

Vermont Cannabis Control Board

House Ways & Means Committee
Updated fee proposal

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Relevant Requirements of the October 15 Fee Report

Act 62 (2021), Section 4a states:

“[T]he Cannabis Control Board shall provide recommendations to the House Committee on Ways and Means, the Senate Committee on Finance, and the House and Senate Committees on Government Operations on the following:

(1) State fees to be charged and collected The recommendations shall be accompanied by information justifying the recommended rate **The State fees ... shall be projected to be sufficient to fund the duties of the Cannabis Control Board** To the extent possible, the recommend fees shall include an amount to repay over a period, not greater than 10 years, to the General Fund any application of excise taxes to the Cannabis Regulation Fund

(A) Application fees, initial annual license fees, and annual license renewal fees for each type of cannabis establishment license as provided in 7 V.S.A. § 846: cultivator, product manufacturer, wholesaler, retailer, testing laboratory, and integrated. If the Board establishes tiers within a licensing category, it shall provide a fee recommendation for each tier.

(B) Fee for a cannabis establishment identification card

(2) Whether monies expected to be generated by State fees ... are sufficient to support the ... the Board and whether any portion of the tax ... should be allocated to the Cannabis Regulation Fund

(3) Local fees to be charged and collected The recommendations shall be accompanied by information justifying the recommended rate The Board shall recommend local fees that are designed to help defray the costs incurred by municipalities in which cannabis establishments are located.”

Revised Cannabis License Fee Structure Proposal

- The CCB updated its October 15 fee proposal in response to a request by the committee for a blended fee structure.
- The October 15 fee proposal included two fee structures: one that we estimated would cover the CCB's costs, as directed by Act 62 (**Proposal A**), and one that kept fees competitive with nearby states and other markets without limited licenses (**Proposal B**). The CCB recommended the legislature adopt Proposal B.
- “Proposal C” increases the price per square foot in a way that keeps lower tier cultivation licenses affordable and increases the cost of middle and higher tier licenses progressively as you move up.
- In this proposal, the license fees for the upper tiers of indoor cultivation are generally higher as compared to other states. This may further depress entrepreneurial interest in these tiers, resulting in lower projected fee revenue and insufficient regulated product to meet consumer demand.

Application Fee Recommendations

We envision a two-part licensing process, where potential applicants can file an intent to apply early in the process. This filing will allow the applicant to meet background check and other application requirements before procuring real estate and finalizing business plans. If an applicant submits an intent to apply application, the application fee will be reduced by the amount of the intent to apply fee.

Fee Type	Proposal C
Intent to Apply Fee	\$500
Application Fee	\$1,000

License Fee Proposals

Outdoor Cultivation License Fees

License Tier	Proposal A	Proposal B	Proposal C
Tier 1 Outdoor < 1,000 sq ft (or 125 plants)	\$1,000	\$750	\$750
Tier 2 Outdoor < 2,500 sq ft	\$2,500	\$1,875	\$1,875
Tier 3 Outdoor < 5,000 sq ft	\$5,000	\$3,750	\$4,000
Tier 4 Outdoor < 10,000 sq ft	\$10,000	\$7,500	\$8,000
Tier 5 Outdoor < 20,000 sq ft	\$20,000	\$15,000	\$18,000
Tier 6 Outdoor < 37,500 sq ft	\$37,500	\$25,000	\$34,000

Indoor Cultivation License Fees

License Tier	Proposal A	Proposal B	Proposal C
Tier 1 Indoor < 1,000 sq ft	\$4,000	\$1,500	\$1,500
Tier 2 Indoor < 2,500 sq ft	\$10,000	\$3,750	\$3,750
Tier 3 Indoor < 5,000 sq ft	\$20,000	\$7,500	\$8,000
Tier 4 Indoor < 10,000 sq ft	\$40,000	\$15,000	\$16,000
Tier 5 Indoor < 15,000 sq ft	\$60,000	\$22,500	\$36,000
Tier 6 Indoor < 25,000 sq ft	\$100,000	\$37,500	\$75,000

Mixed Tier Cultivation License Fees

License Tier	Proposal A	Proposal B	Proposal C
Mixed Tier 1 < 1,000 sq ft indoors and up to 50 plants outdoors	\$4,500	\$1,750	\$1,800
Mixed Tier 2 < 1,000 sq ft indoors and up to 125 plants outdoors	N/A	N/A	\$2,250
Mixed Tier 3 < 2,500 sq ft indoors and up to 200 plants outdoors	N/A	N/A	\$5,000

Retail License Fees

License Tier	Proposal A	Proposal B	Proposal C
Retail – Storefront	\$10,000	\$5,000	\$10,000
Retail – Seeds and Clones	\$4,000	\$1,000	\$2,500

Manufacturing License Fees

License Tier	Proposal A	Proposal B	Proposal C
Manufacturer – Tier 1	\$15,000	\$7,500	\$15,000
Manufacturer – Tier 2	\$5,000	\$1,500	\$2,500
Manufacturer – Tier 3	N/A	N/A	\$750

Other Fees

Fee Type	Proposal A	Proposal B	Proposal C
Integrated	\$125,000	\$50,000	\$100,000
Wholesaler	\$4,000	\$1,000	\$4,000
Testing Laboratory	\$1,500	\$1,500	\$1,500
Employee Registration*	\$100 max	\$100 max	\$100 max
Local Processing	\$100 max	\$100 max	\$500 max
Product Registration**	NA	NA	\$50 max per product

* Biannual

**Annual fee to register each distinct cannabis product with the CCB. "Product" to be defined by rule. Fee would support random product testing and review of each product to ensure it is appropriate for adult-use and the label is not misleading. Product registration program would require that prior to the release of any new cannabis product, CCB must review the packaging, label, ingredients, and test results to either approve or deny its release.

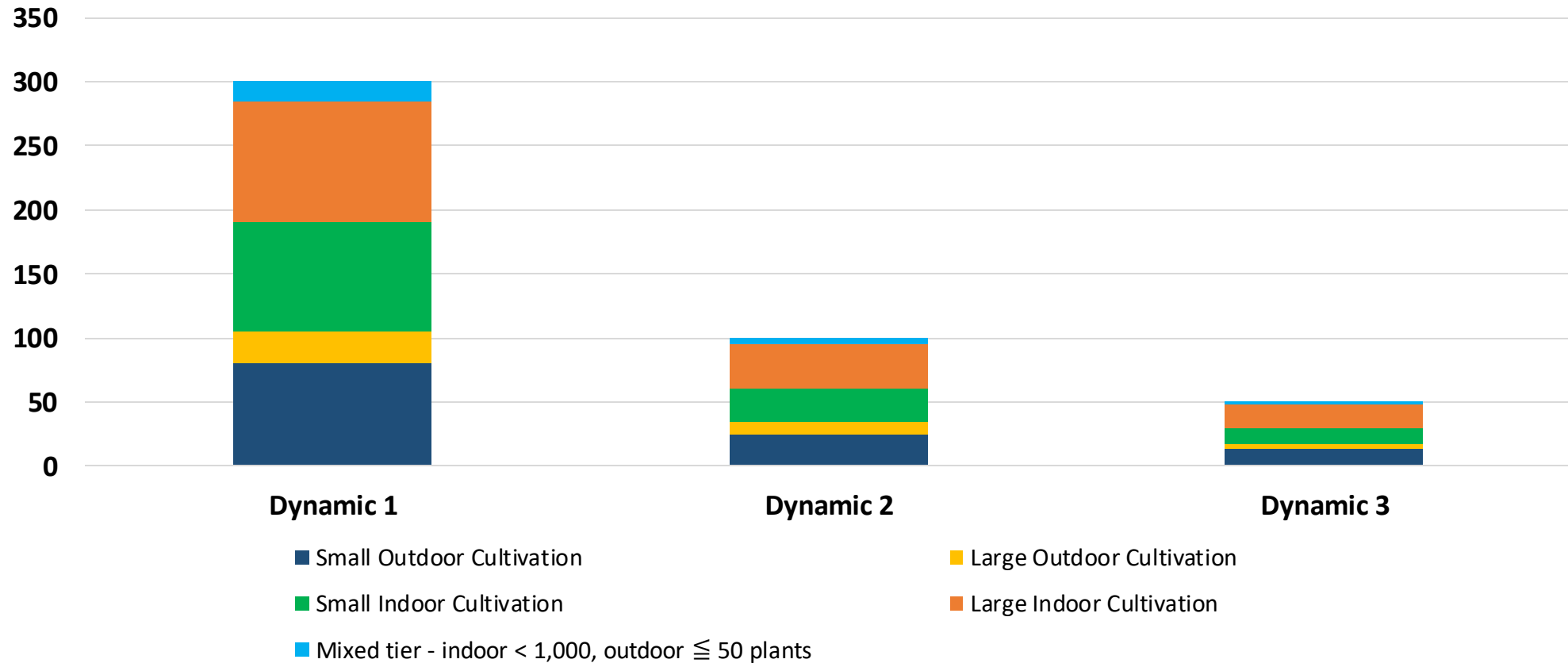
Fee Comparison with Comparable Jurisdictions

State	Retail License	Cultivator License
Alaska	New: \$5,000 Renewal: \$7,000	Limited (≤ 500 sq ft): \$1,000 new, \$1,400 renewal Standard (unlimited sq ft): \$5,000 new, \$7,000 renewal
Maine	\$2,500	Outdoor: \$250–\$15,000 (500–20,000 sq ft) Indoor: \$500–\$30,000 (500–20,000 sq ft)
Massachusetts	\$10,000	Outdoor: \$625–\$25,000 (5,000–100,000 sq ft) Indoor: \$1,250–\$50,000 (5,000–100,000 sq ft)
Vermont Proposal C	Storefront: \$10,000 Nursery: \$2,500	Outdoor: \$750–\$34,000 ($< 1,000$ –37,500 sq ft) Indoor: \$1,500–\$75,000 ($< 1,000$ –25,000 sq ft) Mixed: \$1,800 (1,000 sq ft indoor + 50 plants outdoor)
Vermont Proposal B	Storefront: \$5,000 Nursery: \$1,000	Outdoor: \$750–\$25,000 ($< 1,000$ –37,500 sq ft) Indoor: \$1,500–\$37,500 ($< 1,000$ –25,000 sq ft) Mixed: \$1,750 (1,000 sq ft indoor + 50 plants outdoor)

Estimating Entrepreneurial Interest

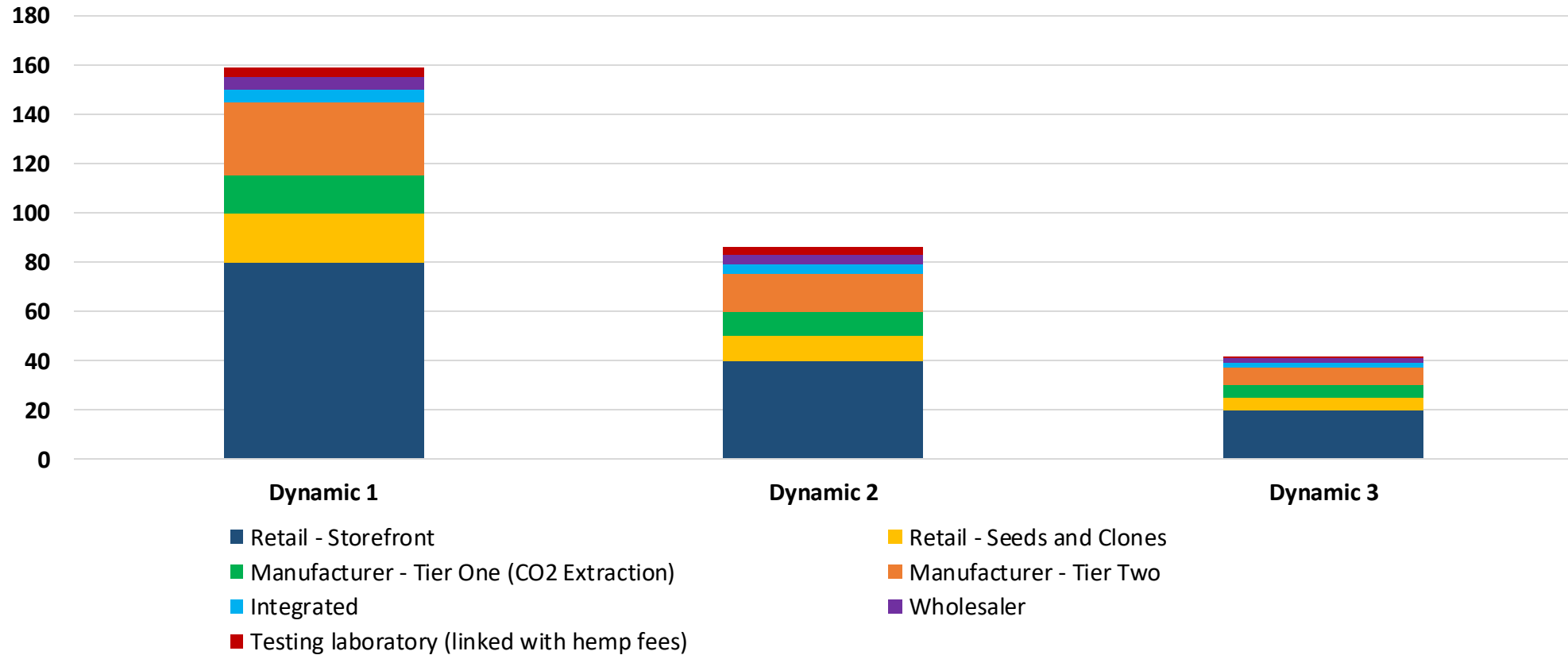
Projections for Cultivation Licensing Under Three Licensing Dynamics

In this graph, "small" means 2,500 square feet of flowering canopy or smaller



Estimating Entrepreneurial Interest (cont.)

Projections for Retail, Manufacturing, and other License Types Under Three Licensing Dynamics



Fee Revenue Projections for FY25

Type	Proposal C
Dynamic 1	\$3,856,875
Dynamic 2	\$1,856,000
Dynamic 3*	\$905,225

* Fee costs may affect entrepreneurial interest, and it is possible that the high fees for the upper tiers (along with the relatively small associated canopy sizes and limited market size) will discourage applications and drive the market towards a Dynamic 3 scenario