



Senate Fiscal Office

03.29.2021

FY2022 Budget

Article 11: Relating to Adult-Use Marijuana

Overview

- Legalizes the recreational use and purchase of marijuana for adults 21+ with an anticipated start date of April 1, 2022.
- Establishes an overall estimated tax rate of approximately 20.0 percent comprised of excise and sales taxes.
- Includes provisions to ensure minority access to the industry.
- Includes safeguards to ensure the medical marijuana market is not adversely impacted.

Fiscal Impact

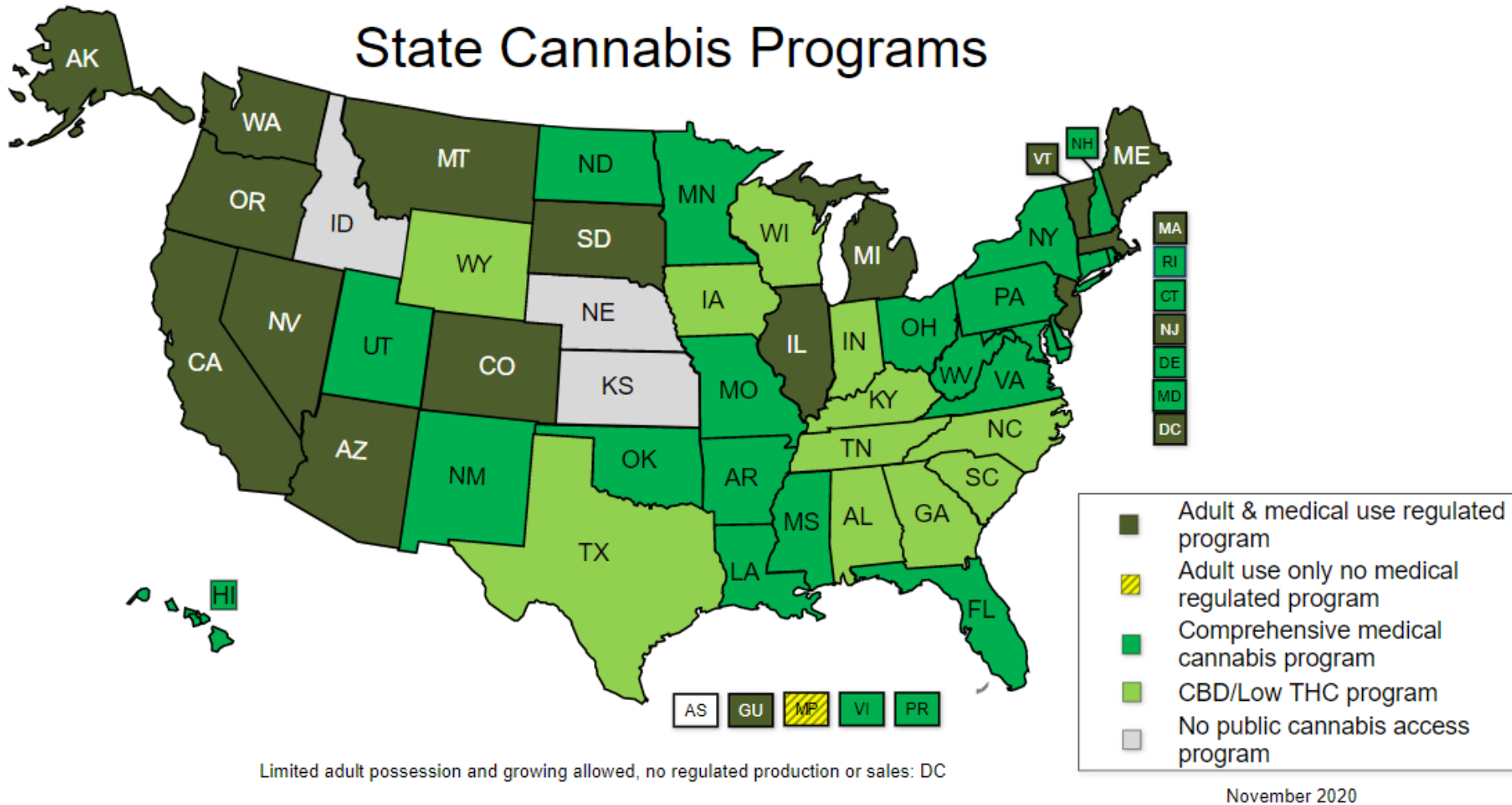
Article 11 Revenues

Initiative	FY2022	FY2023
Licensing Fees	\$3,816,000	\$2,652,250
Retail Excise Tax	2,387,902	9,551,606
Retail Sales Tax	1,671,531	6,686,124
Cultivator Excise Tax - Flower	1,335,073	5,340,292
Medical Cultivator Excise Tax	1,172,703	2,345,407
Cultivator Excise Tax - Trim	410,849	1,643,398
Total	\$10,794,058	\$28,219,077

Article 11 Net Impact

Initiative	FY2022	FY2023
Total Revenues	\$10,794,058	\$28,219,077
State Expenditures (Increased in FY2022)	(2,698,515)	(7,054,769)
Additional Expenditures in Year 1	(4,805,954)	-
Share Dedicated to Municipalities	(1,619,109)	(4,232,862)
Annual General Revenue Transfer	\$1,670,481	\$16,931,446

Totals may vary due to rounding.

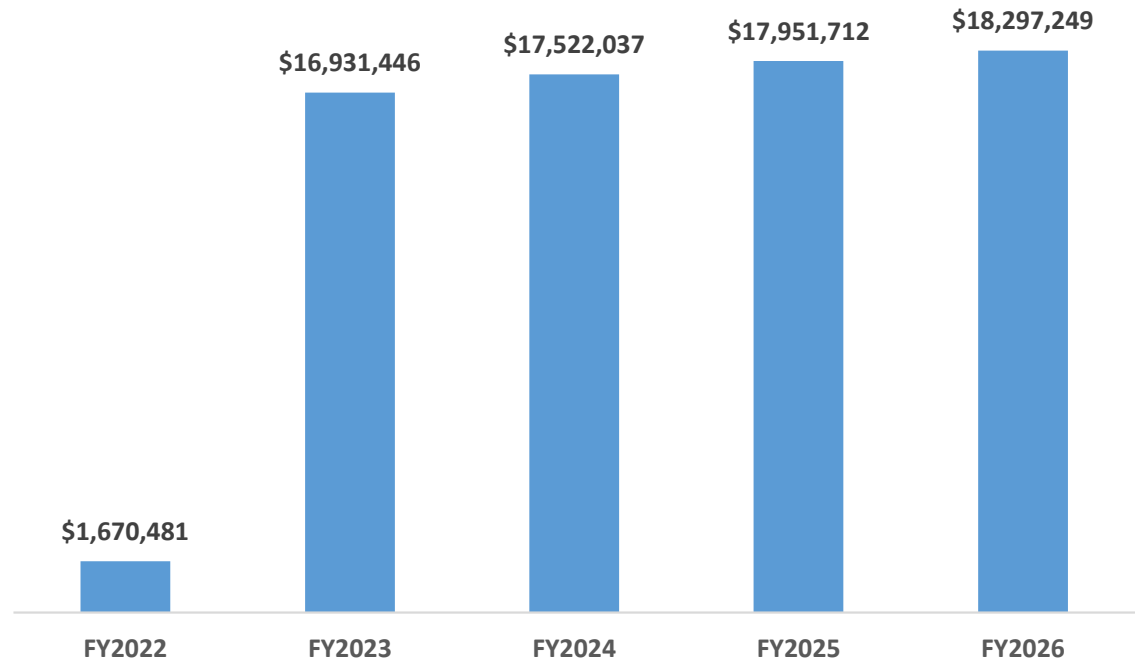


Legalization is currently being proposed in New York and Connecticut.
Source: NCSL

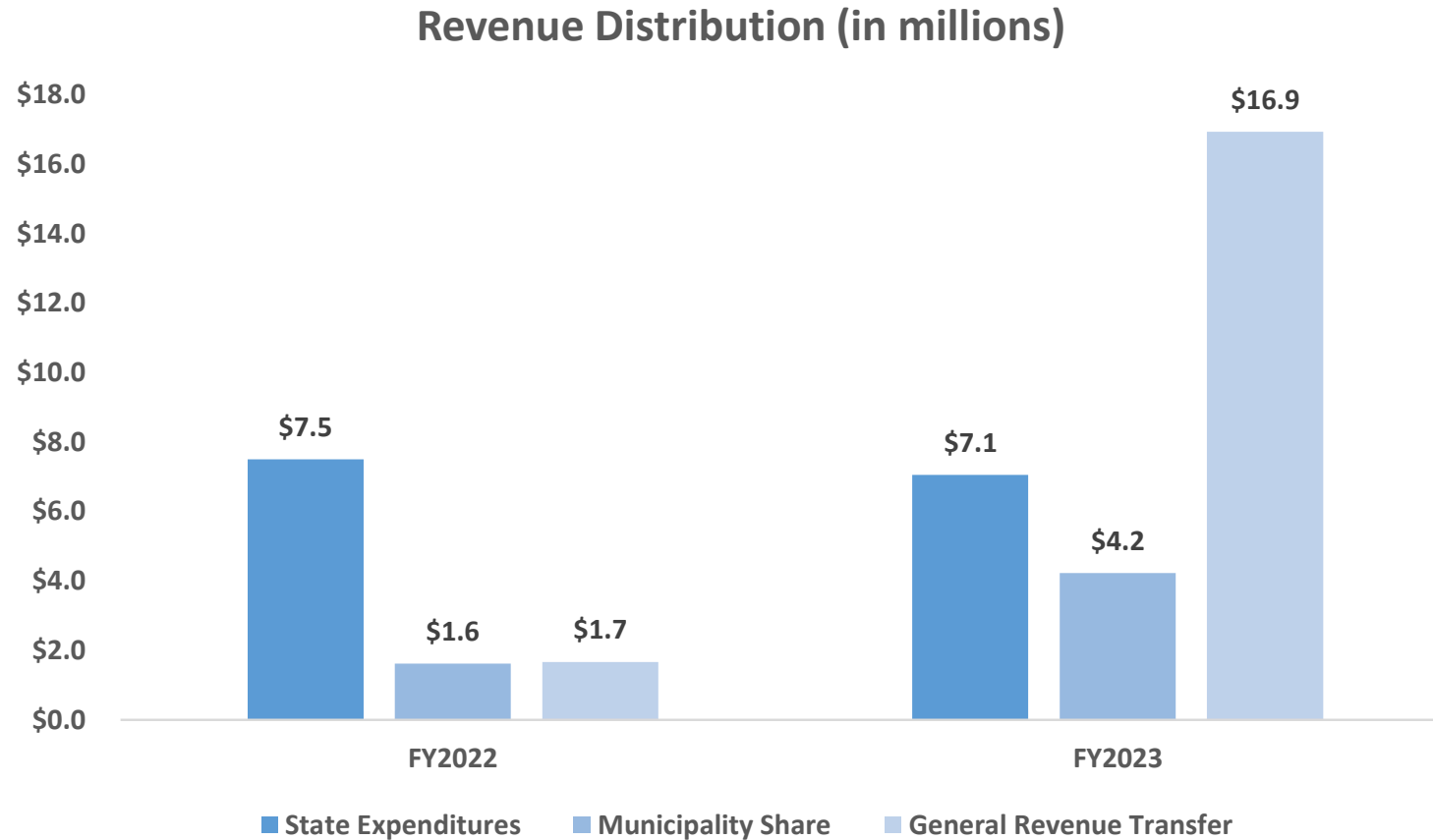
Adult-Use Marijuana Program

- Allows for the purchase of up to one ounce and storage of up to five ounces for those aged 21 and over.
- Households with two or more adults over 21 can store up to 10 ounces. Stored marijuana must be inaccessible to youth.
- OMB estimates there would be 97,480 consumers in the adult-use market and \$23.9 million in sales for FY2022 and \$95.5 million in FY2023.

Estimated General Revenue Transfer by Fiscal Year



Adult-Use Revenue Distribution

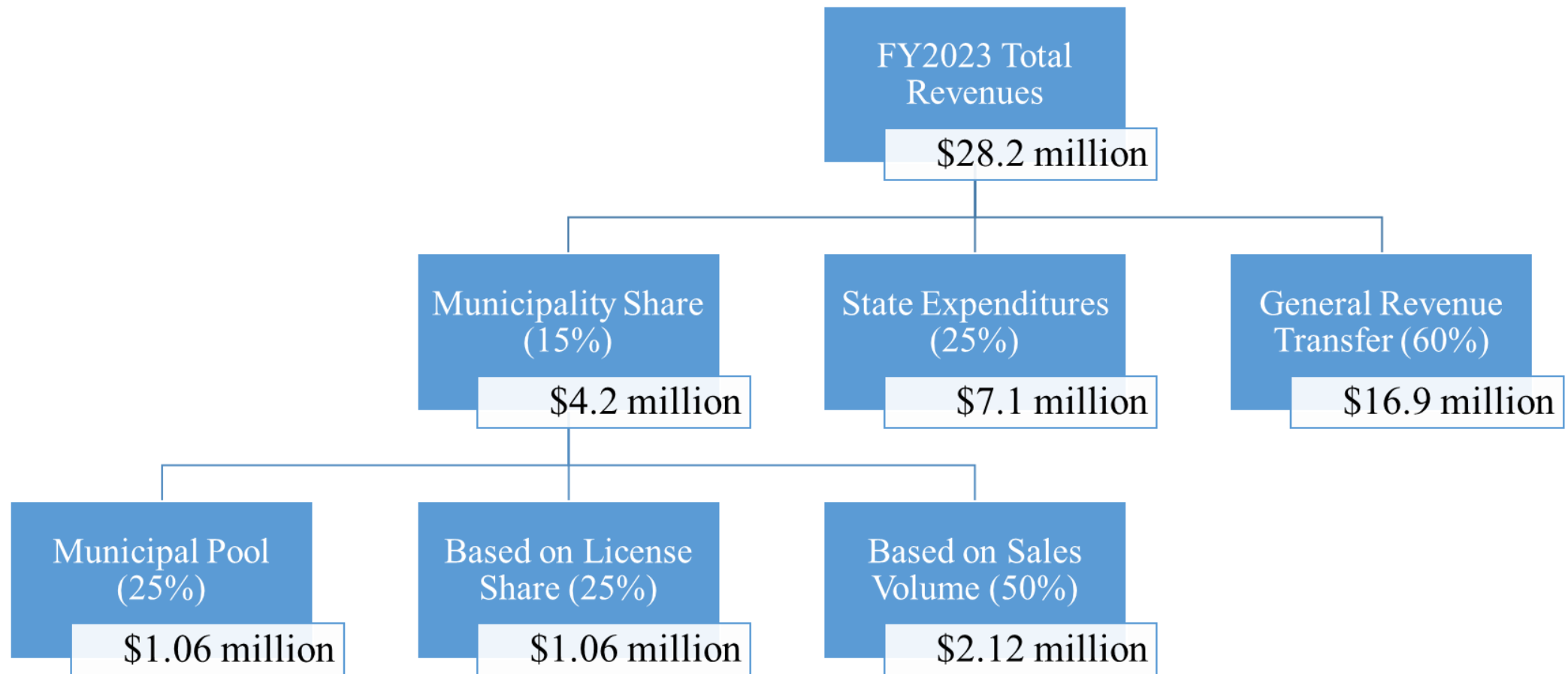


Adult-Use Marijuana Licenses

License Type	Application Fee	License Fee	FY2022 Estimated Revenues	Authorized Activities
Cultivators	\$5,000	\$15,000	\$1,460,000	Grow, package, sell marijuana at wholesale to retail stores. Transfer marijuana to licensed processors
Manufacturer	5,000	15,000	1,095,000	Manufacture marijuana products Sell wholesale to retail stores.
Retail	5,000	15,000	1,010,000	Sell retail to individuals 21+
Lab Testing	5,000	20,000	85,000	Collect and test samples of marijuana
Ancillary Licenses		9,000	90,000	Other licenses associated with adult-use marijuana
Employees		100	76,000	License required for employment with any marijuana licensee
Total Fee Revenue			\$3,816,000	

Fees will be promulgated by OCR, actual fees and/or revenue may vary.

Distribution of Funds



Local Impact

- Municipalities may temporarily prohibit classes of marijuana licenses via a local ordinance. In order to continue the prohibition, municipalities would have the opportunity to limit or ban retail sales of marijuana through referendum. The referendum must be passed by a simple majority on or before November 2, 2021.
- 15% of adult-use marijuana revenues would be distributed to municipalities
- Each Municipality would receive an equal portion of the share dedicated to all municipalities. The remaining funds would be distributed based on license volume and sales volume.

Estimated Municipality Distribution

Allocation	FY2022	FY2023
Sales Volume (50%)	\$835,766	\$2,116,431
License Volume (25%)	417,883	1,058,216
All Municipalities (25%)	417,883	1,058,216
Total	\$1,671,531	\$4,232,862

Tax Revenues

Initiative	Tax	FY2022	FY2023
Cultivator Excise Tax - Retail	\$10/ounce of flower, \$3/ounce of trim	\$1,745,922	\$5,483,690
Cultivator Excise Tax - Medical Marijuana	\$10/ounce of flower, \$3/ounce of trim	1,172,703	2,345,407
Retail Sales Tax	7%	1,671,531	6,686,124
Retail Excise Tax	10%	2,387,902	9,551,606
Total		\$6,978,058	\$24,066,827

Agency Expenditures

- First year expenditures, totaling \$7.6 million, would be used for expenses related to the adult-use market including:

- Training and resources for public safety departments
- Public health monitoring and surveillance
- Licensing and regulation of adult-use marijuana facilities
- Substance abuse prevention activities
- Collection of tax revenues

FY2022 State Agency Adult-Use Marijuana Expenditures

Agency	Restricted Receipts
Business Regulation	\$3,929,463
Executive Office of Health and Human Services	1,433,333
Public Safety	849,997
Revenue	798,938
Health	366,785
BHDDH	236,734
Total Expenditures	\$7,615,250

Prohibited Activities

The Article does not permit the following activities related to adult-use marijuana:

- Possession of marijuana plants without a cultivator license or medical marijuana plant tags.
- Exceeding the statutory possession limits.
- Possession on prison or school grounds, public transportation, drug treatment facilities, and public places.
- Distribution, transfer, or sale to minors under 21.

Impact on Medical Marijuana

- Current compassion centers and cultivators may apply for adult-use cultivator and retail licenses so long as they can prove doing so will not have an adverse impact on the medical market and patients.
- A new weight-based excise tax on cultivators would also be applicable to medical marijuana cultivators.

Equal Opportunity

- Prohibits denial of cannabidiol (CBD) and any marijuana-related licenses on the basis of race, color, religion, sex, sexual orientation, gender identity or expression, age, national origin, or disability.
- Requires that at least five or 20.0 percent, whichever is greater, of all the marijuana establishment licenses, must be awarded to qualifying Minority Business Enterprises (MBEs).

Considerations

- The legalization of marijuana in nearby Massachusetts is often cited as a reason to legalize in Rhode Island, as resources are needed to deal with increased access to marijuana. How will the allocated funds for marijuana-related expenditures help the State deal with these externalities?
- Massachusetts experienced implementation issues, is an April start date enough time to ensure there will be a safe and effective rollout?
- Are prices anticipated to be low enough to drive people out of the illicit market?

Considerations

- What impact will the adult-use state-controlled market have on the environment?
- What tools are available for police officers to detect that an individual is driving under the influence of marijuana?
- What will be done to ensure social equity in legalization?
- How can the State ensure that the medical market is not adversely impacted, when there is a new fee that will likely be passed onto patients?