



Senate Fiscal Office

11.18.2020

FY2021 Budget

Article 13: Relating to State-Controlled Adult-Use Marijuana

Overview

- Article 13 establishes the Adult-Use of Marijuana Act and the Marijuana Regulation, Control, and Revenue Act to provide a framework for a state-controlled, adult-use marijuana market.
 - The proposed framework is similar to New Hampshire's state-controlled liquor stores.
- The article would be effective upon passage, but due to required ramp up time sales would not start immediately.

Fiscal Impact

Article 13 Net Impact

Initiative	FY2021	FY2022
Adult-Use Retail Sale Profits	\$26,018,679	\$52,483,731
Fee Revenues	699,000	-
Expenditures	(4,888,172)	(12,894,739)
Anticipated Transfer to General Fund	\$21,829,507	\$39,588,992

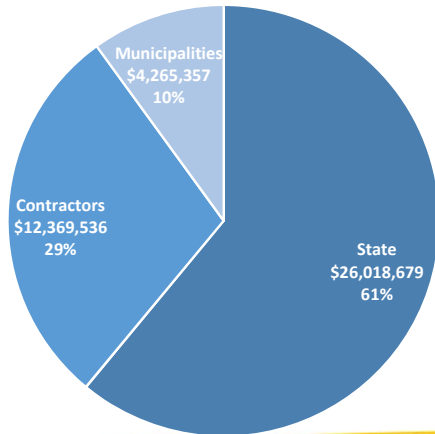
- Revenues are based on an anticipated start date of March 2021, with the market fully realized by FY2022.
- The State would receive all fee revenue, which licensees would be required to pay every three years.
- Sales tax would not apply to adult-use marijuana sales.

Analyst Note: Since the Article requires months of infrastructure building and implementation, and a Budget has not yet been passed for FY2021, the State is unlikely to see any of the originally anticipated revenues in FY2021.

Adult-Use Marijuana Licenses

License Type	License Fee	Estimated Revenues	Authorized Activities
Cultivators	\$5,000	\$360,000	Grow, package, sell marijuana at wholesale to state stores. Transfer marijuana to licensed processors
Processors	\$5,000	270,000	Manufacture marijuana products Sell wholesale to state stores
Contractors	\$10,000	30,000	Provide supplies and service for operation of state stores Sell marijuana and marijuana products at retail
Operations Employees	\$150	30,000	License required for employment with any marijuana licensee
Key Employees	\$300	9,000	License required for employment with any marijuana licensee
Total Fee Revenue		\$699,000	

Adult-Use Marijuana Profit Sharing

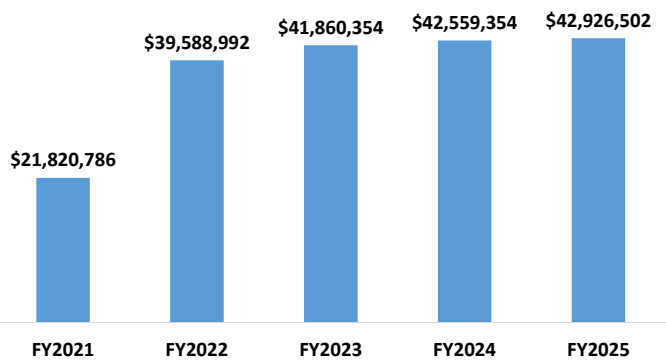


- The Marijuana Trust Fund is established as a restricted receipt account for all adult-use marijuana revenues.
- Of the State’s share, \$4.9 million would be distributed for expenditures related to the market. The remaining balance would be transferred to the general fund on a monthly basis.
- The estimated general revenue transfer in FY2021 is \$21.1 million.

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 176,388 consumers in the adult-use market and \$209.6 million in total annual sales.

Estimated General Revenue Transfer by Fiscal Year



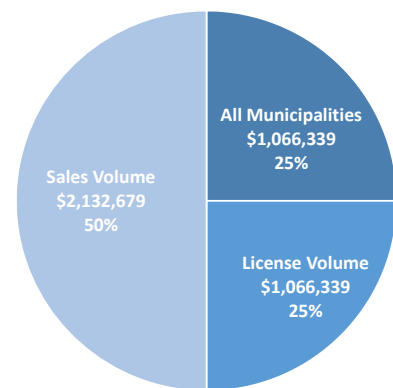
Community Equity and Reinvestment Council

- Establishes the Council to advocate for social equity and community reinvestment.
- Consists of 11 members with expertise in areas such as community reinvestment, cannabis economics, cannabis reform and policy, criminal justice, social equity, diversity and inclusion, and business and employment opportunities.
- Tasked with:
 - Collecting and reviewing data
 - Providing recommendations for the use of funds
 - Conducting public meetings
- Would serve as an advisory committee without authority to allocate funds.
- Members would be appointed by the Governor, without advise and consent of the Senate, without compensation.

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 3, 2021.
- 10% of adult-use marijuana revenues would be distributed to municipalities.

Estimated FY2021 Distribution



FY2021 Article 13 Municipality Distribution

Distribution	FY2021	FY2022
Sales Volume (50%)	\$2,132,679	\$4,301,945
License Volume (25%)	1,066,339	2,150,973
All Municipalities (25%)	1,066,339	2,150,973
Total	\$4,265,357	\$8,603,890

Agency Expenditures

- First year expenditures, totaling \$4.9 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

Article 13 FY2021 Expenditures	
Agency	Restricted Receipt
Business Regulation	\$3,216,792
Food Safety and Staffing	641,536
BHDDH	529,844
Public Safety	500,000
Total Agency Expenditures	\$4,888,172

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

- The article would authorize the Office of Cannabis Regulation (OCR) to notify law enforcement when there is reasonable belief that a patient caregiver is not in compliance with laws and/or regulations. Currently, OCR can only impose administrative penalties.
- Current compassion centers may apply for adult-use cultivator and processor licenses so long as the operations are at another location and that there would be no adverse impact on the medical marijuana program.
- Medical marijuana cardholders would be entitled to purchase and possess marijuana from a compassion center in addition to adult-use marijuana within the statutory limits.

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Considerations

- The Budget includes a \$21.1 million transfer to the general fund, what will these funds be used for?
- 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?
 - \$500,000 in public safety, \$529,844 at BHDDH
- Massachusetts experienced implementation issues, is a March start date enough time to ensure there will be a safe and effective rollout?

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Considerations

- What impact will the adult-use state-controlled market have on the environment?
- How will the State ensure marijuana will not get into the hands of children?
- 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?
- Marijuana is still illegal under federal law, how can the State navigate this?
- How will the State ensure prices remain competitive with the black market?