

## **EXECUTIVE SUMMARY**

Establishes a regulatory system for cultivation and distribution of cannabis for use by adults 21+, layering on top of H.170, which would legalize possession and personal cultivation. The bill gives preference to small-scale growers over commercial cultivators, with very affordable license fees. The bill restricts out-of-state ownership and consolidation.

### **Cultivation:**

- Cooperatives
  - o Up to 10 members and 20 mature plants.
  - o Harvest distributed to members only.
- Craft Cultivation
  - o Up to 500 square feet
  - o \$500 license fee per year for outdoor-only grow (\$1,500 if indoors)
  - o Craft license applicants given priority over commercial cultivators.
  - o No pre-determined limit on number of craft cultivators.
    - Intended to give small cultivators a large majority of all licensed cultivation space.
  - o No direct consumer sales – can sell harvest to licensed retailers, wholesalers, manufacturers.
- Commercial Cultivation
  - o Maximum of 54 licenses in various sizes (from 1,000 to 10,000 sq. ft.)
    - Intentionally limited to give small cultivators a structural advantage. Production would yield ~25% of market demand.
- Enables sufficient production to meet market demand at launch of retail.

### **Other Types of Licensed Businesses:**

- Manufacturers
  - o Buy from cultivators and/or wholesalers, sell to other manufacturers, wholesalers or retailers
- Wholesalers
  - o Buy from cultivators & manufacturers, sell to manufacturers and retailers
- Testing Laboratories
- Retailers
  - o The only businesses allowed to make direct consumer sales
  - o No cannabis sales in any location that also sells tobacco/nicotine (e.g., e-cig liquids) or alcohol.
- Existing MMJ dispensaries can apply for licenses, without statutory preference. In practice, their expertise will be reflected in quality of their applications.

### **Regulatory Responsibilities:**

- Agency of Agriculture is the primary regulator.
- DPS responsibility for public safety aspects.

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### **Licensee Requirements & Limitations:**

- No person can own or control more than 1 licensed business of each kind. This allows beneficial vertical integration, but not horizontal monopolies.
- Residency Requirements:
  - Majority in-state ownership
  - Majority in-state board of directors
  - Top executive officers in-state
- Background Checks on 10%+ owners, directors, executives and employees.
  - Prior non-violent drug convictions are not disqualifying.

### **Edibles:**

- Edible products permitted, subject to following:
  - No candy or other products that are especially appealing to children.
  - No products combining THC with caffeine, nicotine and/or alcoholic beverages.
    - Packaging must be plain, opaque, child-resistant.
    - Labeling must be plain and accurate.
      - Including how long to wait before taking a second dose.
    - Imprinted with a universal symbol indicating presence of THC
  - Ready-to-eat/drink products must be sold only in standardized, single-serve packaging

### **Taxes:**

- Retail Tax: 10%, subject to minimum tax by weight.
- Wholesale tax: 15%, applied at transfer to retailer to capture value-added manufacturing.
  - Wholesale rate to be periodically reviewed to ensure pricing competitive with illicit market, while raising sufficient revenues.
- Local Tax: 2.5% of retail price, passed on to the municipality in which the sale was made.
- No state tax deduction for retailers' marketing expenses.

### **Appropriations:**

- Taxes collected into a special fund used for implementation, administration and enforcement only.
- Remaining funds transferred from the special fund to the General Fund