

# Vermont Advisory Sub-Committee on Market Structure, Licensing, Taxes, and Fees

Monday, September 13, 2021  
5:00pm ET

**VS** STRATEGIES

# Agenda

- 5:00pm ET Call to order
- 5:05pm ET Estimated total canopy needed for the market
- 5:20pm ET Cultivation tiering and outdoor cultivation
- 5:35pm ET Entrepreneurial demand and intent to apply
- 5:45pm ET Review of submitted public comments
- 5:50pm ET Public comment

# Subcommittee Meeting Topics in Preparation for the October 1 Report

- Today – Cultivation
- Thursday 9/16 – Retail, manufacturing, wholesale, and other license types
- Monday 9/20 – Local licensing and fees; state fees
- Thursday 9/23 – Presentation and discussion of recommendations for the 10/1 Report
- Monday 9/27 – Hold for outstanding issues/final review of recommendations

# Relevant Statutory Provisions

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# 10/1 Report Language

On or before October 1, 2021, the Cannabis Control Board shall provide recommendations to the House Committee on Ways and Means, the Senate Committee on Finance, and the House and Senate Committees on Government Operations on the following:

- (1) State fees to be charged and collected .... The recommendations shall be accompanied by information justifying the recommended rate .... The State fees ... be projected to be sufficient to fund the duties of the Cannabis Control Board .... To the extent possible, the recommend fees shall include an amount to repay over a period, not greater than 10 years, to the General Fund any application of excise taxes to the Cannabis Regulation Fund ....
  - (A) Application fees, initial annual license fees, and annual license renewal fees for each type of cannabis establishment license as provided in 7 V.S.A. § 846: cultivator, product manufacturer, wholesaler, retailer, testing laboratory, and integrated. If the Board establishes tiers within a licensing category, it shall provide a fee recommendation for each tier.
  - (B) Fee for a cannabis establishment identification card ....
- (2) Whether monies expected to be generated by State fees ... are sufficient to support the ... the Board and whether any portion of the tax ... should be allocated to the Cannabis Regulation Fund ....
- (3) Local fees to be charged and collected .... The recommendations shall be accompanied by information justifying the recommended rate .... The Board shall recommend local fees that are designed to help defray the costs incurred by municipalities in which cannabis establishments are located.

## Other relevant statutory provisions: Cultivation

- Act 62 § 11: CCB should propose a plan for reducing or eliminating licensing fees for individuals from communities that have historically been disproportionately impacted by cannabis prohibition or individuals directly and personally impacted by cannabis prohibition
- Act 62 § 12: Integrated licenses have a statutory \$50,000 fee to the Cannabis Business Development Fund
- Act 164 § 7: Tiers – the CCB shall create cultivation tiers

# Small Cultivator Provisions in Act 164 § 7

- “small cultivator” means a cultivator with a plant canopy or space for cultivating plants for breeding stock of not more than 1,000 square feet
- 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 ....
- The application for small cultivator licenses shall be prioritized over larger cultivation licenses during the initial application period.
- In accordance with subdivision 881(a)(2)(B) of this chapter, the 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, provided that the rules shall not provide for an exception or accommodation to the requirements of section 869 of this title.
- Upon licensing, a small cultivator may sell cannabis to a licensed dispensary at any time for sale to patients and caregivers pursuant to the dispensary license or to the public pursuant to an integrated license, including the time period before retail sales are permitted for licensed cannabis retailers.

# Today's Discussion Topics

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# Estimated total canopy needed for the market

- Vermont supply and demand model
  - We can use the model to estimate the total amount of cultivation needed in the market
  - Somewhere between 350,000-400,000 sq ft of flowering canopy should be sufficient to serve demand without creating a large surplus
  - Questions and discussion of model
- Measuring canopy
- Existing medical supply

# Cultivation tiering and outdoor cultivation

- Statute requires tiering and must emphasize small cultivation
  - Tiering with generally small canopy limits
  - Moving between tiers by showing demand
  - Create room for market to grow
- Outdoor cultivation
  - Vermont specific issues
    - Growing season
    - Largest supply at time of lowest demand
    - Concentrates
  - Recommend aiming at 20% outdoor cultivation with current statute

# Entrepreneurial demand and intent to apply

- Vermont will likely benefit from an application of intent or early provisional license process
  - This is a conceptual discussion, the details can be ironed out later
  - Such a process allows those interested in applying for a license to submit certain basic information about who they are and what their plan is for initial approval before lining up all the necessary property, local approvals, etc. No operations could start until they submit the remaining required materials and are awarded a license
  - Benefits:
    - The CCB can gauge interest and estimated supply
    - Potential entrepreneurs can begin their licensure process before finalizing all of their materials
    - Reduces costs for operators if some initial approvals can be made before securing property
    - Small businesses and social equity businesses may find it easier to access capital after being provisionally licensed
    - The state will collect some additional fee revenue

# Public Comment

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- Review of comments submitted electronically
- Public comments at today's meeting

# Next Subcommittee Meeting

- Date: Thursday 9/16
- Time: 1pm ET
- Location: City Center, third floor | 89 Main St, Montpelier VT
- Topic: Retail, manufacturing, wholesale, and other license types