for a
18 licensed medical marijuana patient for a fee.

19 6. Licensed processors shall be required to complete a monthly
20 yield and sales report to the State Department of Health. This
21 report shall be due on the fifteenth of each month and shall provide
22 reporting on the previous month. This report shall detail the
23 amount of marijuana and medical marijuana products purchased in
24 pounds, the amount of marijuana cooked or processed in pounds, and

1 the amount of waste in pounds. Additionally, this report shall show
2 total wholesale sales in dollars. The State Department of Health
3 shall have oversight and auditing responsibilities to ensure that
4 all marijuana being processed is accounted for.

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

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

21 F. Any device used for the processing or consumption of medical
22 marijuana shall be considered legal to be sold, manufactured,
23 distributed and possessed. No merchant, wholesaler, manufacturer or
24

1 individual may be unduly harassed or prosecuted for selling,
2 manufacturing or possessing marijuana paraphernalia.

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

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

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

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

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

19 COMMITTEE REPORT BY: COMMITTEE ON BUSINESS, COMMERCE AND TOURISM
20 March 3, 2022 - DO PASS AS AMENDED
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