

Cannabis Regulation – Lessons Learned

Tuesday, October 11, 2022



Agenda

- *History of Cannabis Policy*
- *Cannabis Control Board Introduction*
- *Cannabis Control Board Policy Considerations*
- *Questions*

History of Cannabis Policy



History of Cannabis Policy – United States

The Controlled Substances Act (CSA)

Schedule I: high potential for abuse with no currently accepted medical use in treatment in the United States.

Examples: heroin, lysergic acid diethylamide (LSD), marijuana (cannabis), 3,4-methylenedioxymethamphetamine (ecstasy), methaqualone, and peyote.

Schedule II: high potential for abuse, with use potentially leading to severe psychological or physical dependence.

Examples: combination products with less than 15 milligrams of hydrocodone per dosage unit (Vicodin), cocaine, methamphetamine, methadone, hydromorphone (Dilaudid), meperidine (Demerol), oxycodone (OxyContin), fentanyl, Dexedrine, Adderall, and Ritalin

Schedule III: moderate to low potential for physical and psychological dependence. Examples: products containing less than 90 milligrams of codeine per dosage unit (Tylenol with codeine), ketamine, anabolic steroids, testosterone

Schedule IV: low potential for abuse and low risk of dependence. Examples: Xanax, Soma, Darvon, Darvocet, Valium, Ativan, Talwin, Ambien, Tramadol

Schedule V: lower potential for abuse than Schedule IV and consist of preparations containing limited quantities of certain narcotics. Examples: cough preparations with less than 200 milligrams of codeine or per 100 milliliters (Robitussin AC), Lomotil, Motofen, Lyrica, Parepectolin

History of Cannabis Policy – United States

Throughout the 1970s, 12 states removed or substantially reduced criminal penalties for possession of small amounts of marijuana: AK, CA, CO, ME, MN, MI, NE, NY, NC, OH, OR, and SD.

1996: California becomes the first state to permit cannabis to be used for medicinal purposes

2011: California decriminalizes possession of small amounts of cannabis

2012: Colorado and Washington voters passed legalization **ballot initiatives**

2014: Alaska, Oregon, and Washington, D.C. pass **ballot initiatives** to legalize marijuana

2016: California, Nevada, Maine, and Massachusetts approve **ballot measures** to legalize recreational cannabis

2018: Michigan approves a **ballot measure** to legalize recreational cannabis

2020: Arizona, Montana, New Jersey, and South Dakota* approve **ballot measures** to legalize recreational cannabis

2021: New York, Virginia, New Mexico, Connecticut legalizes recreational cannabis through **state legislature**

2022: Rhode Island legalizes recreational cannabis through **state legislature**.

History of Cannabis Policy – Vermont

2004: Legislature legalizes medical cannabis

2011: Legislature permits the establishment of medical-marijuana dispensaries

2013: Legislature decriminalizes possession of up to 1 oz. of cannabis for personal use

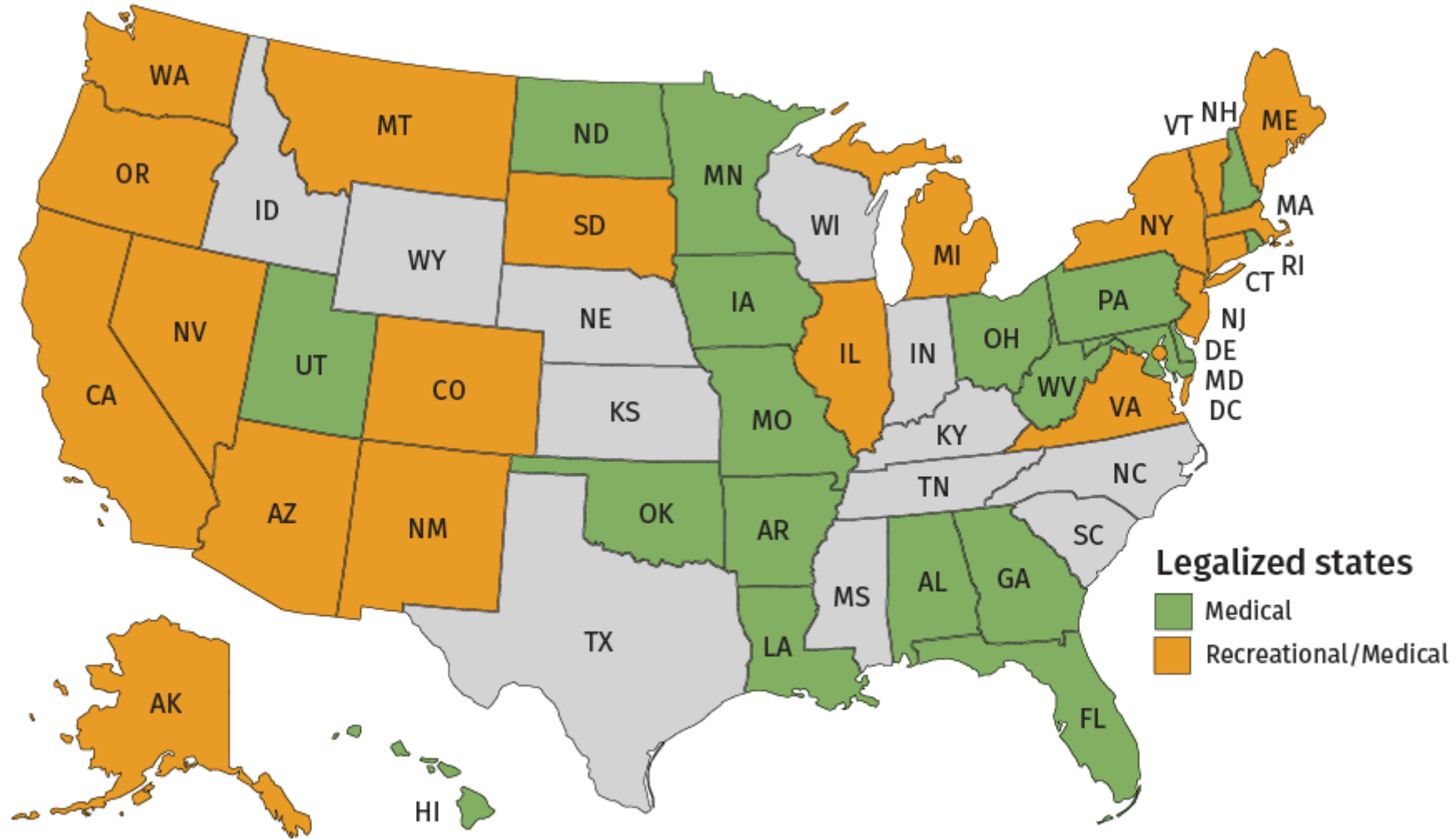
2017: Governor Scott establishes a Marijuana Advisory Commission to consider commercial cannabis

2018: Vermont becomes the first state to legalize cannabis (home grow / possession) through state legislature

2020: Legislature legalizes commercial adult-use cannabis sales and creates the Cannabis Control Board (Act 164)

2022: First legal commercial sales of cannabis

History of Cannabis Policy – United States



Source: MJBizDaily research

Note: Does not include states that have legalized only CBD-based oils.
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History of Cannabis Policy – United States

2013: Cole Memoranda

- The distribution of marijuana to minors;
- Revenue from going to criminal enterprises, gangs and cartels;
- Diversion of marijuana from states where it is legal to states where it is illegal;
- Use of state-authorized marijuana activity as a cover for other illegal drugs or activity;
- Violence and the use of firearms;
- Drugged driving or other adverse public health consequences;
- The use of public lands for marijuana production; and
- Marijuana possession or use on federal property.

2014: FinCEN Memo

2014: Rohrabacher–Farr amendment “None of the funds made available in this Act to the Department of Justice may be used...to prevent such States from implementing their own State laws that authorize the use, distribution, possession, or cultivation of medical marijuana.”

2018: Cole Memo rescinded

Cannabis Control Board Introduction

Introduction

The three-member Cannabis Control Board (CCB) was established through Act 164 of 2020 for the purpose of *safely, equitably, and effectively* implementing and administering the laws and rules regulating adult-use cannabis (marijuana) in Vermont. It is responsible for establishing, administering, and regulating a cannabis regulatory system for commercial and medical cannabis cultivators, wholesalers, product manufacturers, retailers and testing laboratories.



James Pepper (Chair)



Kyle Harris



Julie Hulburd

Introduction

§ 904a. SMALL CULTIVATORS

It is the intent of the General Assembly to move as much of the illegal cannabis market as possible into the regulated market for the purposes of consumer protection and public safety. It is also the intent of the General Assembly to encourage participation in the regulated cannabis market by small, local farmers. In furtherance of these goals, the Board shall consider policies to promote small cultivators as defined in section 861 of this title.

[T]he Board shall consider the different needs and risks of small cultivators when adopting rules and shall make an exception or accommodation to such rules for cultivators of this size where appropriate

Introduction

§ 901(d)(3) - One license type per entity

...[A]n applicant and its affiliates may obtain a maximum of one type of each type of license as provided in subdivisions (1)(A)–(E) of this subsection (d). Each license shall permit only one location of the establishment.

§ 883(b) - Criminal History Records

The Board shall adopt rules that set forth standards for determining whether an applicant should be denied a cannabis establishment license because of his or her criminal history record based on factors that demonstrate whether the applicant presently poses a threat to public safety or the proper functioning of the regulated market. Nonviolent drug offenses shall not automatically disqualify an applicant.

CCB Goals

- Build trust
- Establish core principles
- Develop market structure in-line with legislative intent
- Balance statutory requirements, Cole memo, and resources
- Regulatory waivers for small cultivators
- Public education
- Monitor market, refine rules, re-visit statutes

Introduction

- 147 Public Meetings
 - 72 CCB
 - 75 Advisory Committee / Subcommittees
- 2 Banking Roundtables
- 2 Social Equity Town Halls
- 2 Municipal Roundtables
- 5 Social Equity networking events

Witnesses: Sen. Sears; Sen. Pearson; Rep. Copeland-Hanzas; Legislative Counsel; Crime Research Group; VSP; VTrans; VAAFMM; ANR; DFS; PSD; DFR; VSECU; EfficiencyVT; PreventionWorks!VT; Vermont Afterschool; Behavioral Health Specialists; Cannabis processors and labs; Medical dispensaries, patients, and caregivers; RAND Corp; former Cannabis Regulators; Office of Racial Equity; AGO

Introduction

2021

April: Board members seated

May: First Open Meeting

July: CCB hires Executive Director and Dir. of Operations

Aug: Advisory Committee convened

Nov: Rules pre-filed

2022

March: Fee structure approved; rules adopted

April: First licensing window opens

May: First licenses issued – cultivators and testing facilities

Aug: Manufacturing and wholesale license issued

Sep: Retail licenses issued

Cannabis Control Board Policy Considerations

Initial considerations

- Open market vs. limited licenses
- Market Structure
- Excise tax supported
- Tax rates
- Local Control
- Advertising, counter-marketing

The Cannabis Control Board Team

Executive Team

Executive Director
Brynn Hare

General Counsel
David Scherr

Education & Outreach Manager
Nellie Marvel

Finance Manager
Kara Mayo

Compliance Team

Director
Cary Giguere

Compliance Agents
Christine Motyka,
Denise McCarty,
Lawrence "Chipper" Sullivan
Michael DiTomasso

Licensing Team

Director
Kimberly Lashua

Deputy Director
Lauren Higbee

Licensing Agents
Alexis Pless
Ray Carre,
Melissa Andersen (50%),
Dominique Acilio (temp)

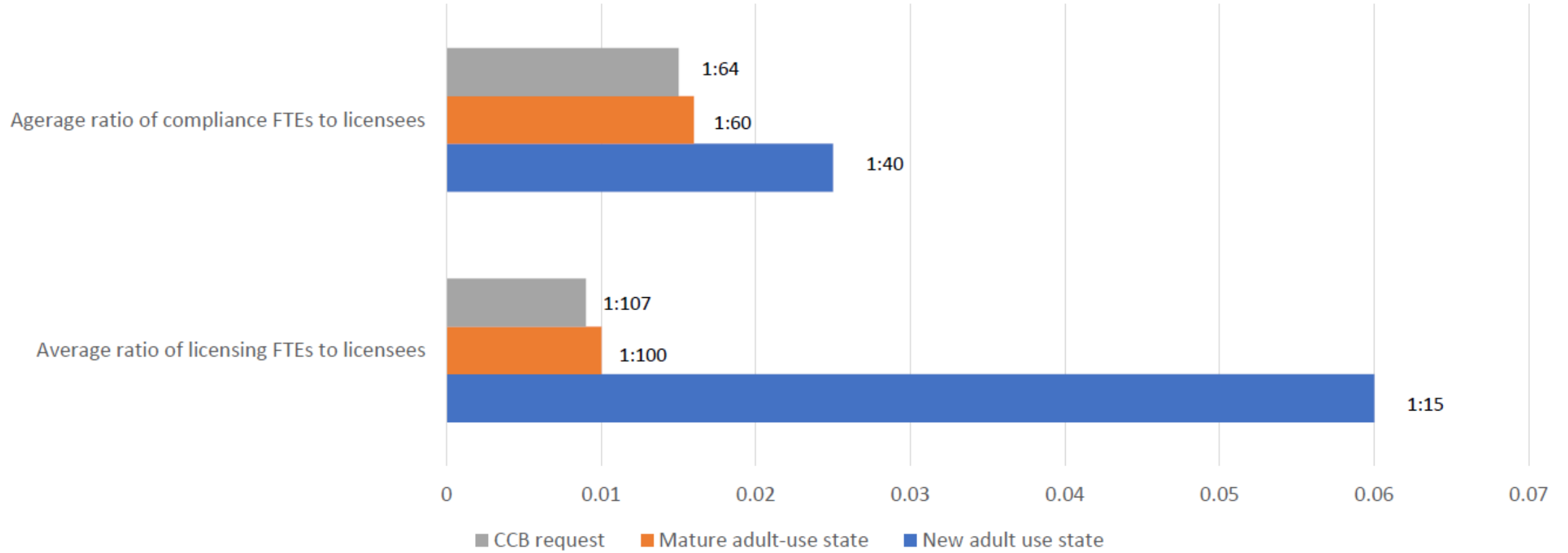
Medical Team

Medical Marijuana Program

Lindsey Wells
Meredith Bullock
Melissa Andersen (50%)

Policy Considerations

Comparing CCB staffing request to other state cannabis regulatory agencies



Policy Considerations

Licensing Numbers – As of Oct. 10th

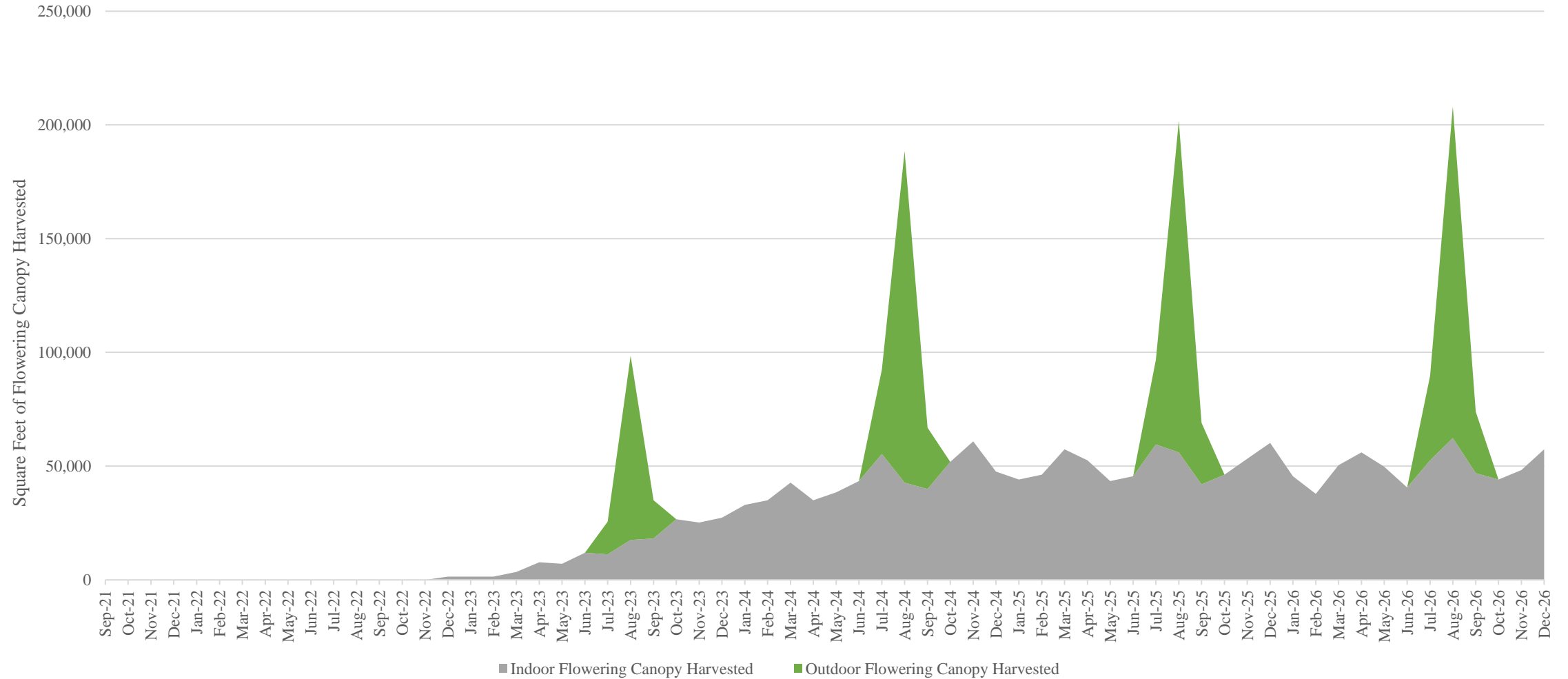
License Type	In Process	Approved & Issued
Cultivator	67	240
Manufacturer	33	10
Wholesaler	7	2
Testing Lab	1	3
Retailer	36	4
Integrated	1	1
Employee ID Card	145	15

Key Considerations for the Upcoming Retail Market

- Vermont annual demand for cannabis is approximately 55k lbs.
- Approximately 70% of Vermont's cultivators are outdoor cultivators; 79% are Tier 1 cultivators
- A typical harvest of outdoor cannabis occurs late September to Mid-October.
- There are several steps that occur from harvest to retail shelf: Including drying, trimming, curing, manufacturing, testing, packaging.
- Vermont could see some supply chain issues and fluctuation in pricing as the market stabilizes.
- Initial demand could outpace supply as the new market comes online.
- Storage and processing will be key to extending the shelf-life of cannabis harvested in the fall and evening out any peaks and valleys in supply.

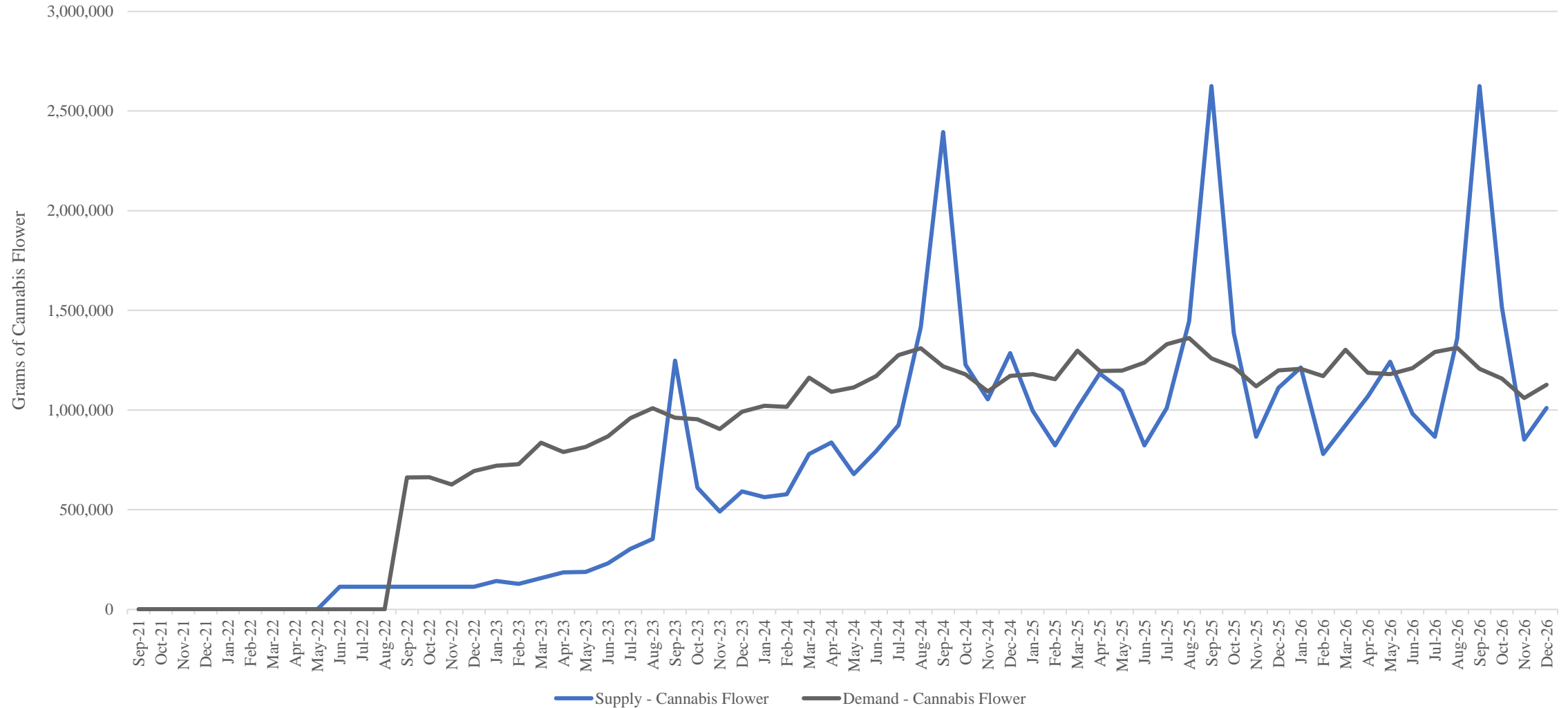
Policy Considerations

Square Feet of Indoor and Greenhouse Flowering Canopy Harvested Each Month



Policy Considerations

Supply and Demand for Cannabis Flower in Vermont
Total Supply from new Cultivators vs Medical and Adult-use Demand



Ongoing challenges

- Banking & Insurance
- Fire Safety
- Social Media
- Prohibited Products
- Delivery
- Special Events
- Hemp Derived Cannabinoids



 VERMONT

CANNABIS CONTROL BOARD