



OKLAHOMA
Medical Marijuana Authority

STRATEGIC RESPONSE

to Address Oklahoma's Oversupply
of Regulated Medical Marijuana

JUNE 2023

**Oklahoma Medical
Marijuana Authority**

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LETTER FROM THE DIRECTOR



DEAR STAKEHOLDERS, PARTNERS, AND FELLOW OKLAHOMANS,

I want to present you with OMMA's strategic response to address the findings of a groundbreaking report that quantifies and confirms what has long been suspected: **Oklahoma is facing a significant oversupply of regulated medical marijuana.**

First and foremost, OMMA is steadfast in our commitment to serving the needs of Oklahoma medical marijuana patients. It is essential that we address this oversupply head-on, not only to ensure the integrity and sustainability of our medical

marijuana market for our patients, but to promote public safety and mitigate the dangers that coincide with illicit marijuana activity for all Oklahomans.

Our strategic response employs a multi-pronged approach to address the litany of issues that perpetuate and exacerbate the oversupply of marijuana in our medical system and to respond to the illicit activity that threatens Oklahomans' health and safety. Through strategic partnerships, rigorous oversight, streamlined compliance monitoring, advancements of smart policies, and stakeholder engagement, we can foster an environment that promotes safety and prevents large-scale diversion.

At OMMA, we understand the importance of transparency and will be providing updates on our progress. We have implemented key performance indicators (KPIs) to measure the success of our response efforts, and through reporting and regular communication, we aim to keep all stakeholders informed of our efforts.

Together, we will address the oversupply of marijuana, safeguard the integrity of our medical market, and ensure the safety of our patients. OMMA stands ready to face these challenges head-on, equipped with new data, targeted insights, and the determination to build a thriving medical marijuana program for the benefit of Oklahoma.

Sincerely,

Adria Berry
Executive Director
Oklahoma's Medical Marijuana
Authority (OMMA)

UNDERSTANDING OKLAHOMA'S CANNABIS SUPPLY AND DEMAND

OMMA recently commissioned an empirical study evaluating the current supply and demand conditions in Oklahoma's medical marijuana market. This study stands out as one of the most comprehensive empirical marijuana market investigations worldwide, combining time-matched measures of marijuana supply and market-specific demand regionally. These findings provide valuable insights into Oklahoma's medical marijuana market. By understanding these evolving supply and demand dynamics, OMMA will continue to develop targeted strategies to address the existing oversupply issue effectively with data. Below is an overview of the study's findings:

1

Demand for marijuana in Oklahoma aligns with expectations seen in other medical marijuana states.

2

The supply-to-demand ratio of regulated medical marijuana for licensed medical marijuana patients is 64:1, based on the three different supply metrics, which is at least 32 times the amount of regulated marijuana necessary to meet licensed patient demand.

3

Differences in subregion-specific supply and demand suggest out-of-state diversion of medical marijuana and medical marijuana products. While further diversion-specific research is needed, the supply to demand ratios are so significant that the likelihood of medical marijuana remaining in-state is *extremely low*.

4

The significant oversupply observed in the regulated system through tracked supply chain data indicates that a number of licensed operators are likely contributing to the illicit market at both cultivation and retail stages.

5

The sheer volume of regulated oversupply coupled with low barriers to entry and the absence of production management policies suggest that illicit marijuana cultivation operations may be operating openly under the guise of being licensed within Oklahoma's medical marijuana program as opposed to going unlicensed, which is an illicit market model that deviates from other states.

6

Research that measures regional supply and demand paired with new enforcement data is needed to assess improvements in supply and demand issues and to determine how much enforcement and OMMA's strategic efforts are influencing these changes.

OMMA'S MULTI-PRONGED APPROACH

Oklahoma's oversupply of medical marijuana and illicit market activities have been increasingly relevant topics of national discussion. Now that there is data to validate the veracity of these claims, OMMA has a responsibility to respond to these egregious issues thoughtfully and strategically. As highlighted in the previous section, data unequivocally points to the urgency of implementing a strategic response. In this section, we outline the multi-pronged approach OMMA will take to address these issues head-on.

ENFORCEMENT OF LARGE-SCALE DIVERSION

Under the leadership of Executive Director Adria Berry, OMMA is now taking significant steps through enforcement policies to address the oversupply of medical marijuana in Oklahoma. The Attorney General Gentner Drummond, and Oklahoma's Bureau of Narcotics and Dangerous Drugs have been granted new authority to investigate and enforce any violations of the laws regarding medical marijuana, including medical marijuana business licenses held by

commercial growers, processors, transporters, researchers, education facilities, and waste disposal facilities. Additionally, under House Bill 2095, which was recently signed by Governor Kevin Stitt, OMMA can now seize and destroy marijuana and marijuana products that are unaccounted for in the state's inventory tracking system. These two policies provide OMMA and other authorized agencies with the vital ability to identify and investigate noncompliant licensees with illicit pursuits, eliminate fraudulent actors, and reduce the current oversupply.

To optimize the process of identifying and investigating egregious acts of noncompliance that suggest diversion, OMMA commits to the following priorities:



Utilizing Regulatory Technology to Optimize Enforcement:

OMMA understands the value of leveraging sophisticated regulatory technology to enhance enforcement efforts, as evidenced by our [partnership with NCS Analytics](#). By analyzing track-and-trace data, we are allocating enforcement resources effectively and focusing on areas with higher risks of noncompliance and illicit activities.

Increasing OMMA's Presence Regionally:

Increasing regional enforcement and program staff presence is necessary to maintain oversight of the many licensed medical marijuana businesses in Oklahoma. Bolstering enforcement resources at the regional level enhances oversight and compliance efforts and increases our capacity for inspections, contributing to a well-regulated and balanced market.



LEGISLATIVE AND REGULATORY ENHANCEMENTS

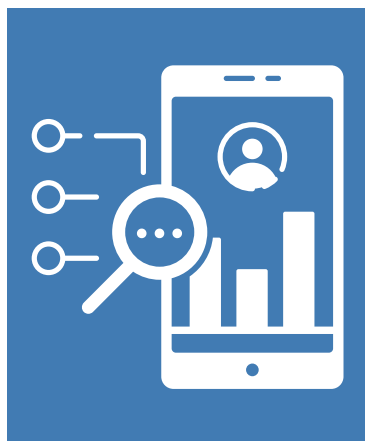
While enforcement policies are the top priority for meeting these public safety issues, enforcement without additional efforts may lead to repeated unsuccessful attempts to solve a persistent problem. Illicit activity observed

in marijuana markets across the country include sophisticated networks that are nimble and can reemerge quickly. As such, OMMA recognizes the need to go further and pledges to work with lawmakers to address policy gaps that experts believe are causing the issues we observe today, which are the absence of production management tools and inappropriately low barriers to entry.

OMMA understands many of the policy issues identified in the supply and demand report are a result of statute and not regulations, and so we commit to partnering with lawmakers to promote the following policy priorities:

Production Management:

OMMA recognizes that implementing production management policies is crucial to mitigate the ongoing risks posed by oversupply in the market. Under House Bill 2095, the moratorium on grower, processor, and dispensary licenses has been extended until 2026. This proactive measure plays a vital role in tackling the oversupply issue. By temporarily halting the issuance of new medical marijuana commercial grower licenses, the moratorium helps to prevent an influx of additional marijuana production into the market. This controlled approach ensures that the existing supply and demand dynamics can be better balanced and regulated. However, the effectiveness of the moratorium at addressing oversupply may be limited in the absence of medical marijuana production limits that reduce the expansion of current cultivation operations. OMMA is committed to refining these initiatives to allow for proper production management of medical marijuana.



Optimizing Supply Tracking:

This past legislative session, House Bill 2179 imposed a tiering system on marijuana growers with the intent of improving OMMA's understanding of the supply potential of the system under current licensing conditions. OMMA believes that revisiting the tiering system and volumes associated with each tier will help OMMA better align production levels with demand.

Discouraging Casual Entry into the Market:

The current moratorium will prevent most new entrants into the market until 2026. However, OMMA has identified a trend of current licenses being sold to new parties. The informal selling of licenses has promoted casual entry into the market. In some cases, these new parties contain ownership structures that do not meet the requirements of law. OMMA is committed to investigating all license transfer applications to ensure the ownership policies of statute meet their intent.



Revisiting Program Rule:

In the fall of 2023, OMMA plans to take a crucial step in addressing program gaps. By updating rules based on reoccurring analysis of available data, OMMA will take the opportunity to incorporate sensible regulations primarily aimed at tackling other illicit market leaks, such as patient gifting. Through this revision process, OMMA aims to introduce measures that promote compliance, transparency, and ultimately patient safety.

STAKEHOLDER ENGAGEMENT

OMMA places immense value on stakeholder engagement, as demonstrated by a recently conducted patient survey that revealed that **nearly 60% of licensed patients report having a high level of trust in OMMA.** This high level of trust is a testament to the significance of stakeholder engagement and its impact on building a robust and inclusive medical marijuana program.

Collaboration, open communication, and inclusivity are fundamental to our success in addressing the issues causing the oversupply of medical marijuana in Oklahoma. By actively listening to all stakeholders, we gain comprehensive

insights into the needs and priorities within the medical marijuana landscape, including that of the many licensees in compliance and acting in good faith. This valuable input allows us to refine our policies and procedures, identify and address previously unidentified policy gaps, and prioritize patient access and safety. Together, we are committed to building a well-regulated medical marijuana program.

The stakeholder engagement priorities are as follows:

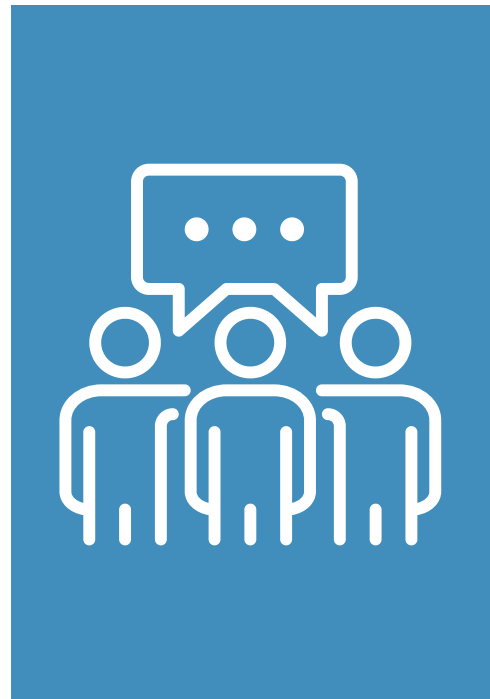


Statewide Listening Tour:

OMMA will be embarking on a statewide listening tour this fall to provide a platform for stakeholders to share their perspectives, challenges, and recommendations directly with OMMA. This inclusive approach is crucial in gaining a complete understanding of the needs and priorities within the medical marijuana landscape.

Establishment of Working Groups:

Establishing formal working groups, informed by the insights gained from the statewide listening tour, will allow for meaningful contributions to specific policy areas. This collaborative approach enables OMMA to tap into the vast expertise of our stakeholders. By engaging various stakeholders in specific subject areas, we can develop strategies and regulations that align with the needs and priorities of the medical marijuana community and move Oklahoma toward a more balanced and sustainable market.





Clear and Consistent Information Dissemination:

OMMA's commitment to clear and consistent information dissemination plays a vital role in addressing oversupply challenges. By providing accessible and easy-to-understand information about the evolving landscape of the medical marijuana program, OMMA ensures that all stakeholders understand moving targets.

LICENSEE COMPLIANCE

OMMA's approach to licensee compliance is data-informed and deliberate, recognizing the fundamental role it plays in addressing the oversupply of medical marijuana. By routinely reviewing this data, OMMA's compliance team has identified eight priority areas that require attention. These priorities align with our unwavering commitment to upholding the highest standards of compliance and are a key component in our response to mitigate the issues perpetuating the oversupply problem. The compliance priorities identified are as follows:

▶ Untagged Inventory:

Ensuring that all inventory is properly tagged and accounted for in the state inventory tracking system from seed or clone to sale is our top priority. This proactive measure helps prevent diversion and ensures transparency across the supply chain.

▶ Sales over Legal Limit:

Monitoring and enforcing the legal limits on sales are essential to maintaining the integrity of the medical marijuana market, preventing unauthorized use or distribution, and controlling oversupply.

▶ Certificate of Analysis (COAs) Compliance:

It is imperative that licensees have the required COAs on-site from testing labs. This ensures that product quality and safety are upheld and readily verifiable during inspections.

▶ Multiple Licenses for One Address:

Addressing instances where multiple licenses are associated with a single location is crucial to identifying noncompliant actors and allowing OMMA to maintain an accurate list of licensed businesses.

➤ *Timely Waste Disposal:*

Licensees must adhere to waste disposal guidelines by transferring waste to designated facilities within 90 days. This compliance priority ensures responsible waste management and mitigates the risk of diversion.

➤ *Actions against Transfer Matrix:*

OMMA closely monitors the transfer of marijuana along the supply chain to prevent any attempts at diversion or unauthorized movement of medical marijuana products.

➤ *Plant Destruction as Diversion:*

Licensees must properly document and execute plant destruction procedures to prevent the diversion of medical marijuana through unauthorized means.

➤ *Patient License Reuse as Diversion:*

Preventing the misrepresentation or misuse of patient licenses is critical in combating diversion and maintaining the integrity of the program.



Ensuring licensee compliance is essential for shaping a balanced and well-regulated medical marijuana market. **While the identified compliance priorities receive particular focus, OMMA's ultimate goal is to achieve 100% compliance from all licensees.** Our data-driven approach allows us to identify areas where noncompliance is most prevalent and implement interventions to bring licensees into full compliance.

CONCLUSION

OMMA would be remiss to end our strategic response without mentioning that many licensees act in compliance without the intent of divergence or contributing to oversupply generally. We applaud these licensees.

OMMA recognizes the urgent need to address the litany of issues that perpetuate and exacerbate the oversupply of medical marijuana in Oklahoma and the potential risks an oversupply poses to public health and safety. Our strategic plan outlines a comprehensive and multifaceted approach to tackle this issue head-on and ensure compliance across all license types. By implementing targeted policies and programs, engaging stakeholders, and prioritizing licensee compliance, we aim to create a well-regulated and safe medical marijuana market.

Moving forward, we expect this strategic plan to yield tangible results in addressing the oversupply issue. We will closely evaluate the effectiveness of our policies and initiatives through data analysis and ongoing research.

OMMA's commitment to patient safety remains unwavering. Through our multi-pronged approach, including refining our regulatory framework, engaging stakeholders, and providing proper oversight, we aim to build a robust and inclusive program that prioritizes patient well-being above all else.



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