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## Let's Grow Together

Hello Members of the House Committee on Government Operations,

The state of Vermont has stated time and time again, their interest to provide economic opportunities to individuals who historically have been disproportionately impacted by cannabis prohibition, also known as social equity applicants. Yet, Vermont has an idealistic idea of who, as a social equity applicant, would be able to succeed in our local cannabis market. Due to deeply ingrained systemic socioeconomic issues, many people who qualify as social equity applicants lack the necessary capital and/or specialized knowledge needed to successfully maintain a business.

It must be emphasized that this is not by the fault of the individual but rather that of a system that thrives on cyclical poverty and income inequality. With this in mind, it is in the interest of all potential social equity applicants for there to be a less cumbersome and less costly alternative to entering the cannabis industry than opening a traditional establishment. That alternative is a delivery license available exclusively for social equity applicants holding no other cannabis licenses for a window of 3 years and subsequently open to all Social Equity Applicants for the 7 years thereafter.

The argument for developing delivery licenses exclusively for Social Equity Applicants with no other licenses is a three pronged approach with many players across the spectrum benefiting.

The first beneficial aspect of developing a delivery license exclusively available to social equity applicants is its low cost and low barrier to entry. This affords folks who lack access to capital or the specialized knowledge to, for example, cultivate and/or manufacture commercial grade cannabis products, low barriers to enter the market and equally low start-up costs. For the initial 3 years, the license would be exclusively available to Social Equity applicants who do not hold another cannabis business license. After the initial 3 years, delivery licenses would be available exclusively to Social Equity Applicants, regardless if they have another business in the state for a window of 7 years. This gives delivery licensee's a vital advantage by minimizing competition from big players and giving them the option to expand and acquire other licenses after 3 years. By contracting and going to various dispensaries, retail storefronts and other

players along the supply chain, delivery licensee's would be networking and building essential industry knowledge, equipping them with their own tools to start a traditional cannabis business down the road if they so choose.

The second group or groups to benefit from developing a social equity exclusive delivery license are patients, consumers and the public. Vermont is a very rural state that has chosen to undergo the "Opt-in" process for retail cannabis. This means an individual may live dozens, even hundreds, of miles from a municipality that has opted to host a retail or medical cannabis outlet. By providing delivery services to consumers and patients alike, a much-needed service is provided to someone who otherwise couldn't easily access cannabis products. In the case of patients, oftentimes these are folks with physical and/or mental disabilities who are unable to access their medicine. It is important to remember, those who need cannabis as medicine often can't access it for the same reason they need cannabis as medicine. It should also be noted, delivery currently exists for medical patients and is accessible in all corners of the state and everywhere in between. In the case of consumers, delivery eliminates the potential stigma of walking into a retail outlet and encourages smart decisions regarding impaired driving and public safety. By allowing consumers to order cannabis to be delivered, it would replace the number of potentially impaired drivers on the road with licensed couriers who keep the product in a locked box. This would directly address public safety concerns regarding impaired driving.

The final beneficiary of a Social Equity exclusive delivery license is nearly every player in the cannabis supply chain including state and municipal governments. By allowing delivery, a higher number of consumers can and will engage with the legal market thus resulting in a greater number of transactions, and shrinking the illicit market. More transactions means more revenue for businesses across the supply chain and subsequently more tax revenue for state and local governments. It should be noted that Medical patients do not pay taxes.

Our proposed amendment would open a variety of options for delivery licensees. They would be allowed to partner with retailers and other licensee's across the supply chain to deliver their products to different sectors of the industry. For example, a cultivator may contract with a delivery licensee to deliver their products to wholesalers, testing laboratories, and retailers. Not only would this be good for the SE delivery operators, it would alleviate potential supply chain strains by streamlining the heavily regulated transportation of finished and unfinished cannabis products.

Contractually partnering with other licensee's would be one of many options available to Social Equity delivery licensees. Another option open to delivery licensees would be to buy cannabis products at wholesale, own those products, and sell them directly to consumers. We call this the D.o.C. model (Direct to Consumer). This model allows SE licensee's to have greater ownership of capital goods and thus more bargaining power in the market. Under this model, licensee's would own their vehicles, have them insured under their business as well as hire and train employees should they wish to do so. The final option would be to deliver products from a retailer/dispensary directly to the consumer/patient. The licensee would not have ownership of the cannabis and would simply be completing an already paid for order.

What has the Cannabis Control Board said about delivery licenses? The CCB has spoken at length on this topic. In their January 15th Report to the General assembly and in numerous Board Meetings, they recommend authorizing online ordering and delivery for the same reasons I have laid out. In the Jan. 15th report, the Board said:

- ⅔ states with adult markets allow for delivery
- Of states that passed legalization measures but are yet to commence sales, none prohibit delivery and most allow it under statute
- No consensus among states on online ordering but all legalized states allow it without explicitly saying so in statute
- Advantages of delivery
  - Consumer convenience- consumers have become accustomed to having items delivered. Cannabis is no different
  - Delivery expands access to the recreational market giving it another competitive advantage over the illicit market.
  - Creates jobs for small businesses and entrepreneurs.
- Disadvantages:
  - Additional regulatory burdens for CCB
  - Slight increase in public safety issues stemming from more cars on the road with valuable cannabis and cash.
    - It should be noted that states with delivery have not seen an increase in cannabis delivery related crimes.
- The Board recommends the legislature to develop delivery licenses.
- The Board recommends allowing for online-ordering for in-store pick up and delivery
- The Board recommends the legislature let the Board determine how to regulate delivery licenses.
- The Board recommends opening delivery licenses with an exclusivity period for Social Equity Applicants.

In addition to the Cannabis Control Board, the NACB, National Association of Cannabis Businesses, is also in agreement with this measure. The NACB was an outside consultant hired to spearhead the CCB's various sub-committee's including that on Social Equity. Like the CCB, the Social Equity sub-committee recommends that the legislature approve Social Equity exclusive delivery licenses.

What VT NORML is proposing in this amendment is very much in line with the language of the CCB and the NACB Social Equity Sub-committee. The major difference between our language and that of the CCB is we see delivery as a public safety advantage opposed to a disadvantage as delivery services would minimize impaired driving.

In the weeks since VT NORML gave its initial testimony on this topic to the House Judiciary Committee, we have received support from people across the cannabis spectrum.

From current Social Equity Business owners to former cannabis regulators and experts on cannabis policy, they all hail this amendment as crucial and vital to supporting a diverse and accessible cannabis industry in Vermont.

While VT NORML continues to encourage market participation by any and all who have been harmed by cannabis prohibition, the last thing we want to see in our communities are failed businesses, a probable outcome for someone looking to open up shop with nothing more than a waived license fee. The financial investments, regulatory burdens, and specialized knowledge required to open traditional retail, manufacturing, cultivation and/or testing labs is often too great for many Social Equity Entrepreneurs. For these reasons, it is of the utmost importance to us that delivery licenses are available exclusively to social equity applicants with no other cannabis licenses for the initial rollout.