



Article 11 of the Governor's FY22 Proposed Budget: Relating to Adult Use Marijuana

Highlights and Key Points

Guiding Principles

- Governor McKee's proposal is anchored on principles of equity, safety, and fairness
- These are reflected throughout the proposal, which features:
 - Tightly regulated, privately-run adult use licensees;
 - A competitive tax structure;
 - Maintenance of local control; and
 - An emphasis on public health and safety

Licensing

- We contemplate a controlled rollout of adult-use retail licenses, alongside a continuation of the existing moratorium on cultivation licenses and total canopy
- Our lottery-based system will ensure transparency, fairness, and equitable access to each year's allocation
- We'll structure the lottery such that the first 5 licenses – or 20% of each year's allocation – are awarded to qualifying minority- and women-owned businesses
- And we'll make existing compassion centers eligible "by right" for a new, hybrid retail license that will allow them to service both the medical and adult use markets
- We believe a controlled, one-year-at-a-time approach provides a measured way to stand up Rhode Island's adult-use retail market and diminish the illicit market
- We'll closely monitor data on market conditions and retail activity to make a decision in the third year of the program on how many, if any, additional retail licenses to make available going forward

A Licensing Framework Anchored in Equitable Access

- The new retail storefronts will represent major economic opportunity for entrepreneurs traditionally excluded from the legal cannabis market
- We directly address this by setting aside 20% of annually-awarded retail licenses and 50% of new license types for qualifying MBE* applicants
- This 20% set-aside is in proportion with the non-white population of Rhode Island (21.3%).
- Note that this concept relies on existing regulations defining minority business enterprises in RI and includes women-owned businesses.
-

Local Control

- We contemplate the state centralizing and maintaining a significant degree of control over the location and types of adult use cannabis licenses throughout the state, while providing municipalities the ability to restrict parts of the industry from their borders

- The statute allows for a moratorium on cannabis licenses by ordinance through 11/2/2021
- Thereafter, towns may “opt out” of cannabis licenses by way of a ballot referendum
- Towns can use land use and zoning tools to restrict the location and land use of cannabis licensees across the board
- The proposal also permits the assessment of local impact fees to recoup associated costs of cannabis-related activity

Public Health and Health Equity

- We invest a significant amount of year one revenues in a number of health and health-equity related areas, with a significant funding increase for our proven Health Equity Zone collaborates to build out community-based health initiatives that will aid in our overall recovery from the health and economic consequences of the pandemic
- Our sister agencies aim to build capacity (RIDOH, BHDDH, and EOHHS) in the realms of treatment, prevention, and surveillance – with a particular focus on adolescents and youth
- Finally, the proposal creates the Governor’s Cannabis Reinvestment Task Force, which will be co-chaired by DBR and EOHHS and charged with presenting recommendations for long-term investment of cannabis revenues in the specific areas of job training, small business access to capital, affordable housing, health equity, and neighborhood/community development

Public Safety

- We aim to introduce adult-use marijuana in Rhode Island in a safe and mindful fashion
- We prohibit use or possession for anyone under the age of 21
- We update existing DUI statutes to prepare for the introduction of cannabis-specific roadside and chemical tests
- We invest \$900,000 in state and local law enforcement capacity building, with \$400K invested in state police drug-recognition training and an additional \$500K made available to local law enforcement agencies in grants through DPS
- Importantly, we maintain our existing prohibition on home grow outside existing allowances in the MMP – allowing us to ensure safe, regulated product is the only product available in the adult use market in our state

Tax and Revenue Structure

- We aim to establish an effective tax rate of roughly 20%, aligned with the current rate in Massachusetts
- This combines a weight-based excise tax, a marijuana-specific retail excise tax, and the existing 7% sales tax
- 25% of gross revenues are dedicated to agency expenditures (detailed above); 15% dedicated to local revenue sharing based on license and sales volume; and the remaining 60% will go to the General Fund

Key Contacts

Elizabeth M. Tanner, Esq. | Director, Department of Business Regulation | liz.tanner@dbr.ri.gov

Matthew Santacroce | Chief, Office of Cannabis Regulation | matthew.santacroce@dbr.ri.gov

Pamela J. Toro, Esq. | Asst. Director, Department of Business Regulation | pamela.toro@dbr.ri.gov