

To: House Committees on Government Operations and Appropriations

From: Brynn Hare, Executive Director, Cannabis Control Board

Date: January 18, 2024

Subject: FY2024 Budget Adjustment request: two additional compliance positions

This memo serves to explain the Cannabis Control Board's FY24 Budget Adjustment request for two additional positions: one Deputy Director of Compliance and Enforcement and one Compliance Agent. The Board's mandate and its corresponding mission pose unique regulatory challenges for Vermont compared to other states that have legalized adult-use cannabis. For example, the CCB was tasked with supporting and prioritizing small operators to ensure the shift of the illicit market into the regulated one. This approach to regulation also helps to ensure an equitable, craft-style cannabis industry where many small businesses have the opportunity to thrive.

The adult-use cannabis market has been open for a little over one year, and the Board's compliance work is rapidly expanding. Currently there are 550 cannabis establishments operating in the industry with over 1,000 employees. These numbers continue to increase each month, and it is the CCB's mandate to ensure that each of these individuals and businesses are operating in accordance with the complex regulatory framework prescribed by 7 V.S.A. chapters 31 and 33-37 and the agency's administrative rules. In order to ensure that the CCB is able to meet its mission to support and prioritize small operators while also administering a safe and effective cannabis program, the Board needs additional compliance staff. The Board is requesting 2 additional FTEs to ensure the agency can respond quickly to compliance issues as they arise. Rationale for each position is as follows:

CCB Compliance Agent; classified; PG 26:

Approximately 40 states have legalized cannabis for medical use, and 24 states, two territories and the District of Columbia have legalized adult-use cannabis. The average ratio of compliance FTEs to licensees in other states with adult use cannabis programs is 1:50. With our existing staffing structure, the current ratio of compliance agent to licensee/applicant is approximately 1:100.

Unlike other states, the vast majority of our licensees are small operators, unaccustomed to government regulation and largely undertaking this effort without the benefit of a lawyer or other regulatory expert to help them achieve compliance. To best serve our applicants and licensees, the CCB has taken a "case management" approach to compliance, so each of our Compliance Agents have a geographic territory that they cover, and all the applicants and licensees within that territory receive the oversight, technical support, and regulatory guidance of that Compliance Agent. Given the intensity of the support our Compliance Agents are providing cannabis businesses during these early days of the industry, we need to move towards a more sustainable staffing structure to ensure the agency can appropriately manage its compliance work. One additional Compliance Agent will move us closer to the average ratio of compliance staff to licensees in other adult-use states.

Deputy Director of Compliance and Enforcement; classified; PG 27:

In the first two years, enforcement actions were minimal due to the nascency of the market. Applicants were focused on getting licensed and standing up their businesses. Now that the industry is 16 months old, businesses are fully operational and not always following the rules. The CCB has undertaken twice as many enforcement actions in the last two months as we have in the full first year of the industry being open. We need a position dedicated to drafting the various compliance actions we impose:

corrective action plans, letters of warning, notices of violation, cease and desist letters, health and safety orders, etc. Currently the person doing the entirety of this drafting is the CCB general counsel, a position with a full-time slate of other responsibilities. A Deputy Director of Compliance and Enforcement will provide this capacity for drafting enforcement actions to ensure the agency is able to quickly respond to compliance actions as they arise.

If the CCB were to onboard these 2 positions in May, 2024, the cost of salaries and benefits for the remainder of FY24 would be approximately \$33,000.