

Vermont Cannabis Control Board

House Appropriations Committee
FY 2023 Budget

February 2, 2022



Cannabis Control Board

The three-member Cannabis Control Board (CCB) was established through Act 164 of 2020 as an independent Commission created within the Executive Branch to safely, equitably and effectively implement and administer the laws and rules regulating adult-use cannabis in Vermont. It is responsible for establishing, administering, and regulating a cannabis regulatory system for commercial cannabis cultivators, wholesalers, product manufacturers, retailers and testing laboratories.



James Pepper (Chair)



Kyle Harris



Julie Hulburd

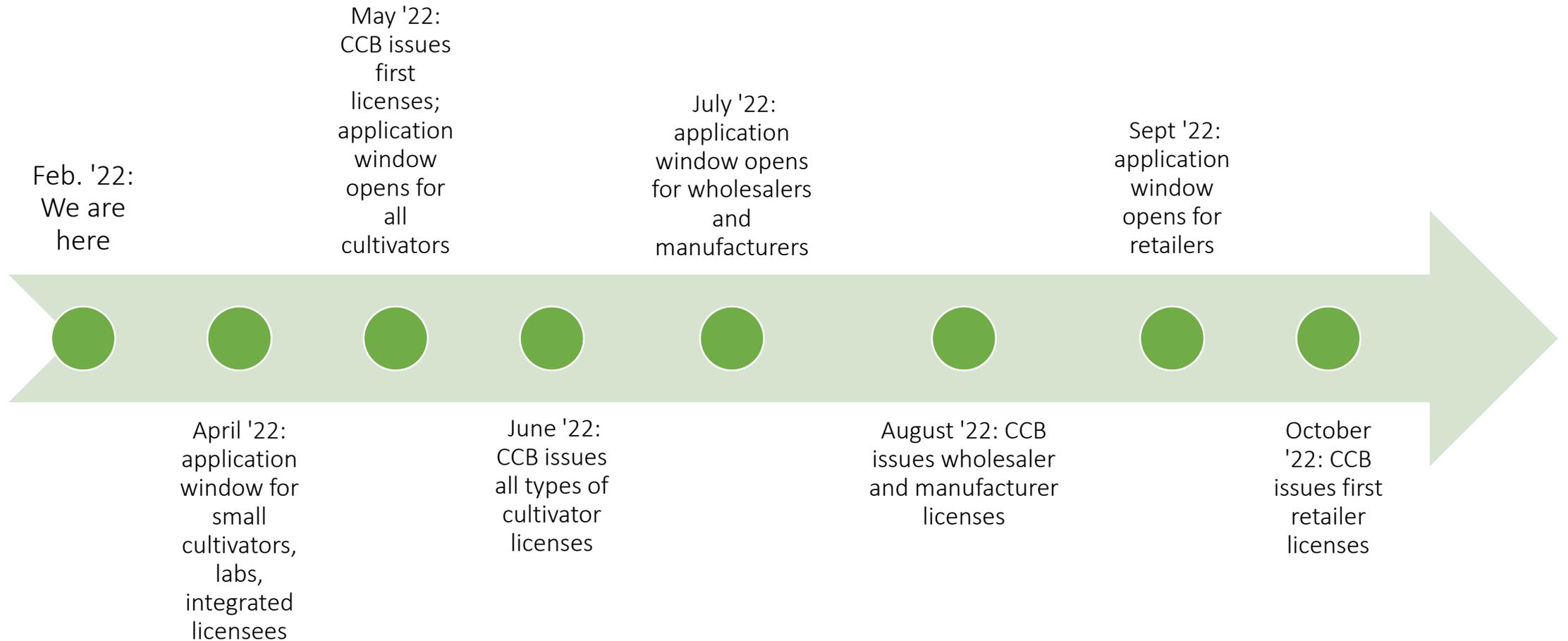
Guiding principles of the Board

- Establish a socially equitable industry. Create opportunities for people harmed by prohibition and reinvest in communities that suffered from those harms.
- Prioritize small local farmers to encourage a diverse marketplace. This is key to moving as much of the illegal cannabis market as possible into the regulated market and ensuring a boutique craft industry.
- Environmental stewardship and sustainability.
- Ensuring that a well-regulated medical cannabis system continues to provide unique goods and services to patients and caregivers on the Medical Cannabis Registry.
- Ensuring that cannabis users have access to safe, tested, and labeled cannabis and cannabis products.
- Prevent cannabis use among youth and educate consumers on the risks involved in cannabis consumption.

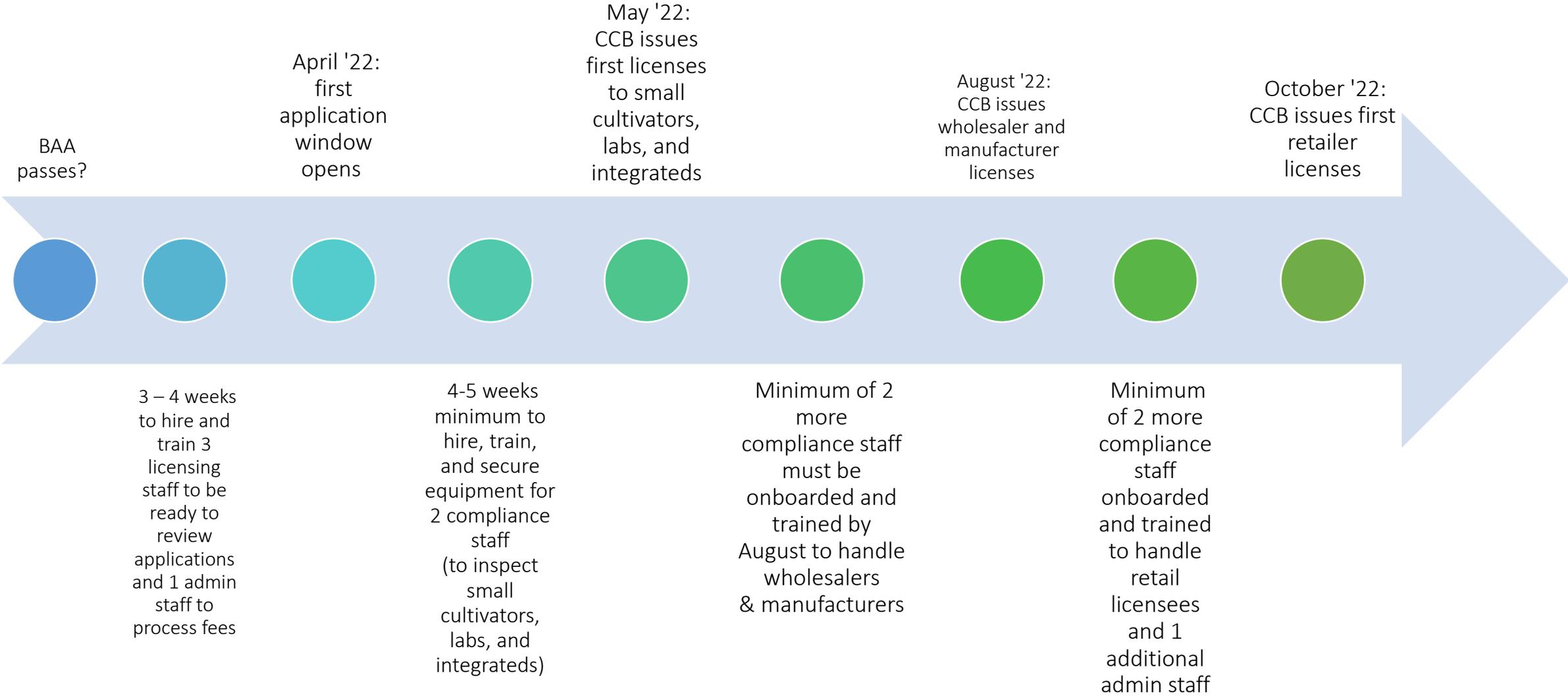
Update on the CCB's work

- We have held nearly 40 full board meetings, 75 meetings of our advisory committee and associated subcommittees, and numerous public comment meetings
- All 5 of our administrative rules have been drafted and prefiled, and we will file two of our final proposed rules with LCAR this week
- Submitted 4 legislative reports
- Started procurement process on our licensing portal project and seed to sale tracking software
- Transitioned the medical cannabis program to the Board
- Are now poised to accept first license applications in April

ROLL-OUT OF ADULT-USE CANNABIS MARKET



OPERATIONALIZING ACTS 164 & 62

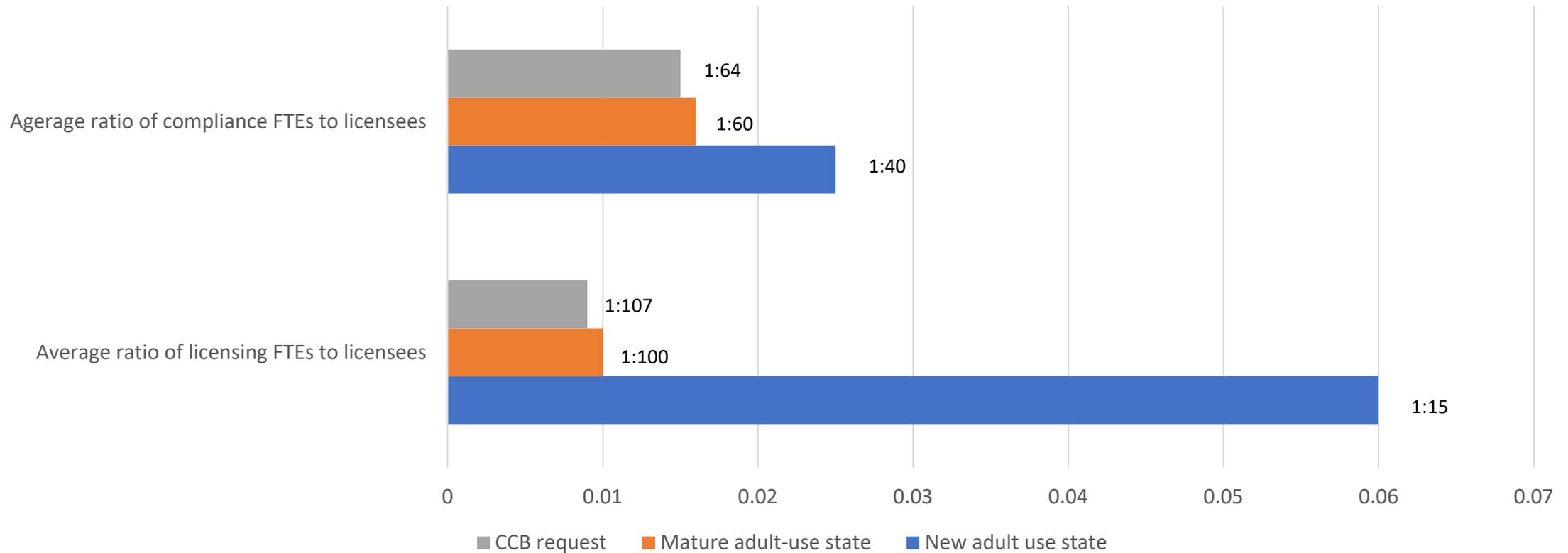


CCB is currently inappropriately staffed to carry out its legislative mandate

- Currently the CCB has 4 staff: 2 administrative staff, an executive director, and a general counsel
- The CCB needs licensing staff to review and vet applicants for licenses, compliance staff to enforce the laws and regulations governing the cannabis program, and a basic level of administrative staff to support the Board's work.
- CCB request is 11 total positions:
 - 3 licensing staff
 - 6 compliance staff
 - 2 administrative staff

CCB staffing request is lower than average staffing levels in counterpart agencies

Comparing CCB staffing request to other state cannabis regulatory agencies



Most immediate staff needs: 8 positions

- **Three licensing positions staffed and trained by April, when first application window opens**
- **One director of compliance (CCB Policy Enforcement Director, PG 27) and three compliance inspectors (CCB Compliance Agent, PG 25) staffed and trained by May, when first sets of licenses will be issued by the CCB**
- **Financial Manager 1 (PG 25, job code 089080) staffed by May when the CCB will be required to collect adult use cannabis establishment license fees and local fees**

Slightly less immediate staff needs: 3 positions

- **Two additional compliance inspectors (CCB Compliance Agent, PG 25) staffed and trained by August, by which time the Board will be licensing all cultivators, integrated licensees, testing laboratories, wholesalers, and product manufacturers. Retail establishments will be licensed by October.**
- **One Data and Information Project Manager (PG 27, job code 530100) to comply with the CCB's data reporting requirements and to conduct data tracking and analysis to help the Board understand the impacts of its cannabis policies.**

Fiscal Year 2023 Budget Development Form - [Cannabis Control Board]

	General \$\$	ansp	Special \$\$	Tobacco \$\$	Federal \$\$	Interdept'l Transfer \$\$	All other \$\$	Total \$\$	Related Strategic Plan Outcome
Approp #1 [Cannabis Control Board]: FY 2022 Approp		0	650,000	0	0	0	0	650,000	
Other Changes: (Please insert changes to your base appropriation that occurred after the passage of the FY22 budget)			965,081					965,081	
FY 2022 Other Changes	0	0		0	0	0	0	0	
Total Approp. After FY 2022 Other Changes	0	0	650,000	0	0	0	0	650,000	
Personal Services: Salaries, Wages & Benefits (Annualization of FY 22 COLA and steps) - Includes Workers Comp ISF 505200			1,224,964					1,224,964	Grow the Economy
Personal Services: - Contrat and 3rd Party Services 507550			150,500					150,500	Grow the Economy
Personal Services: PerDiem 506000			10,200					10,200	Grow the Economy
Operating Expenses: Telecom Services & Equipment 516623			7,000					7,000	Grow the Economy
Operating Expenses: Telecom Services & Equipment 516652			611					611	Grow the Economy
Operating Expense: Dues 516500			2,500					2,500	Grow the Economy
Operating Expense: Advertising-Print 516813			1,500					1,500	Grow the Economy
Operating Expense: Printing/Binding 517000			1,500					1,500	Grow the Economy
Operating Expense: Postage 517200			4,500					4,500	Grow the Economy
Operating Expense: Agency Fee 519005			3,000					3,000	Grow the Economy
Operating Expense: Express Mail 717300			200					200	Grow the Economy
Operating Expense: Equipment 522410			5,000					5,000	Grow the Economy
Operating Expense: Rental Other 515000 & 514550			4,500					4,500	Grow the Economy
Operating Expense: Rental Property 514000 & 514010			96,230					96,230	Grow the Economy
Operating Expense: Supplies 520000, 521500 & 521512			9,960					9,960	Grow the Economy
Operating Expense: Travel 518000			5,000					5,000	Grow the Economy
Operating Expense: IT/Telecom ADS End User 516662			1,000					1,000	Grow the Economy
Operating Expense: Bank Service Charge 524000			1,000					1,000	Grow the Economy
Operating Expense: ADS Service Level Contract 516660			8,500					8,500	Grow the Economy
Operating Expense: IT/Telecom ADS ISF 516685			12,058					12,058	Grow the Economy
Operating Expense: Property and Comm. Ins. ISF 516000			240					240	Grow the Economy
Operating Expense: IT/Telecom VISION ISF - 516671			6,058					6,058	Grow the Economy
Operating Expense: Human Resources ISF- 519006			7,885					7,885	Grow the Economy
Operating Expense: State Liability ISF - 516010			366					366	Grow the Economy
Subtotal of Increases/Decreases	0	0	1,564,272	0	0	0	0	1,564,272	
FY 2023 Governor Recommend	0	0	2,214,272	0	0	0	0	2,214,272	
[Dept Name] FY 2022 Appropriation	0	0	650,000	0	0	0	0	650,000	
Reductions and Other Changes	0	0	965,081	0	0	0	0	965,081	
FY 2022 Total After Other Changes	0	0	0	0	0	0	0	0	
TOTAL INCREASES/DECREASES		0	1,564,272	0	0	0	0	1,564,272	
[Dept Name] FY 2023 Governor Recommend	0	0	2,214,272	0	0	0	0	2,214,272	

FY 2023 Budget Request

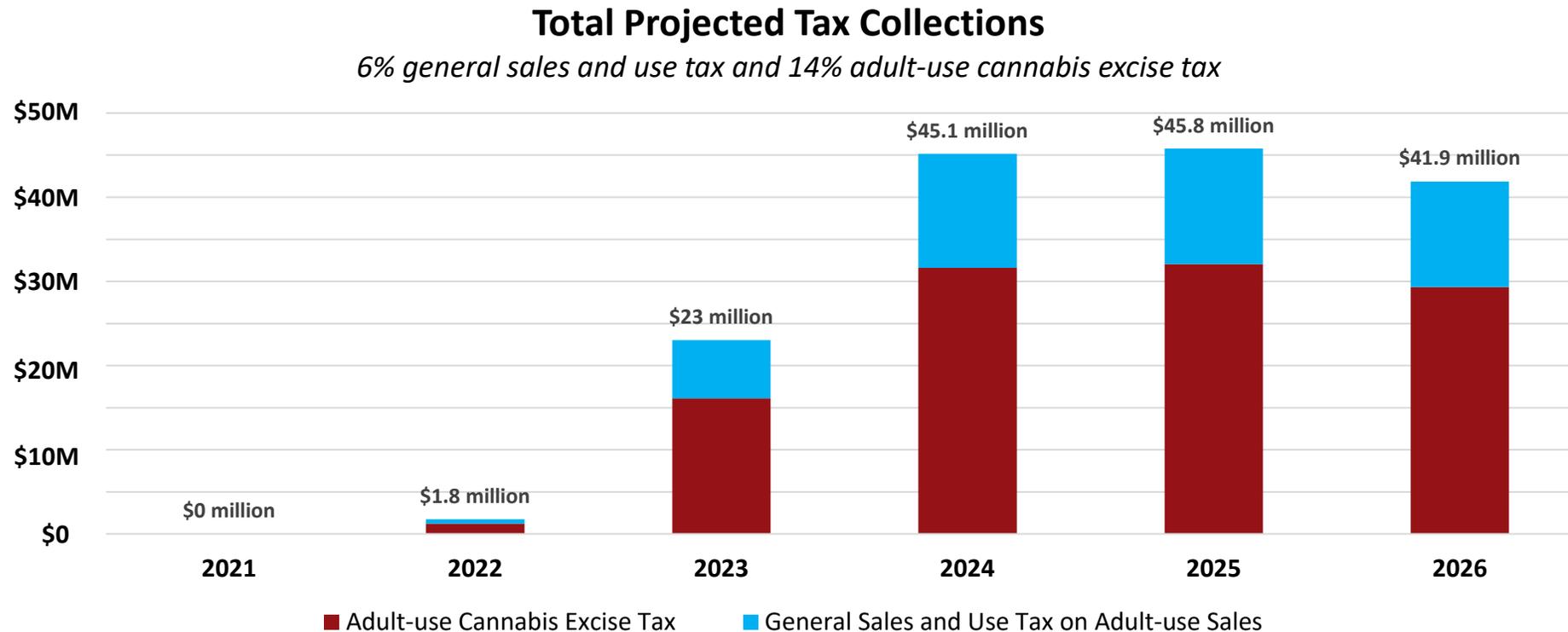
Currently approved Board and staff positions	\$1,224,964
Operations	\$339,308
11 requested positions plus operating costs associated with those positions	\$1,015,909
Licensing software/product tracking system	\$715,000
TOTAL	\$3,295,181

Covering the cost of the CCB

- The fee structure in H.701 is unlikely to cover the operating costs of the Board, but it will likely foster a diverse and equitable market with adequate supply to service Vermont's consumers. Adopting a fee structure high enough to cover the CCB's operating costs would create a significant risk that a full market never develops and most supply and sales remain in the illicit market.
- The CCB needs approximately \$3.2 million to cover operating costs in FY23. If the legislature passes the fee structure in H.701, JFO estimates approximately \$950,000 in application and license fee revenue in FY 2023 and \$1.4 million in FY 2024. The CCB recommends that the legislature fill the gap by allocating to the CCB a portion of the adult-use excise tax revenue over the first 12 months of sales. Based on the projected tax revenue generated by the model developed by our consultants, approximately 14% of the excise tax revenue generated in FY2023 would close the gap.
- All participants in the regulated cannabis market, especially consumers, will benefit from its safe and effective operation. For this reason, it's reasonable for consumers to share in the cost of managing the market by assigning a portion of the excise tax revenue to support the Board's regulatory function.

Tax Projections

Tax projections are estimated to grow to more than \$40 million annually and then fall as neighboring states implement their own adult-use cannabis programs.



Pursuant to Act 62, 30% of the excise tax revenues, not to exceed \$10,000,000.00 per FY, shall be used to fund substance misuse prevention programming. Pursuant to Act 164, sales and use tax revenue shall be used to fund a grant program to start or expand afterschool and summer learning programs.