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MEMORANDUM

To: Rep Copeland Hanzas
From: Rep Tom Stevens *JSS*
Date: April 17, 2019
Subject: Memo for Government Operations, regarding: S.54

The General, Housing and Military Affairs Committee thanks you for the opportunity to share our thoughts regarding control issues in S.54, as identified by you and your legislative counsel. There were three issues covered in our discussion with Michelle Childs, and this memo is a response to that discussion.

- 1. Control.** In an attempt to create a system that achieves some form of "control," meaning simply that the State of Vermont retains an interest in the manufacture, distribution and sales of a product, GHMA is most familiar with the model applied to liquor, where the State acts as a middleman/wholesaler, and retains ownership of the product from the time it leaves a central warehouse until the retail sale of the individual product at an agency store. While we believe this may be the way to ultimately shape the State's control of the product, we understand that, as long as the product is illegal on a federal level and distribution remains a felony, that we would be putting Vermonters at risk of conspiracy to distribute, from the commissioner on down to the delivery truck driver. With that in mind, the methods outlined in S.54, where licenses are required for each point along the way from seed to sale, are the best that can be developed at this time and we have no recommendations to that proposal.
- 2. The Cannabis Control Commission.** We agree with the proposal in S.54, which allows for the creation of a control commission that consists of members who are employed by the state and do not have any financial interest in any business related in any way to the cannabis industry. We think the commission is a wise choice in the "stand up" of the cannabis industry, and with the right make up, will function as the next step in the process of rulemaking and lawmaking. While we know and understand the control board of the Department of Liquor and Lottery, we agree that a new board is needed to deal with issues specific to cannabis, and we agree that, after a certain amount of time, it will be proper to revisit the notion of combining the two. **We would recommend, however, to increase the number of commissioners to five, as originally passed by Senate Economic Development and General Affairs. In our experience with the volunteer boards of liquor and lottery, prior to the merger in 2018, better governance can be found with a board of five, rather than three.**

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3. Licensing and Local Control. S.54 proposes to issue licenses in several levels of production and sale, and would allow one company the right to obtain all of these levels separately. This would be an improvement over the current system used for medical marijuana, where only one license is necessary for a company to grow, process, test and sell. There are concerns about vertical integration, and how that will evolve over time, but, combined with the development of the finer points of licensing left to the commission, we are confident that the procedures will allow a sufficient level of oversight. We also feel that the proposals outlined in S.54 regarding the ability of municipalities to opt out of regulations surrounding the allowance of all or certain parts of the cannabis industry are sufficient to provide accountability and oversight. Because cannabis is now considered legal, control of it on both a state and local level must begin to acknowledge that it is not a crime to grow, distribute or sell within the confines of state law, and control of these aspects must revert to local governments to be treated as any other industry that also has an element of control (beer, wine, liquor, lottery). In the future, concerns may include some of the same ones outlined in Title 7 with respect to beer, wine and liquor manufacturing and access to sales and distribution, but we feel this will be an area that the Cannabis Control Commission will observe and evolve as necessary.

Again, our thanks for allowing us the opportunity to weigh in. As you work on the bill, please feel free to utilize our subject matter knowledge as a resource.