Governor’s FY 2020 Budget: Articles

Staff Presentation to the House Finance Committee
March 20, 2019
Introduction

Article 20

- Several changes to current hemp & medical marijuana programs
- Establishes a 21+ adult-use marijuana program
  - Tax regime of excise & sales taxes for related products
- Centralizes regulation of all programs
  - Office of Cannabis Regulation within DBR
    - Assistance from variety of agencies
Cannabis plant genus
- Cannabis L. is Hemp
- Cannabis Sativa L. is marijuana
  - Cannabinoid chemical family w/in Cannabis, including THC (psychotropic) & CBD (not psychotropic) which have widely varied effects

<table>
<thead>
<tr>
<th>Cannabis</th>
<th>Term</th>
<th>THC</th>
<th>CBD</th>
<th>Legal</th>
<th>Regulated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hemp</td>
<td>&lt;0.3% THC</td>
<td>Yes</td>
<td></td>
<td>Limited Circumstances</td>
<td>Yes</td>
</tr>
<tr>
<td>Marijuana</td>
<td>&gt;0.3% THC</td>
<td>Yes</td>
<td></td>
<td>Not Federally</td>
<td>Medically</td>
</tr>
</tbody>
</table>
Industrial Hemp Act

Hawkins/Slater Medical Marijuana
- Regulatory oversight shift
- Expansion of regulated entities
  - Licensed Processors
  - Compassion centers

Adult Use Marijuana

Centralization, Enforcement & Taxation

Fiscal impact
Industrial Hemp

- Business Regulation primary regulatory authority w/ assistance of DEM Division of Agriculture
  - Assembly authorized in 2016-H 8232
  - Permits growth and production as part of research or pilot programs
    - 41 states permit these activities
      - Includes all of New England except Connecticut
2016 law established licenses for growers & handlers
- Application fee $250, 2-yr License $2,500
  - Required fee revenues be provided to the Department for the cost of enforcement
- Regulations promulgated effective October 9, 2018
  - Implementation delayed due to medical marijuana program changes & lack of certified testing facilities
Article 20 – Consumable CBD

- Article 20 permits production of hemp-derived CBD consumable products
- Establishes new licenses - $500 annually
  - Distributor & retailer
    - Distribution or sale only, no growth or processing
  - Current licensees may not distribute & sell
    - Would get new license at no additional cost
- Establishes regulatory authority of DBR & Taxation
  - Formally establishes restricted receipt acct.
The Governor’s requested March 13 amendment

- Clarifies that all consumable CBD products subject to existing food processing and safety regulation
- Establishes DBR authority for product quality & retail requirements
- Provides that excess revenues transfer to the general fund annually
- Makes technical corrections
Article 20 – Hemp & Marijuana

- Industrial Hemp Act
- **Hawkins/Slater Medical Marijuana**
  - Regulatory oversight shift
  - Expansion of regulated entities
    - Licensed Processors
    - Compassion centers
- Adult Use Marijuana
- Centralization, Enforcement & Taxation
- Fiscal impact
2005 Assembly passed legislation to create a medical marijuana program

- Vetoed by Governor Carcieri
  - Veto overridden first day of 2006 session
- Original law sunset June 30, 2007
  - Made permanent by 2007 Assembly
- Administered by Department of Health
  - No specific staff or funds authorized
- 2014 Assembly lifted cap on compassion center plant count imposed in 2012
History – Rhode Island Program

2016 Assembly
- Expanded regulation and enforcement
  - Departments of Health & Business Regulation
  - Shifted licensing of compassion centers to DBR
- Established licenses for cultivators
  - Grow plants exclusively for compassion centers
  - Centers not obligated to purchase from them
- Instituted tagging system for plants grown by patients and caregivers
  - Authorized fees for plants tags
History – Rhode Island Program

- 2016 Assembly
  - Moved to annual registration renewals
  - Established protocols for sharing information with law enforcement
  - Required all registration, renewal & license fees be deposited as restricted receipts
    - Use by DOH & DBR to administer program
    - 4.0 new positions in Business Regulation
- 2017 Assembly authorized transfer of excess receipts to general revenues
History – Rhode Island Program

- **2018 Assembly**
  - Expanded access
    - Permitted nurses and physicians assistants to write program referrals
    - Allowed out of state cardholders to purchase through compassion centers
  - Established legal protections for testing facilities & FDA approved medications
  - Increased compassion center renewal fees from $5,000 to $250,000
History – Rhode Island Program

- Health
  - Patients
  - Caregivers
  - Authorized purchasers
    - Can purchase on behalf of patient

- Business Regulation
  - Cultivators
  - Compassion Centers
  - Plant Tags
    - Patients
    - Caregivers
Medical Marijuana Participation

Source: DOH/DBR
2018 change to permit out of state cardholders has significantly increased the number of eligible purchasers.

- It appears some out of state cards are easily attainable.
  - Creates opportunities for tax avoidance & circumventing proposed potency cap.

<table>
<thead>
<tr>
<th>Program</th>
<th>Effective Tax Rate</th>
<th>Potency Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical</td>
<td>14%</td>
<td>None</td>
</tr>
<tr>
<td>Adult Use – Article 20</td>
<td>20%</td>
<td>50%</td>
</tr>
</tbody>
</table>
Medical Marijuana Program – Oversight

- Current law allows CT and MA physicians to do referrals
  - Currently 138 out of state doctors have certified 5,068 patients ~ 28% of total patients
  - Last year total reported was 40% of patients
  - Amendment requested to Article 20 on March 13 rescinds this authority
    - Similar to prior years’ proposals
    - Out of state physicians not subject to local DOH oversight and accountability
Under current law all patients can appoint a caregiver
- Caregivers may grow for 5 patients
  - 6 if caregiver is also a patient
- Patient-related expenses are reimbursable

Program participants may possess and cultivate medical marijuana
- Amounts consistent with participant type
- May gift excess product to other participants to which they are not directly connected
Article 20 – Oversight

- Article 20 would shift regulatory oversight
  - Licensing of caregivers would move from Health to Business Regulation
    - Governor also proposed shift of caregiver oversight as part of 2016 & 2018 changes
    - Assembly maintained in Health
  - To align with DBR’s regulation of plant growth via tag system
    - Allow for stricter enforcement
Article 20 – Oversight

- Article 20 restricts patient load to 1
  - Patient load includes self
    - Some exceptions subject to regulation
  - Designed to restrict self grows
  - Department may refuse an applicant for cause, including prior violations
  - Limits reimbursable expenses, subject to regulation
Article 20 – Oversight

- Article lowers allowable plant limits for patients and caregivers by half
  - Increases possession limits by 20%
  - Repeals gifting provision; DBR to regulate the transfer between caregivers and patients

<table>
<thead>
<tr>
<th>Type</th>
<th>Current law</th>
<th>Article 20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mature</td>
<td>Seedling</td>
</tr>
<tr>
<td>Patients</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Caregiver -1</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>Caregiver -1+</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Absolute Maximum</td>
<td>24</td>
<td>24</td>
</tr>
</tbody>
</table>
Article 20 – Processors

- Existing facilities currently make related products – no separate license
  - Edibles and oils
- Article 20 creates “processor” license
  - Plants would be supplied by cultivators & compassion centers to process or manufacture into products
  - Sales limited to other licensed entities
Article 20 – Processors

- Application fees & licenses not in law
  - Implementation to be set by regulation
- Provides for other unspecified medical marijuana licenses
  - Broad authority to establish new licenses provided those establishments cannot engage in retail sales to cardholders
Compassion Centers

- Current limit is 3 centers - aka dispensaries
  - Centers are required to be non-profit
- Dispensaries to patient ratio low
  - National ~ 1:1,500
  - Rhode Island ~ 1:6,071
Article 20 – Compassion Centers

- Compassion Centers
  - Article would allow 9 centers
    - Application process would open if approved or licensed center count drops below 9
    - Approval process must consider underserved areas
  - Fees for both initial application and registration would increase, renewals would decrease
### Article 20 – Compassion Centers

<table>
<thead>
<tr>
<th>Compassion Center</th>
<th>Application</th>
<th>Initial</th>
<th>Renewal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rhode Island - Current</td>
<td>$250</td>
<td>$5,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>Rhode Island - Article 20</td>
<td>$5,000</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>Connecticut</td>
<td>$1,000</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>$1,500 / $30,000</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
</tbody>
</table>

- MA/CT comparison to retail centers only
  - CT - producer license $25,000 application; $75,000
  - MA – activity based licenses; Medical to retail charges conversion fee + sum of activity fees
Article 20 requires Compassion Centers “in good standing” be provided retail licenses for 2nd locations

- Unlicensed entities prohibited from applying prior to September 2019
  - Within a cap of 9 centers, new entrants to the market would be a maximum of 3

- Centers would be permitted to engage in adult use sales
  - Adult use sales centers to be for-profit
Article 20 – Compassion Centers

- Article changes licensed activities
  - Prohibits unlicensed cultivation & manufacturing (processing)
    - As noted with new processor license
  - Cultivators currently licensed by facility size via regulation
    - DBR established 5 classes
      - Micro and A through D
    - Current compassion centers are allowed to grow without separate license
      - Existing centers would be Class A or larger
Article 20 – Compassion Centers

- The Governor’s requested March 13 amendment
  - Incorporates the for-profit status proposed into the definition for a Compassion Center
  - Repeals the permission for doctors of Connecticut and Massachusetts to write referrals to the program
  - Clarifies that cultivators may not be a caretaker registered with a patient other than themselves
Industrial Hemp Act
Hawkins/Slater Medical Marijuana
  - Regulatory oversight shift
  - Expansion of regulated entities
    - Licensed manufacturers
    - Compassion centers

Adult Use Marijuana
Centralization, Enforcement & Taxation
Fiscal impact
Findings noted in Article 20

- Prohibition of possession, production, sale has been ineffective; an illicit market has thrived undermining health, safety & wellness
- Regional & national shifts in cannabis policy are providing easy access to these products, but no benefit to the state
- Best interests of State to implement regulatory framework & tax structure which shall be tightly regulated - the revenue from which would be used to regulate & mitigate the risks
Article 20 – Adult Use

- 33 States & D.C. have medical programs
  - 22 States & D.C. decriminalized limited possession
- 10 States have legalized adult use

<table>
<thead>
<tr>
<th>State</th>
<th>Medical</th>
<th>Adult Use</th>
<th>Launch Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massachusetts</td>
<td>Yes</td>
<td>Yes</td>
<td>2-years</td>
</tr>
<tr>
<td>Connecticut</td>
<td>Yes</td>
<td>Bill Introduced</td>
<td>N/A</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>Yes</td>
<td>Bill Introduced</td>
<td>N/A</td>
</tr>
<tr>
<td>Vermont</td>
<td>Yes</td>
<td>Yes</td>
<td>No Retail</td>
</tr>
<tr>
<td>Maine</td>
<td>Yes</td>
<td>Yes - Spring 2019</td>
<td>2.5 years</td>
</tr>
<tr>
<td>New York</td>
<td>Yes</td>
<td>Budget Proposal</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Establishes the use of products by adults 21+

- Decriminalizes the use, possession & licensed sale of specified amounts of product or paraphernalia for private use
  - Limits available potency
- Establishes licenses similar, but distinct from the medical marijuana entities
  - Excluding previously discussed Compassion Centers
Article 20 – Adult Use

- Adults 21+ permitted to purchase, possess, & transport up to 1.0 oz.
  - May possess up to 5.0 oz. in their residence
    - Up to 10.0 oz. for residence with 2+ adults
  - May transfer product to 21+ adults
    - Prohibits sale of product or services in lieu of “sale”
  - May use within their homes
    - Non-inhalant use cannot be prohibited
    - Certain restrictions for boarders, renters & guests, residents of government properties, multi-unit buildings; $150 per violation
Article 20 – Adult Use

- Activities still prohibited:
  - Usage in a public or unlicensed space
  - Distribution to the under age
    - Subject to $10,000 penalty, prosecuted as a felony
      - Amendment removes felony for distribution to individuals by someone less than three years their senior
    - Misrepresentation of age
  - Possession in a school subject to local authority or RI Dept. of Education
    - Subject to RIDE regulation, penalties may include suspension, expulsion, community service, & school event exclusion
Activities still prohibited:

- Possession by the incarcerated or on the premise of a correctional facility
- Unlicensed related activities which are or should be licensed
  - Or the use of prohibited solvents
    - Subject to felony charges and $5,000 fine per violation
- Driving while impaired
### Article 20 – Adult Use

**Activities still prohibited:**
- Driving while impaired
  - Subject to saliva chemical test
  - Testimony of a certified drug recognition expert or evaluator admissible as evidence

<table>
<thead>
<tr>
<th>Offense</th>
<th>Penalty</th>
<th>Community Service</th>
<th>Suspension</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>$100 to $500</td>
<td>30 hours</td>
<td>30 days</td>
</tr>
<tr>
<td>2nd</td>
<td>$500 to $750</td>
<td>40 hours</td>
<td>3 months</td>
</tr>
<tr>
<td>3rd or more</td>
<td>$750 to $1,000</td>
<td>50 Hours</td>
<td>1 year</td>
</tr>
</tbody>
</table>
## Article 20 – Adult Use

- **Activities still prohibited:**
  - Possession in excess of plants or product limits
    - Violations subject to seizure & destruction of plants

<table>
<thead>
<tr>
<th>Violations</th>
<th>Penalty</th>
</tr>
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<tbody>
<tr>
<td>Possession</td>
<td>$2,000</td>
</tr>
<tr>
<td>1-5 plants</td>
<td>$2,000</td>
</tr>
<tr>
<td>6-10 plants</td>
<td>$3,000</td>
</tr>
<tr>
<td>11-20 plants</td>
<td>$4,000</td>
</tr>
<tr>
<td>21+ plants</td>
<td>$5,000*</td>
</tr>
</tbody>
</table>

*Felony requiring prosecution by Attorney General
Article 20 – Adult Use

- **Employment**
  - Employers are not required to accommodate an employee’s use/possession in workplace
    - May institute policies prohibiting such activities in the workplace
  - Employers may not fire or take disciplinary action against a person’s lawful private usage
  - Federal contractor’s exempt to the extent inaction would present a business risk
Article 20 – Adult Use

- Governor’s requested amendment
  - Allows employers to adopt policies that extend past the workplace
    - Eliminates protections for private, lawful use
    - Allows similar policies for alcohol impairment
  - Explicitly prohibits patients & caretakers from transferring product
  - Clarifies medical/adult use possession limits
  - Exempts patient cardholders acting as their own caretakers from a background check
Article 20 – Hemp & Marijuana

- Industrial Hemp Act
- Hawkins/Slater Medical Marijuana
  - Regulatory oversight shift
  - Expansion of regulated entities
    - Licensed manufacturers
    - Compassion centers
- Adult Use Marijuana
- Centralization, Enforcement & Taxation
- Fiscal impact
Article 20 – Centralization

- Establishes a new Office of Cannabis Regulation within the Department of Business Regulation
  - Provide oversight & coordination of all agency implementation, regulation, including strategic policy response
  - Providing guidance to municipalities
  - Report to officials the estimated projected revenues & distribution funds which assist in the oversight and regulation of all marijuana
Current Regulatory Hierarchy

Health
- Patients
  - Caregivers
    - Authorized Purchasers

Business Regulation
- Cultivators
  - Compassion Centers
    - Plant tags
Proposed Regulatory Hierarchy

Department of Business Regulation

Office of Cannabis Regulation

Health
- Testing Labs, Patients, Authorized Purchasers

Revenue
- Taxation & Collections

Public Safety
- Enforcement & Training, incl. grant aid to locals

EOHHS
- Substance Abuse Disorder Prevention
## Article 20 – Centralization

<table>
<thead>
<tr>
<th><strong>Powers</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subject to Discretion</strong></td>
</tr>
<tr>
<td><strong>Subject to Limitations</strong></td>
</tr>
<tr>
<td><strong>Define by Regulation</strong></td>
</tr>
</tbody>
</table>
Article 20 – Centralization

- Office of Cannabis Regulation with Department of Health to establish
  - Standards for laboratory proficiency, quality control, test standardization & round robin testing
  - Produce additional laboratory licenses pursuant to these standards; the annual
    - License fees & related employee registration cards subject to the discretion of the Department of Health
  - Phase-in of laboratory testing requirements if the market lacks necessary capacity
    - 1 laboratory in process for approval
Article 20 – Centralization

- Requires Legislative Advisory Council
  - Uncompensated 14 member council
    - 7 appointed by each chamber, 2-year terms
      - 1 each member of the Assembly, expert in law enforcement, public health, marijuana business, social welfare/justice, marijuana law attorney, consumer representative
  - To advise the legislature on implementation and policy changes
Codifies DBR’s areas of regulation and authority

- Transportation/Delivery
- Seizure/Destruction
- Security requirements
  - Including use of a seed to sale tracking system
- Marketing & Advertising practices
- Extends grounds for registry card denial for caregivers & purchasers to prior violations
  - Currently only incomplete/falsified information
Establishes fines for Compassion Centers
- No threat to public health/safety - $500
- Threat to public health/safety - $2,000
  - No collections assumed in budget

Provides authority for show cause/cease and desist orders for any program violation of a licensed activity
- Decisions stand until Superior Court ruling
Article 20 – Enforcement

- The Governor’s requested March 13 amendment
  - Extends zoning enactment to Jan. 2021
    - It also extends the date for a referendum to November 5, 2020 with zoning in place by April 1, 2021
  - Permits an establishment to compensate a municipality for actual expenses incurred subject to oversight of the Office of Cannabis Regulation
Article 20 – Hemp & Marijuana

- Industrial Hemp Act
- Hawkins/Slater Medical Marijuana
  - Regulatory oversight shift
  - Expansion of regulated entities
    - Licensed Processors
    - Compassion centers
- Adult Use Marijuana
- Centralization, Enforcement & Taxation
- Fiscal impact
Article 20 – Fiscal Impact

- Taxation established
  - Cultivation by volume, equivalent amount or fractional parts thereof
    - $3.00 per ounce of trim
    - $10.00 per ounce of flower
  - Retail excise tax rate of 10%
Article 20 – Fiscal Impact

- Taxation established
  - Consumable CBD products taxed similar to other tobacco products
    - 80% of wholesale cost of CBD products
  - Requires transactions between licensed entities
    - In the instance of unlicensed entity transactions retailer has 5 days to self-report and remit the tax
### Article 20 – Fiscal Impact

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Gross Receipts</th>
<th>Sales Tax: 7%</th>
<th>Surcharge: 4%</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$ 0.42</td>
<td>0.02</td>
<td>0.03</td>
<td>$ 0.05</td>
</tr>
<tr>
<td>2014</td>
<td>$ 6.73</td>
<td>0.27</td>
<td>0.47</td>
<td>$ 0.74</td>
</tr>
<tr>
<td>2015</td>
<td>$ 9.64</td>
<td>0.39</td>
<td>0.68</td>
<td>$ 1.06</td>
</tr>
<tr>
<td>2016</td>
<td>$17.16</td>
<td>0.69</td>
<td>1.20</td>
<td>$ 1.89</td>
</tr>
<tr>
<td>2017</td>
<td>$28.26</td>
<td>1.13</td>
<td>1.98</td>
<td>$ 3.11</td>
</tr>
<tr>
<td>2018</td>
<td>$38.19</td>
<td>1.53</td>
<td>2.67</td>
<td>$ 4.20</td>
</tr>
<tr>
<td>2019*</td>
<td>$28.25</td>
<td>1.13</td>
<td>1.98</td>
<td>$ 3.11</td>
</tr>
</tbody>
</table>

*through Jan 1 – annualizes to $5.4 million based on FY 2018

$ in millions
## Article 20 – Fiscal Impact

### Taxes and Fees from the Adult Use Program

<table>
<thead>
<tr>
<th>Regulating Agencies (25%)</th>
<th>Marijuana Trust Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Regulation</td>
<td>Program administration &amp; enforcement</td>
</tr>
<tr>
<td>Health</td>
<td>Public health monitoring, research, data collection, &amp; surveillance</td>
</tr>
<tr>
<td>Revenue</td>
<td>Revenue collection &amp; enforcement</td>
</tr>
<tr>
<td>Public Safety</td>
<td>Public awareness campaigns, training, technology improvements grants to local law enforcement</td>
</tr>
<tr>
<td>EOHHS / BHDDH</td>
<td>Substance use disorder prevention - or adults &amp; youth; treatment &amp; recovery support services</td>
</tr>
<tr>
<td>General Fund 60%</td>
<td>Municipalities 15%</td>
</tr>
</tbody>
</table>
Article 20 – Fiscal Impact

Municipalities
- May not ban activity by regular business
  - Zoning compliant to Office regulation
- By referendum; entities by separate question
  - Election by Nov. 5, 2019; authority in place by Jan. 1, 2020
- May not prohibit existing medical operations

<table>
<thead>
<tr>
<th>Distribution Basis</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Communities</td>
<td>3.75%</td>
</tr>
<tr>
<td>By License type</td>
<td>3.75%</td>
</tr>
<tr>
<td>Cultivators</td>
<td>0.94%</td>
</tr>
<tr>
<td>Processors</td>
<td>0.94%</td>
</tr>
<tr>
<td>Retailers</td>
<td>1.88%</td>
</tr>
<tr>
<td>Volume of Sales</td>
<td>7.5%</td>
</tr>
<tr>
<td>Total</td>
<td>15%</td>
</tr>
</tbody>
</table>
## Article 20 – Fiscal Impact

### Marijuana Net New Revenues

<table>
<thead>
<tr>
<th>Item</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Use</td>
<td>$4.8</td>
<td>$19.4</td>
<td>$19.8</td>
<td>$20.2</td>
<td>$20.5</td>
</tr>
<tr>
<td>Medical Marijuana</td>
<td>1.6</td>
<td>2.2</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Hemp</td>
<td>0.1</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6.5</strong></td>
<td><strong>$21.8</strong></td>
<td><strong>$22.2</strong></td>
<td><strong>$22.7</strong></td>
<td><strong>$23.0</strong></td>
</tr>
</tbody>
</table>

$ in millions
### Article 20 – Fiscal Impact

<table>
<thead>
<tr>
<th>Department</th>
<th>FTE</th>
<th>Staffing</th>
<th>Operations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUSINESS REGULATION</td>
<td>12.0</td>
<td>$2.5</td>
<td>$3.0</td>
<td>$5.6</td>
</tr>
<tr>
<td>HEALTH</td>
<td>3.0</td>
<td>0.9</td>
<td>0.1</td>
<td>1.0</td>
</tr>
<tr>
<td>PUBLIC SAFETY</td>
<td>-</td>
<td>-</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>REVENUE</td>
<td>4.0</td>
<td>0.3</td>
<td>0.5</td>
<td>0.8</td>
</tr>
<tr>
<td>EOHHS</td>
<td>-</td>
<td>-</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>BHDDH</td>
<td>1.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>20.0</td>
<td>$2.6</td>
<td>$4.8</td>
<td>$7.3</td>
</tr>
<tr>
<td>Medical Marijuana*</td>
<td>9.0</td>
<td>1.2</td>
<td>0.7</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>29.0</td>
<td>$3.7</td>
<td>$5.5</td>
<td>$9.2</td>
</tr>
</tbody>
</table>

$ in millions; * Existing program staff & expenses
The Governor’s requested March 13 amendment

- Reduces the rate for CBD products to 40% of wholesale cost
  - Article 5 proposes same rate for vapor & electronic nicotine delivery system products
    - Hearing March 21, 2019

- Adjusts revenue estimate accordingly
  - Negligible impact

- Moves account from EOHHS to BHDDH
## Article 20 – Adult Use

<table>
<thead>
<tr>
<th>State</th>
<th>Medical Tax</th>
<th>Adult Use Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massachusetts</td>
<td>Exempt</td>
<td>10.75% Excise</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6.25% Sales Tax</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Up to 3.0% Local Tax</td>
</tr>
<tr>
<td>Connecticut</td>
<td>$3.50/gram ~$85.22/oz</td>
<td>-</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>No tax</td>
<td>-</td>
</tr>
<tr>
<td>Vermont*</td>
<td>Exempt from Sales tax</td>
<td>N/A</td>
</tr>
<tr>
<td>Maine</td>
<td>5.5% Sales tax 8% for edibles</td>
<td>10% Sales tax 10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$335/lb. or plant</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$94/lb. trim</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$1.50 per seedling</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$0.30 per seed</td>
</tr>
<tr>
<td>New York</td>
<td>7% Gross Receipts</td>
<td>$1/gram flower</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$0.25/ gram trim</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20% of Wholesale</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2% local tax</td>
</tr>
</tbody>
</table>

*Does not permit retail sale – Bill Proposed*
## Article 20 – Tax Summary

<table>
<thead>
<tr>
<th>Tax Structure</th>
<th>Sales Tax</th>
<th>Gross/Excise</th>
<th>Wholesale</th>
<th>Weight Based*</th>
<th>Eff. Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Law - Medical</td>
<td>7%</td>
<td>4%</td>
<td>-</td>
<td>-</td>
<td>11%</td>
</tr>
<tr>
<td>Article 20 - Medical</td>
<td>7%</td>
<td>4%</td>
<td>-</td>
<td>3%</td>
<td>14%</td>
</tr>
<tr>
<td>Article 20 - Adult Use</td>
<td>7%</td>
<td>10%</td>
<td>-</td>
<td>3%</td>
<td>20%</td>
</tr>
<tr>
<td>Article 20 - CBD</td>
<td>7%</td>
<td>40%</td>
<td>-</td>
<td>-</td>
<td>?</td>
</tr>
</tbody>
</table>

*may change with pricing
2018 change to permit out of state cardholders has significantly increased the number of eligible purchasers

- It appears some out of state cards are easily attainable
  - Creates opportunities for tax avoidance & circumventing proposed potency cap

<table>
<thead>
<tr>
<th>Program</th>
<th>Effective Tax Rate</th>
<th>Potency Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical</td>
<td>14%</td>
<td>None</td>
</tr>
<tr>
<td>Adult Use – Article 20</td>
<td>20%</td>
<td>50%</td>
</tr>
</tbody>
</table>
Governor’s FY 2020 Budget: Articles

Staff Presentation to the House Finance Committee
March 20, 2019