

## Memorandum

**To: House Government Operations Committee**  
**From: Vermont Cannabis Trade Association**  
**Date: April 10, 2019**  
**Re: Follow up to S.54 testimony**

We thank you again for the opportunity to testify on S.54 on April 5th. We want to follow up on a few issues that were addressed.

### **Banking – data collection**

VSECU is regulated by the National Credit Union Administration (NCUA) and the State Department of Financial Regulation (DFR). The credit union clarified that their regulators did not recommend they utilize a data collection firm. Rather they recommended that the credit union enhance their due diligence to provide assurance that there were no illegal deposits being made into the accounts. Rather than staffing up considerably to address this, VSECU decided to engage with the NCS data firm.

### **Mentoring program for small farmers, women, minorities, and individuals impacted by cannabis prohibition**

Referencing the SBA mentor protegee program for government contractors (<https://www.sba.gov/federal-contracting/contracting-assistance-programs/all-small-mentor-protege-program>), VCTA is recommending the state initiate a comparable program to guide small farmers or other disadvantaged groups into the cannabis industry. The mentor protégé program could offer a variety of services, including business development assistance, technical and/or management assistance, financial assistance in the form of equity investments and/or loans, and trade education in the form of understanding and adhering to state and federal regulations and accounting procedures. Mentors are encouraged to engage in business to business transactions with their protégé so that the protégé firms may more fully develop their capabilities, with the goal of moving the protégé firm through the start-up phase and into a sustainable lasting operation.

### **Competition between dispensaries**

You heard testimony that because medical marijuana patients are not allowed to go to any dispensary, there is no competition between dispensaries. For the past two years, the dispensaries have asked that the law be changed to allow patients to go any dispensary of their choosing. S.117, as passed by the Senate and currently in the House Human Services Committee, has language that allows this. We have always supported this amendment.

### **Testing**

Despite the State never requiring testing, we took it upon ourselves to set up labs to do our own testing, as well as testing other dispensaries' products, to ensure the quality of the product. S.117 has language that will require the Agency of Agriculture to test our products, and we welcome this amendment. We actively support ensuring the safety and high quality of our products.

## **The Medical Marijuana Program differs from adult use cannabis**

In addition to the variety of product and consumption methods, there are many other benefits to the existing Medical Marijuana Program which should not be lost in the process of developing the adult use market. Current Vermont medical marijuana dispensaries are vertically integrated; they have experience in all aspects of the marijuana industry – cultivation, extraction, diagnostic testing, product development, labeling, research, banking, security, compliance, product development, distribution (wholesale & home delivery), and retail.

The Benefits include

- No taxes to patients.
- Higher THC potency limit and diversity of products
- Medical patients are served by knowledgeable staff who provide advice and consultation
- A viable alternative to opioid use for pain relief.
- Higher quantity possession allowed for medical care
- Caregivers can purchase/grow products for patients
- Legal access for minors in approved medical cases (e.g., cancer or epilepsy)
- Dispensaries are currently operating and supported by local communities
- Access, availability, and distribution occurs throughout Vermont (including home delivery)
- Strict privacy, as well as collaboration with health care providers, to determine the most effective use of products
- Consistency and dependability for patients
- Self-imposed manufacturing standards are in line with state requirements
- Packaging and labeling requirements helps to ensure patient safety

## **Ensuring the Viability and Continuation of the Medical Program through Adult Use**

The success of the medical program has drastically diminished over the past 12 months due to passage of home grow regulations. The largest competitor in the state is the illicit market. Medical dispensaries are servicing a large demographic with diverse needs, requiring them to make a large variety of product lines under very low volume runs. Often a dispensary will manufacture less than 10 units of a product a month only to serve a few patient's needs. This is inefficient and costly, but necessary for the success of the program. This is not as efficient as a traditional manufacturer who produces large runs of a few products that are targeted to a specific, well defined audience. If enrollment was higher in the program this would not be an issue, but with low patient base over a large geographic area this becomes challenging. Ensuring that the Medical Program remains viable in the adult use market will ultimately benefit both patients and the general public.

Dispensaries are asking to be grandfathered into the adult use program so as to provide a safe, compliant and effective platform for the production and sales of adult use cannabis, but also to diversify the risk and costs they incur for operating in the medical market. In addition, when the Medical Program moves under the Cannabis Control Board (CCB), as is recommended, we strongly encourage the Medical Program staff to be directed to move with it. The Medical Program has knowledge and experience to lend to the CCB, including its ability to not be dependent on taxpayer funds.