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Morning Cannabis

BY PAUL DEMKO AND MONA ZHANG

QUICK FIX

- **The Senate Banking Committee will hold a hearing Thursday on the SAFE Banking Act.** The legislation enjoys broad bipartisan support, but has never made any progress in the Senate.
- **Rhode Island lawmakers are considering legislation to speed up implementation of the state's adult-use market,** while Colorado's Legislature is weighing a proposal to overhaul the state's social equity program.
- **Terrapin Care Station is pulling the plug on a planned cultivation facility in New York.** The company cited the slow rollout of the state's adult-use market, as well as broader economic headwinds, as factors in its decision.

IT'S FRIDAY, MAY 5. WELCOME TO POLITICO'S CANNABIS NEWSLETTER. A fake dispensary listing has [led people to show up at a Dorchester, Mass. woman's home](#) looking to pick up their weed purchases. Send us tips and story ideas: [Natalie](#) at nfertig@politico.com, [Paul](#) at pdemko@politico.com and [Mona](#) at mzhang@politico.com. And follow Pro: [@POLITICOPro](#).

DRIVING THE DAY

CANNABIS BANKING BILL GETS SENATE HEARING — The Senate Banking Committee will [hold a hearing on the SAFE Banking](#)

[Act](#) on Thursday. Sens. [Jeff Merkley](#) (D-Ore.) and [Steve Daines](#) (R-Mont.), the chief sponsors of [the legislation](#), are slated to testify. The bill is the No. 1 priority of the cannabis industry.

Key context: Legislation that would allow banks to do business with cannabis companies without fear of federal punishment enjoys broad bipartisan support. Cannabis banking legislation has passed the House seven times, either as a standalone bill or as part of a broader package, in recent years. But it's never made any progress in the Senate. Late last year, Senate Majority Leader [Chuck Schumer](#) helped put together a bipartisan package of cannabis bills, centered around the banking proposal, but [the deal ultimately fell apart](#).

STATE OF MARIJUANA

MARIJUANA BILLS ON THE MOVE — Lawmakers are still wrestling with how to regulate marijuana in states that have already legalized use of the drug by adults. Here's a look at bills that are advancing in states with legal weed.

Rhode Island: A [bill to speed up the implementation of marijuana legalization](#) was unanimously advanced by a House committee, sending it to the floor. The bill is sponsored by Democratic Rep. [Scott Slater](#) and would allow the office of cannabis regulation to start regulating the adult-use cannabis industry under a transitional period. While medical cannabis companies have begun serving adult-use customers in the state, no new licenses have been issued due to delays in forming the cannabis control commission. Meanwhile, in the Senate, Democratic Sen. [Jonathon Acosta](#) introduced [a bill that would allow cannabis businesses to take normal deductions](#) on their state taxes.

Montana: Republican Gov. [Greg Gianforte](#) vetoed [a bill that would revise the distribution of adult-use marijuana tax revenues](#). The bill, sponsored by Republican Sen. [Mike Lang](#), would have used portions of marijuana tax revenues to maintain county roads and to bankroll a new habitat legacy account for the department of fish, wildlife and parks. Because the Senate adjourned shortly after the governor

vetoed the bill, lawmakers don't have the option to override the veto, [the Daily Montanan reports](#). Gianforte also has several other marijuana-related bills on his desk, including [one to clamp down on synthesized hemp cannabinoids](#), [one to clean up the state's marijuana statute](#) and [one to revise marijuana testing lab rules](#).

Colorado: With the state Legislature scheduled to adjourn on Saturday, several marijuana proposals that have been advancing this week are up in the air. One [bill would overhaul the state's social equity program](#), while others would [tweak marijuana licensing fees](#) and [allow online marijuana sales](#). Meanwhile, [a bill to regulate intoxicating hemp cannabinoids](#) is also advancing in the House after passing in the Senate last week.

Meanwhile, in Maryland ... Democratic Gov. [Wes Moore](#) signed a [marijuana implementation bill](#), setting the state up to launch adult-use sales July 1.

MINNESOTA PANEL TO RECONCILE ADULT-USE BILLS

INCLUDES ONE REPUBLICAN — Ten Minnesota lawmakers have been appointed to a conference committee that will seek to hash out differences between [the adult-use legalization bills](#) passed by the House and Senate last week. Appointees include the two lead Democratic bill sponsors — Rep. [Zack Stephenson](#) and Sen. [Lindsey Port](#) — as well as one Republican who voted for the House bill, Rep. [Nolan West](#).

What's next: No date has been set for the first meeting of the panel. The Legislature is slated to adjourn in less than three weeks.

INDUSTRY INTEL

MARKET UNCERTAINTIES PROMPT EXPANSION PULLBACK —

New York's nascent cannabis market was initially attractive to Terrapin Care Station, a Colorado-based cannabis company with operations in Pennsylvania. After the state passed a legalization bill in 2021, Terrapin was eager to plant a flag in what's expected to become one of the largest marijuana markets in the U.S.

But Terrapin's planned production facility in Auburn, N.Y., has been scrapped due to "painful delays" in New York's rollout of its recreational marijuana industry, [the Auburn Citizen reports](#). More than two years after the state legalized marijuana, fewer than 10 dispensaries have managed to open their doors, and some of them only on a temporary basis.

"We were looking to grow [cannabis, and] there's really nobody to be selling it [to]," Peter Marcus, communications director at Terrapin, said in an interview. But even considering the long-term potential of the New York market, the entire cannabis industry is struggling with broader macro-economic conditions.

"What we're also seeing in other markets is that there's never a focus on setting [social equity] businesses up for success," Marcus said. "Capital is drying up in the cannabis industry as well. ... There's a myriad of factors as to why New York ... is just a very uncertain road to take."

Those issues are not limited to New York. Other cannabis markets have seen falling wholesale prices that have hurt longtime cannabis operators in mature markets. Terrapin also decided to pull out of expansion plans in Michigan and Missouri, but is still focused on Pennsylvania's medical market.

In most markets, retail prices are falling as is foot traffic as an increasing number of states launch their own marijuana markets, Marcus explained. That's causing a "race to the bottom" for cannabis companies focusing on pumping out cheap products.

What's next: While the company is still moving forward with plans to open a dispensary in Hoboken, N.J., it's not considering any additional expansion effort at this point given cannabis market uncertainties plus other economic factors like rising inflation and interest rates.

RESEARCH CORNER

NEW RESEARCH LINKS CANNABIS USE DISORDER TO

SCHIZOPHRENIA — A new study conducted by the Mental Health Services in the Capital Region of Denmark and the National Institute on Drug Abuse [found a link between cannabis use disorder and the development of schizophrenia](#) — particularly in young men. The association was much weaker among women.

Researchers found that up to 30 percent of schizophrenia cases in men ages 21 to 30 could have been prevented by addressing cannabis use disorder first. While prior research has shown shared genes between cannabis use disorder and schizophrenia, the genetic confounding factor can't explain the entirety of the association.

The study called for more research into why young males are so vulnerable to the effects of cannabis use disorder and schizophrenia, as well as policies for the early detection and treatment of cannabis use disorder among young people.

Related: A recent [CDC study found that youth substance use](#) has “decreased linearly” from 2009 to 2021, including marijuana. Current and lifetime marijuana use among high schoolers decreased from 21 percent to 16 percent during that time period. ([H/T Marijuana Moment](#))

ON THE HILL

CPEAR PUSHES PATIENTS TO PRESSURE FEDERAL LAWMAKERS — The Coalition for Cannabis Policy, Education and Regulation is launching [a campaign to encourage patients and health care providers to pressure members of Congress](#) to establish a federal regulatory framework for cannabis. Outreach will initially focus on more conservative states like South Carolina, Montana, North Dakota and Wyoming, according to CPEAR. The advocacy group is circulating a form letter that pro-cannabis constituents can adapt and send to their federal lawmaker.

“A federal framework is desperately needed because the current patchwork of state regulation — with cannabis still illegal at the federal level — makes it difficult to develop and coordinate current and accurate research and then implement policies grounded in scientific

evidence,” the letter states.

Key context: More than half of Americans now live in a state where anyone at least 21 years old can legally possess weed and 38 states have enacted comprehensive medical programs. But there’s been no significant changes to federal law and even proposals to loosen restrictions that have strong bipartisan support on Capitol Hill have gotten derailed. Last week, for example, Senate Republicans [torpedoed a research bill](#) aimed at veterans using cannabis that had advanced out of committee with unanimous support.

POT-POURRI

— **Oregon Secretary of State Shemia Fagan resigned on Thursday due to controversy over her contract with a cannabis company.** She could also lose her law license, [The Oregonian reports](#).

— **A California bill could punish cannabis businesses that allegedly owe money without a hearing to weigh the evidence,** [according to Reason](#).

— **The slow rollout of New York’s adult-use market is imperiling ancillary businesses looking to serve the industry,** [Cannabis Insider reports](#).

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