

### 1.1 – Permissive Vertical Integration

The General Assembly should adopt a regulatory model in which an individual shall be permitted, but not required, to have cross-ownership across license types. The Department of Revenue should be authorized to limit production capacity and license number and establish licensure sanctions for licensees that make purchases or sales outside the regulatory system. The Department shall track marijuana from cultivation to retail. Each licensee shall have custody and be liable for marijuana or marijuana products in his, her, or its possession. No marijuana shall be transported, delivered, or received by any licensee without evidence that the excise tax was paid by the licensed cultivator.

The General Assembly should enact the following additional requirements:

- Provide the ability for the Department of Revenue to issue conditional licenses for an individual application or series of license applications. The Department may restrict the operations of any conditionally approved licensee contingent upon local approval and include any other condition on the licensee it deems necessary.
- Cultivators are responsible for remitting the excise tax due, which shall be based on the average whole price as set annually by the Department of Revenue. Violations are to be punishable by licensure sanctions, as well as appropriate sanctions for tax evasion.
- Cultivator licensees are required to track marijuana from seed to wholesale purchase and affix evidence that the wholesale tax was paid before allowing marijuana to leave its facility.
- Retailers are required to track marijuana and marijuana product inventory from wholesale purchase to retail sale. Retailers may purchase marijuana products from any licensed manufacturer and marijuana from any licensed cultivator. Retailers shall not transport or accept delivery of any marijuana from any licensed cultivator without evidence that the excise tax was paid.
- Manufactures are required to track marijuana from wholesale purchase to wholesale sale to a licensed retailer. Manufactures may operate in a shared facility provided the facility is used exclusively for the manufacture of marijuana products. No manufacturer license shall transport or accept delivery of marijuana from a licensed cultivator without evidence that the excise tax was paid.
- A cultivation, manufacturing, or retail licensee shall not have a financial interest in a marijuana testing lab licensee.
- Direct the Department of Revenue to create statewide license classes based on the production volume of marijuana cultivation facilities. The Department shall create a fee schedule for each license class. This class assignment could be based on square footage of the facility, the number of plants cultivated, or any combination thereof. Local Authorities may limit the size of cultivation facilities by prohibiting certain classes of licensees in their jurisdiction under their constitutional authority to restrict time, place, manner, and number.

- The Department of Revenue shall require applicants for licenses must meet a 2 year residency requirement. The Department shall establish a phase-in period of no more than one year, during which time medical marijuana license holders in good standing, applicants that had an application pending with the Medical Marijuana Enforcement Division prior to December 10, 2012, and new licensees who apply starting October 1, 2014 shall be permitted to apply for adult-use marijuana licenses in a controlled manner.

This proposed framework would be subject to a sunset review, to be conducted two (2) years after the enactment of the statute establishing the permissive vertical integration model.