

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

Date: May 21, 2021

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S.25 (Act 62) An act relating to miscellaneous cannabis regulation procedures – As passed the General Assembly

Summary

This bill makes several minor changes to Vermont's retail cannabis market and the duties of the Cannabis Control Board. Among the more notable changes include:

- The bill requires towns to opt out of cannabis retail establishments by March 2023 or they will be deemed to permit them.
- It requires the Cannabis Control Board to submit a recommendation for a fee structure to the House Ways and Means and Government Operations Committees and their Senate counterparts, by October 1, 2021 that is designed to cover its costs of operation and regulation.
- It establishes the regulations for cannabis producers for advertising their products.
- It establishes a Cannabis Business Development Fund using a contribution from licensees of \$50,000 paid by October 2022. The monies in this fund will be used for loans and financial assistance to social equity applicants.
- It caps the amount of money allocated to the Substance Misuse and Prevention Fund at \$10 million per year.

Fiscal Impact

Section 4a of the bill tasks the Cannabis Control Board in drafting a fee structure and making recommendations to the House Ways and Means and Government Operations Committees, as well as the Senate Finance and Government Operations Committees by October 1, 2021.

Without knowing what this fee structure will be, it is difficult to estimate predicted revenues. When Act 164 of 2020 passed, the Joint Fiscal Office estimated that the Board would have operating expenditures of \$650,000 in Fiscal Year (FY) 2021, \$1.01 million in FY 2022 and \$940,000 in FY 2023¹. This bill states that the recommended fees be sufficient to cover these operating expenditures.

¹ https://ljfo.vermont.gov/assets/Publications/Senate-Bills/569ca1d8fb/GENERAL-339243-v6-S_54_Fiscal_Note.pdf

Section 12 creates the Cannabis Business Development Fund (CBDF) composed of a \$50,000 payment made by the five integrated license establishments who make retail sales. This payment needs to be made by October 15, 2022. It is difficult to predict when legal cannabis sales will begin in Vermont. JFO predicted in September 2020 with the passage of Act 164 that legal cannabis sales would begin for integrated licenses in the spring of 2022. The COVID-19 pandemic, along with delays in the formation of the Cannabis Control Board, make this timeline less likely. As such, JFO now estimates that integrated licenses will begin sales closer towards the summer of 2022.

Because it is estimated that there will be five integrated license establishments, in theory, up to \$250,000 in revenues for the CBDF could be achieved. However, given the varying sizes of these establishments, it is possible that smaller licensees will deem the \$50,000 too burdensome to pay and therefore wait to begin retail sales until after the October deadline. It is also possible that delays in creating their own retail operations lead to some of these license holders to wait until the October deadline passes than pay the \$50,000 fee in exchange for the opportunity to sell one to three months earlier than other license holders. JFO is aware that one firm that runs two establishments that would qualify for the integrated license is likely large enough to pay the \$50,000 fee, and as such, **JFO estimates that the CBDF will receive at least \$100,000 in revenues.**

Section 14 also appropriates \$500,000 in FY 2022 to the CBDF from the General Fund. This money is then allocated to the CBDF to make grants to social equity applicants.