

## **Summary of Proposed Amendments S.278**

These proposed amendments comprehensively realign Vermont's cannabis framework to strengthen market stability, reduce anti-competitive risk, and improve fiscal responsibility. Central to these reforms is the recognition that meaningful market recovery depends on reopening retail licensing and expanding consumer access in a measured, responsible way. Without viable pathways for new retail participation, other reforms cannot fully stabilize pricing, improve shelf access, or capture illicit market sales.

The package modernizes product and possession limits to align with neighboring states, strengthens the legal market's competitiveness, and lowers structural barriers that disadvantage small operators. Structural changes to event administration, delivery, on-site consumption, and fee schedules reinforce Vermont's one-license model, prevent consolidation and self-dealing, and ensure fair and transparent participation across the market.

In addition, the proposal advances regulatory efficiency through multi-year registrations and clearer municipal guardrails, promotes accountability within the Cannabis Business Development Fund, and ties reinvestment to cannabis-generated revenue rather than the General Fund. By reducing excise tax rates and proposing data-driven pilot tax holidays, the reforms prioritize lower consumer prices, increased legal participation, and long-term revenue stability.

Collectively, these amendments aim to create a more accessible, competitive, and economically sustainable cannabis marketplace that supports small businesses, municipalities, and Vermont taxpayers alike.

### **Section 1**

Leave as is

### **Section 2**

This section proposes increasing the total package THC limit from 100 to 110. We propose increasing the total package limit to 500mg and the serving size to 10mg.

### **Section 3-5**

This section deals with increasing the state possession, purchase and transaction limit from 1 to 2 ounces of cannabis. I propose we go for 3 to match the NYS limit - Increasing Vermont's possession limit to 3 ounces and 24g of solid concentrates would align the state with neighboring New York and reduce cross-border purchasing incentives. A higher limit allows retailers to offer structured bulk pricing tiers, improving the legal market's ability to compete with illicit sellers. In a rural state where consumers may travel significant distances, permitting slightly larger purchases per visit improves access without increasing public safety risk. This adjustment does not change age restrictions, impaired driving laws, or product safety standards—it simply strengthens the regulated market's competitiveness and stability.

### **Section 6 - Event Permits**

## Proposed Amendment to § 912

Amend § 912 by adding subsections (d)–(j)

(d) **Annual Limit on Event Permits** - No licensed cannabis establishment shall be issued more than six event permits in a calendar year.

(e) **Prohibition on Concurrent Events** - A licensed cannabis establishment shall not hold or administer more than one event permit on the same calendar date.

(f) **Prohibition on Exclusive Venue Agreements** - A licensed cannabis establishment issued an event permit shall not enter into an agreement with a venue that restricts or prohibits the venue from hosting future cannabis events administered by other licensed cannabis establishments, except for the specific date and duration of the permitted event.

(g) **Open Participation** - An event administered pursuant to this section shall permit participation by multiple licensed cannabis establishments unless limited by Board rule for safety or capacity purposes. An event administrator shall not unreasonably restrict participation of other licensed establishments in good standing.

(h) **Public Registry of Event Permits** - The Board shall maintain and publish on its website a publicly accessible registry of all event permits issued under this section, including the date, location, and administering establishment.

## **Section 7- Event Administrator Endorsement**

Proposed Additions to §913 (Event Administrator Endorsement)

(e) **Non-Exclusive Administration** - An event administrator endorsement shall not authorize the holder to restrict participation in events solely to products manufactured, cultivated, distributed, or branded by the endorsement holder or any affiliated entity.

(f) **Non-Discriminatory Participation** - An event administrator shall provide equal and non-discriminatory opportunity for participation by licensed cannabis establishments in good standing, subject only to reasonable limitations related to venue capacity, safety, or compliance requirements established by rule of the Board. Selection criteria for participation shall be documented and applied uniformly.

(g) **Prohibition on Exclusive Venue Agreements** - An event administrator shall not enter into an agreement with a venue that restricts the venue from hosting cannabis events administered by other licensed establishments beyond the specific date and duration of the approved event.

(h) **Participation Fee Structure** - An event administrator may charge participation fees; however:

1. Fees shall be assessed on a flat-fee basis and shall not be calculated as a percentage of gross sales or revenue.
2. Fees shall reflect reasonable, documented event-related costs.
3. Fees shall be applied uniformly and shall not vary based on brand affiliation, ownership structure, or product category.
4. A written fee schedule shall be provided to prospective participants no fewer than 30 days prior to the event.
5. The Board may review fee structures upon complaint to ensure compliance with this section.
6. Upon complaint by a licensed cannabis establishment, the Board may require the event administrator to provide documentation of event-related costs to ensure compliance with this subsection.

7. The Board may deny future event permits to an establishment found to have violated the provisions of this subsection.

(i) **Conflict of Interest Safeguards** - If an event administrator sells its own products at an event, the administrator shall ensure that event layout, marketing materials, and sales practices do not provide preferential placement or promotional advantage to the administrator's own products over those of participating establishments.

(j) **Public Transparency** - The Board shall maintain a publicly accessible registry of event administrator endorsements and events conducted under each endorsement, including dates, locations, and participating establishments.

(k) **Limitations on Vertically Integrated Event Administration** - A vertically integrated cannabis establishment holding an event administrator endorsement shall not host or administer events at which other vertically integrated cannabis establishments participate as vendors.

### Talking Points Specific to §913

**On Gatekeeping Risk** - The Event Administrator Endorsement effectively creates a gatekeeper role within the market. Clear guardrails are necessary to prevent the endorsement from functioning as a mechanism for market concentration.

**On Self-Dealing** - Without neutrality requirements, an event administrator could operate events that primarily promote and sell its own products, limiting access for other licensees.

**On Fee Abuse** - Percentage-based or discriminatory fees would allow event administrators to extract excessive margins from participating businesses. A flat-fee, cost-based structure preserves fairness.

### **Section 8 - Delivery**

Replace DELIVERY PERMIT § 914 with:

#### § 914. RETAIL DELIVERY LICENSE (NON-STOREFRONT)

(a) The Board may issue a Retail Delivery License authorizing the sale and delivery of cannabis and cannabis products directly to individuals 21 years of age or older at a physical address located in Vermont.

(b) A Retail Delivery License shall constitute a retail license for purposes of § \_\_\_\_ (one-license rule). No person or entity shall hold both a standard Retail License and a Retail Delivery License.

(c) A Retail Delivery License shall not authorize a physical storefront open to the public.

(d) A licensee under this section shall operate from a single licensed base of operations approved by the Board.

(e) A Retail Delivery License holder shall not employ or contract with more than three delivery drivers at any one time, unless otherwise authorized by rule of the Board.

(f) Each delivery driver shall be individually registered with the Board and assigned exclusively to one Retail Delivery License.

(g) **Prohibition on Reciprocal Preference Agreements**

A Retail Delivery License holder shall not condition product listing, digital placement, promotional visibility, or delivery availability upon any agreement relating to physical retail shelf space, product placement, purchasing commitments, or preferential treatment outside the delivery license.

## Section 9 - On Site Consumption

Proposed Amendment to § 915A

On Site Consumption Retail - A New License Type:

Retail On-Site Consumption License

This license would:

- Allow sale and on-premises consumption
- Not allow traditional take-home sales (or severely limit them)
- Be subject to the one-license rule
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Then amend the one-license section to include it.

Sample Draft Language Concept

Here's a clean way to structure it:

Add New Section

§ 915A. Retail On-Site Consumption License

(a) The Board may issue a Retail On-Site Consumption License authorizing the sale of cannabis and cannabis products for consumption on the licensed premises.

(b) A licensee under this section shall not engage in retail sales for off-premises consumption except as otherwise authorized by rule.

(c) A Retail On-Site Consumption License shall constitute a retail license for purposes of the one-license rule under § \_\_\_\_.

(d) No person or entity shall hold both a standard Retail License and a Retail On-Site Consumption License.

Then modify the one-license section to include:

For purposes of this section, a Retail On-Site Consumption License shall be treated as a Retail License.

Why This Is Strategically Strong

- Prevents dominant retailers from adding lounges as a competitive moat
- Encourages new entrants
- Expands opportunity without increasing consolidation
- Keeps consistency with the original policy intent of Vermont's one-license framework

And importantly...

It doesn't eliminate lounges.

It just forces a business to choose its model

## Section 10 - Fee Structure

Right now Section 10 is basically:

- \$250 per event permit
- \$500 event administrator endorsement
- \$500 delivery permit
- \$1,000 on-prem consumption permit

Flat. Add-on. Stackable.

Under the structural models we've been building (separate license types, one-license rule application, caps, guardrails), this fee schedule doesn't reflect:

- Market power differences
- Scale differences
- Vertical integration impact
- The fact that some of these are retail-equivalent privileges

So instead of “permits,” we need the fee schedule to align with:

1. Retail License (Storefront)
2. Retail Delivery License (Non-Storefront)
3. Retail On-Site Consumption License
4. Event Administrator Endorsement
5. Event Permit (per occurrence)

And we need to prevent stacking advantages through low-cost add-ons.

#### Design Principles for the Fee Rewrite

- Delivery & On-Site = Retail Category
- One-license rule applies
- Vertical integration pays proportionally more
- Event administration isn't a cheap expansion tool
- Fees are meaningful enough to prevent abuse but not punitive

#### Proposed Replacement for Section 10

Here's a model that fits everything we've designed:

Sec. 10. 7 V.S.A. § 910 is amended to read:

#### § 910. CANNABIS ESTABLISHMENT FEE SCHEDULE

The following annual fees shall apply:

##### (12) Retail Delivery License (Non-Storefront)

An applicant for a Retail Delivery License shall be assessed an annual fee of \$2,500.00. This license shall constitute a retail license for purposes of § \_\_\_ (one-license rule).

##### (13) Retail On-Site Consumption License

An applicant for a Retail On-Site Consumption License shall be assessed an annual fee of \$3,000.00. This license shall constitute a retail license for purposes of § \_\_\_ (one-license rule).

##### (14) Event Administrator Endorsement

A cannabis establishment may apply for an Event Administrator Endorsement for an annual fee of \$1,500.00, provided the establishment complies with § 913. If the endorsement holder is vertically integrated, the annual fee shall be \$3,000.00. Fifty percent of endorsement fees shall be distributed to host municipalities.

(15) Event Permit (Per Event)

An event permit issued pursuant to § 912 shall require a fee of \$250.00 per event, payable by the administering establishment.

Talking Points

On Reclassifying Delivery & On-Site - These functions operate as retail privileges and should be assessed accordingly to maintain the integrity of the one-license framework.

On Fee Differentiation - Fee levels reflect regulatory complexity, enforcement burden, and market impact.

On Vertical Integration Adjustment - Vertically integrated licensees possess broader market leverage and should contribute proportionally to regulatory oversight.

**Section 11 - Advertising**

Add a new subsection to § 864:

(f) Advertising Parity - Notwithstanding any provision of this section, a cannabis establishment may place advertisements in any location, medium, or platform in which advertising of alcoholic beverages or tobacco products is lawfully permitted under federal and state law, provided that the cannabis advertisement otherwise complies with the requirements of this chapter and any rules adopted by the Board.

Talking Points

On Parity - Cannabis is a regulated adult-use product. Advertising standards should reflect parity with other regulated adult substances such as alcohol and tobacco.

On Consistency - Allowing advertising in venues where alcohol and tobacco are already permitted creates regulatory consistency and reduces arbitrary distinctions.

On Public Health Safeguards - This proposal does not alter youth audience thresholds, warning requirements, or content restrictions. It simply ensures location-based parity.

On Economic Fairness - Vermont cannabis businesses should not face greater location-based advertising restrictions than other adult-regulated industries.

**Section 12 - Advertising Continued**

This changes the youth concentration of advertising from 15 - 30%. But the previous section would be more beneficial.

**Section 13 - Excise Tax**

Reducing the cannabis excise tax from 14 percent to 10 percent would directly lower retail prices and improve the regulated market's ability to compete with illicit sales. While precise elasticity data in Vermont's young market is limited, economic fundamentals consistently show that lower tax burdens increase legal market participation and overall sales volume. In a small and price-sensitive market, improved volume can stabilize total tax revenue while strengthening retailers and cultivators alike. Tax

structure is one of the most meaningful tools available to increase legal capture and improve long-term market viability.

#### Proposed Amendment Language (Pilot Program)

A limited excise tax suspension (e.g., 4/20 week or designated weekends) would:

- Allow direct comparison of sales volume under two tax structures
- Measure average transaction size shifts
- Evaluate wholesale velocity
- Track new customer participation
- Compare tax revenue per-day vs normal baseline

#### **Cannabis Excise Tax Pilot Program**

Notwithstanding 32 V.S.A. § 7902, the cannabis excise tax shall not apply to retail sales of cannabis and cannabis products for a period of seven consecutive days annually, as designated by the Commissioner of Taxes in consultation with the Cannabis Control Board.

The Department of Taxes, in coordination with the Cannabis Control Board, shall collect and analyze data regarding sales volume, transaction size, geographic distribution, and overall tax revenue during the tax holiday period and shall report findings to the General Assembly within 90 days.

#### Talking Points

**On Fiscal Responsibility** - If permanent excise tax reduction raises revenue concerns, a limited pilot program allows the state to gather real Vermont-specific data before making long-term adjustments.

**On Data-Driven Policy** - Rather than relying on assumptions about elasticity, Vermont can test and measure consumer behavior under a reduced tax environment.

**On Market Capture** - Temporary tax relief would provide insight into how price sensitivity affects legal market participation and illicit market displacement.

**On Revenue Stability** - If total taxable sales increase significantly during the pilot period, it may demonstrate that a lower rate can maintain or increase overall state revenue.

#### **Section 14 - Opt In**

##### Proposed Amendment Language — Delayed Municipal Vote

Replace subsection (a) with:

(a) At the first general election occurring after the Cannabis Control Board resumes issuance of new retail licenses pursuant to this chapter, a city, town, or incorporated village that has not previously voted on the question of whether to affirmatively permit the operation of cannabis retailers within the municipality shall vote on the article contained in this section.

## **Section 15 - Municipal Control**

### **Amendment 1 — Limit Scope of Local Conditions**

Add: Local control license conditions shall be limited to matters of zoning, traffic management, and public safety and shall not impose operational requirements inconsistent with or more restrictive than state law or Board rules.

That prevents towns from layering additional cannabis-specific rules.

### **Amendment 2 — Add Decision Timeline**

Add: A municipality shall approve or deny a completed application for a local control license within 45 days of submission.

Prevents indefinite delay.

### **Amendment 3 — Prevent Duplicative Regulation**

Add: A municipality shall not impose requirements that duplicate or conflict with requirements administered by the Cannabis Control Board.

This keeps enforcement centralized.

### **Amendment 4 — Appeal Mechanism**

Add: A denial, suspension, or revocation of a local control license may be appealed to the Cannabis Control Board.

This gives businesses recourse.

Right now, it appears fully local once issued.

### **Why These Amendments Matter**

Without guardrails: Municipal control becomes quiet veto power.

With guardrails: Municipal control remains about land use and safety — not moral filtering.

### **Framing Talking Points**

**On Balance** - Municipal oversight is important; however, local control should not create duplicative or inconsistent regulatory frameworks that undermine statewide uniformity.

**On Predictability** - Clear timelines and defined scope ensure fairness for municipalities and licensees alike.

**On Regulatory Clarity** - State-level cannabis regulation should remain centralized to prevent fragmented compliance standards.

## **Section 16 - Product Registration and ID Card Reform**

This section is a great addition but there should be the option of both a one or two year employee ID card or Product Registration.

Replace the product section with:

(9) Products. Cannabis establishments licensed by the Board shall be assessed an annual product licensing fee of \$50.00 for every type of cannabis and cannabis product that is sold in accordance with this chapter.

The Board shall offer both one-year and two-year product registrations. A two-year product registration shall be assessed at a prorated cost equivalent to two annual registration fees. The Board may adopt rules establishing eligibility standards for two-year registrations to ensure continued compliance with product safety requirements.

This does three important things:

1. Makes multi-year registration available by right, not just discretion.
2. Keeps cost predictable.
3. Allows Board to define guardrails without arbitrarily limiting eligibility.

Why This Matters Economically

- Annual product renewals create administrative churn.
- SKU-heavy operators feel this disproportionately.
- Multi-year options stabilize compliance costs.
- It reduces unnecessary paperwork cycles.

Talking Points

Offering both one- and two-year product registrations improves regulatory efficiency without reducing safety oversight. Many products remain consistent year over year, and allowing longer registration periods reduces administrative burden for both licensees and the Board.

## Section 17 - CBD Fund

Structural Policy Logic

The Cannabis Business Development Fund should:

1. Prioritize social equity through grants (non-repayable capital)
2. Support other small businesses through repayable, low-interest loans
3. Avoid open-ended grant distribution to non-equity operators
4. Tie non-equity funding to defined capital improvement or compliance projects

That keeps it development-focused, not subsidy-based.

Proposed Amendment Language

You could amend subsection (c)(1) to read:

(c) The Fund shall be used for the following purposes:

(1) To provide:

(A) grants and low-interest loans to social equity applicants to pay for ordinary and necessary expenses to start and operate a licensed cannabis establishment; and  
(B) low-interest loans, but not grants, to tier 1 cultivators, tier 1 manufacturers, and businesses granted economic empowerment status by the Board, provided that such loans shall be awarded only for specific, documented capital improvement, compliance, infrastructure, energy efficiency, or workforce development projects approved by the administering authority.

(d) Compliance with Loan Obligations.

(1) A cannabis establishment that receives a loan from the Cannabis Business Development Fund shall remain in good standing with its repayment obligations as a condition of license renewal.

(2) Failure to comply with an approved repayment schedule may result in denial of license renewal; however, the administering authority may approve modified repayment terms in cases of documented financial hardship.

(3) Prior to denial of renewal based on noncompliance, the licensee shall be provided notice and an opportunity to cure the default or enter into a revised repayment agreement.

That does three things:

1. Limits grants to social equity.
2. Keeps Tier 1 eligible — but through repayable loans.
3. Requires defined project use.

## **Section 18 - Appropriations**

In a year marked by school closures, rising property taxes, and fiscal pressure on Vermont families, new General Fund appropriations should be approached with caution. Cannabis policy reform should prioritize lowering costs and strengthening the regulated market without increasing taxpayer burden.

Proposed Revenue-Tied Replacement for Section 18

Replace Sec. 18 with:

### **Sec. 18. APPROPRIATIONS — REVENUE-TRIGGERED TRANSFER**

(a) Notwithstanding any provision of law to the contrary, transfers to the Cannabis Business Development Fund pursuant to 7 V.S.A. § 987 shall be made only from cannabis excise tax revenues collected under 32 V.S.A. § 7902.

(b) In fiscal year 2027 and thereafter, if total cannabis excise tax revenue collected exceeds the amount projected in the official consensus revenue forecast for that fiscal year, the amount exceeding such projection may be transferred, in whole or in part, to the Cannabis Business Development Fund, as determined by the General Assembly.

(c) No transfer to the Cannabis Business Development Fund under this section shall be made from the State General Fund.

## **Talking Points**

**On Fiscal Responsibility** - In the current fiscal environment, new General Fund appropriations should be limited. Cannabis reinvestment should be supported by cannabis-generated revenue, not by increasing pressure on property taxpayers.

**On Market Incentives** - Tying funding to revenue performance creates a direct incentive for strengthening the regulated market and capturing legacy sales.

**On Education and Property Tax Relief** - Vermont families are facing rising property taxes and school budget reductions. Any new appropriations should avoid competing with core public services.