



Testimony for S.54
Vermont Cannabis Trades Association (VCTA)
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Thank you for the opportunity to testify on S.54. Before we lay out our thoughts on S.54, we would like to provide you with information regarding some successes of the Medical Marijuana Program and some recent adverse impacts on the medical marijuana dispensaries.

Successes of the Medical Marijuana Program

The Vermont Medical Marijuana Program has seen many successes over the years, namely the ability to offer alternative symptom relief to the population suffering from severe illness. Over time, many improvements have been made to the program, including expanding the qualifying conditions and allowing access to more Vermonters. It has been the priority of the dispensaries from the start to offer safe, compliant and effective products to the patients on the registry. From 2011 through 2018, dispensaries experienced incremental growth as the community and the state embraced medical marijuana.

Recent Impacts on the Medical Marijuana Dispensaries

Recent changes in laws and policies have had some adverse impacts on the Vermont medical marijuana dispensaries.

1. Significantly increased competition from the unregulated and illegal market.

The unregulated and illegal market is now the largest competitor throughout the state - selling flowers, edibles, etc., and developing brands in preparation for a tax/regulate market. The illegal market delivery services are also prominent. There appears to be confusion among patients and home-growers as to the legality of transactions. Therefore, patients, home-growers and the general public are making illegal sales and purchases every day in Vermont.

2. Confusion regarding legality of recreational market.

There is a general assumption that the recreational market will open soon. Patients don't see the need to renew their card and potential patients don't see a need to go through application process.

3. Legal cultivation

There are about 5,300 patients currently on the registry, down from 5,600 patients. After the passage of home grow in July of 2018, dispensaries saw a significant drop in patient enrollment. Loyal cultivation customers realized they no longer needed a card to cultivate legally. Prior to July 1, 2018, patients purchased seeds and clones from dispensaries; now they can get them from the illegal, unregulated market. If you look to other states, medical marijuana registries typically consist of 2% or more of the population. In Vermont we are at or below 1% of the population.

4. Banking and audits. VSECU, a state credit union offering banking to the medical dispensaries, increased their fees in 2019 from \$50 per month to 2% of all deposits. This fee increase is due to federal and state regulator recommendation that the credit union increase their due diligence on dispensary accounts through the use of a third-party data collection agency, NCS. The NCS platform would connect to the dispensary and trace all inventory, sales and deposit activity from the dispensary to the bank, providing assurance that there is no fraudulent activity occurring in the bank account; specifically, that no deposits are being made into the account from the illegal market. The impact of these increased fees is beyond what dispensaries can afford. At the same time, the State of Vermont requires dispensaries to have an independent audit performed every other year. The cost of the audit for a company the size of CVD is comparable to the cost of the increased bank fees. Dispensaries will be subject to double audits and associated costs.

Comments on S.54

We appreciate the recognition of the importance of the Medical Marijuana Program in S.54. There are many advantages to the Medical Marijuana Program. Over the last six years, we have developed relationships with our patients, and often provide support, including one-on one appointments where we give them time to discuss the state of their health and wellbeing,

1. Support increasing patient's allowable amount to 3 ounces

We support this increase in S.54. Due to the severity of some patients' illnesses, we have patients that need dosages that are higher than the two ounces/month that is allowed under current law.

2. Ensure the sustainability of the Medical Marijuana Program

S.54 creates a system of priorities for licenses and provides for priority for existing medical cannabis dispensary license applications, as we have been licensed and regulated for 6 years by the State. We have developed protocols that abide by the laws and rules of the medical program. To remain viable, we ask you to consider awarding each medical dispensary an adult use license that they can choose to accept. H.196 provides language that has the medical dispensaries be the first to open in the adult use market. We would support the addition of this language to S.54 and would request that this not be a temporary license status, as considerable investment would be required to develop enough product for adult use. If we are afforded this opportunity, we will start bringing revenue into the state through adult use sales early in the process, and we would be able to subsidize the medical program.

3. Incorporate the expertise of the Medical Marijuana Program in the Cannabis Board

It is reasonable to have both medical marijuana and adult use under the Cannabis Board after the Cannabis Board is established and has a fee system in place. We ask that you consider adding language that requires the Cannabis Board to use the existing Medical Marijuana Program rules and statutes for guidance in developing rules for the adult use market.

Thank you for considering our thoughts regarding S.54 and the Medical Marijuana Program.