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GENERAL ASSEMBLY
HOUSE COMMITTEE ON COMMERCE
AND ECONOMIC DEVELOPMENT

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MEMORANDUM

To: Rep. Sarah Copeland-Hanzas, Chair, House Committee on Government Operations

From: Rep. Michael Marcotte, Chair, House Committee on Commerce and Economic Development

Date: April 19, 2019

Subject: Review of S.54 Provisions Relating to Commerce

On behalf of the Committee on Commerce and Economic Development, I sincerely thank you and the Committee on Government Operations for the opportunity to review the provisions of S.54 that fall under the policy jurisdiction of this Committee.

In response to your request, the Committee reviewed the bill and received testimony from witnesses concerning issues relevant to labor and employment, banking, insurance, and business organizations. Following this review and discussion, the Committee recommends that Government Operations add language in 7 V.S.A. § 881(a)(1) directing the Cannabis Control Board to address in its rulemaking the following issues:

- Ensuring that a licensed establishment provides necessary information in its operating plan concerning:
 - the organizational structure of the business, including the type of business organization; the identity of its owners and principals; and the identity of the owners and principals of its affiliates; and
 - the financial structure of the business, including the sources, amount, and nature of its capital, assets, and financing arrangements; the identity of the individuals or entities that are its financiers; and the identity of the owners and principals of its financiers.
- Ensuring that a licensed establishment files an amendment to its operating plan in the event of a significant change in organization, operation, or financing.

- Ensuring that the Board, the Department of Financial Regulation, and financial institutions have access to relevant information about licensed establishments to comply with regulatory requirements applicable to financial institutions.
- Ensuring that licensed establishments comply with other State regulatory requirements, including laws governing insurance, securities, workers' compensation, unemployment insurance, and occupational safety.
- Ensuring that a financier, and its owners and principals, meet minimum eligibility requirements, including age requirements, background checks, compliance with applicable laws governing financial service providers, and any other requirements, conditions, or limitations on the type or amount of loans or capital investments made by a financier or its affiliates, that the Board, in consultation with the Department of Financial Regulation, determines is necessary to protect the public health, safety, and general welfare.

The Committee has prepared draft language for you to consider, included as an appendix to this memorandum.

Lastly, the Committee recommends that Government Operations or another committee adopt language to clarify Sec. 5(b)(2) regarding who is meant by "individuals who historically have been disproportionately impacted by cannabis production." The Commerce Committee is not offering specific legislative language on this point because it does not fully understand the underlying intent of this subdivision.

Appendix A – Draft Language for S.54

§ 881. RULEMAKING; CANNABIS ESTABLISHMENTS

(a) The Board shall adopt rules to implement and administer this chapter in accordance with subdivisions (1)–(5) of this subsection.

(1) Rules concerning any cannabis establishment shall include:

(A) the form and content of license and renewal applications;

(B) qualifications for licensure that are directly and demonstrably related to the operation of a cannabis establishment, including:

(i) a requirement to provide information in its operating plan concerning the organizational structure of the business, which shall include the type of business organization; the identity of its owners and principals; and the identity of the owners and principals of its affiliates;

(ii) a requirement to provide information in its operating plan concerning the financial structure of the business, which shall include the sources, amount, and nature of its capital, assets, and financing; the identity of the individuals or entities that are its financiers; and the identity of the owners and principals of its financiers;

(iii) a requirement to file an amendment to its operating plan in the event of a significant change in organization, operation, or financing; and

(iv) the requirement for a fingerprint-based criminal history record check and regulatory record check pursuant to section 883 of this title;

(C) oversight requirements, including provisions to ensure that a licensed establishment complies with State and federal regulatory requirements governing insurance, securities, workers' compensation, unemployment insurance, and occupational health and safety;

(D) inspection requirements;

(E) records to be kept by licensees and the required availability of the records;

(F) employment and training requirements;

(G) security requirements, including lighting, physical security, video, and alarm requirements;

(H) restrictions on advertising, marketing, and signage;

(I) health and safety requirements;

(J) regulation of additives to cannabis, including those that are toxic or designed to make the product more addictive, more appealing to persons under the age of 21, or to mislead consumers;

(K) procedures for seed-to-sale traceability of cannabis, including any requirements for tracking software;

(L) regulation of the storage and transportation of cannabis;

(M) sanitary requirements;

(N) procedures for the renewal of a license, which shall allow renewal applications to be submitted up to 90 days prior to the expiration of the cannabis establishment's license;

(O) procedures for suspension and revocation of a license;

(P) requirements for banking and financial transactions, including provisions to ensure that the Board, the Department of Financial Regulation, and financial institutions have access to relevant information concerning licensed establishments to comply with State and federal regulatory requirements;

(Q) eligibility requirements for a financier, its owners and principals, and its affiliates, which may include:

(i) a minimum age requirement and a requirement to conduct a background check for natural persons; and

(ii) requirements to ensure that a financier complies with applicable State and federal laws governing financial institutions, licensed lenders, and other financial service providers; and

(iii) any other requirements, conditions, or limitations on the type or amount of loans or capital investments made by a financier or its affiliates, which the Board, in consultation with the Department of Financial Regulation, determines is necessary to protect the public health, safety, and general welfare;

(R) policies and procedures for conducting outreach and promoting participation in the regulated cannabis market by diverse groups of individuals, including those who have been disproportionately harmed by cannabis prohibition.