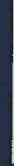




GOVERNOR MICHELLE LUJAN GRISHAM'S

CANNABIS LEGALIZATION

WORK GROUP



WHO WE ARE

- Albuquerque City Councilor Pat Davis, Chair
- State Sen. Cliff Pirtle, R-Roswell
- State Rep. Javier Martinez, D-Albuquerque
- Environment Secretary James Kenney
- Health Secretary Kathy Kunkel
- RLD Superintendent Marguerite Salazar
- Senior Economist James Girard of the Taxation and Revenue Department
- Matthew L. Garcia of the Office of the Governor
- Matt Baca of the Office of the Attorney General
- Medical cannabis patients Erin Armstrong & Heath Grider
- Doña Ana County Sheriff Kim Stewart
- Les Rubin of Picuris Pueblo
- Rachael Speegle of the Verdes Foundation
- Ryan Gomez of PurLife Management Group
- Jim Griffin of Everest Apothecary
- Emily Kaltenbach of the Drug Policy Alliance

- Shannon Jaramillo of Cannabis New Mexico Staffing
- Grace Phillips of the New Mexico Assoc. of Counties
- Lorin Saavedra of Southwest Capital Bank
- Construction industry representative Sam Baca
- Dr. Dan Duhigg, OD, Presbyterian Healthcare
- United Food and Commercial Workers Union

ADDITIONAL COMMENTS FROM

NM SHERIFF'S ASSOC., NM ASSOC OF CHIEFS OF POLICE, ACLU-NM, YOUNG WOMEN UNITED, ASSOC OF COMMERCE & INDUSTRY (ACI), NATURAL RX, NM MUNICIPAL LEAGUE, MOUNTAINTOP EXTRACTS, BANG INDUSTRIES, NM CANNABIS CHAMBER OF COMMERCE, NORTHERN NM COMMUNITY COLLEGE, CITY OF LAS CRUCES, NM CANNABIS PATIENT ALLIANCE, HARVEST FOUNDATION, NM WORKERS COMPENSATION ADMINISTRATION, KELLY O'DONNELL, OFFICE OF SUPT OF INSURANCE, LLANO FARMS (CURRY CO.)



GOVERNOR MICHELLE LUJAN GRISHAM'S

MARIJUANA LEGALIZATION

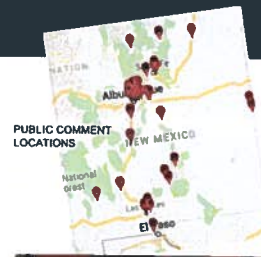
WORK GROUP | marijuanaworkgroup.com

Governor Michelle Lujan Grisham created a working group of more than 20 diverse stakeholders, including law enforcement, regulators, policy experts, medical patients and cannabis industry professionals.

The work group took additional comments and presentations from more than a dozen other organizations and experts.

OUR PROCESS

6	PUBLIC MEETINGS Santa Fe, Albuquerque, Las Cruces
4	CANNABIS FACILITIES TOURED Onsite tour with NM Cannabis Chamber of Commerce
8	OTHER STATE PROGRAMS ANALYZED
30	HOURS OF PUBLIC HEARINGS
101	PAGES OF POLICY ANALYSIS
121	PAGES OF PUBLIC COMMENTS SUBMITTED ONLINE
279	INDIVIDUAL POLICY QUESTIONS FOR MEMBERS



SHERIFF STEWART HOLDS COMMUNITY INPUT MEETINGS ON MJ WORK GROUP. KVIA



GOVERNOR MICHELLE LUJAN GRISHAM'S
MARIJUANA LEGALIZATION
WORK GROUP | marijuanaworkgroup.com

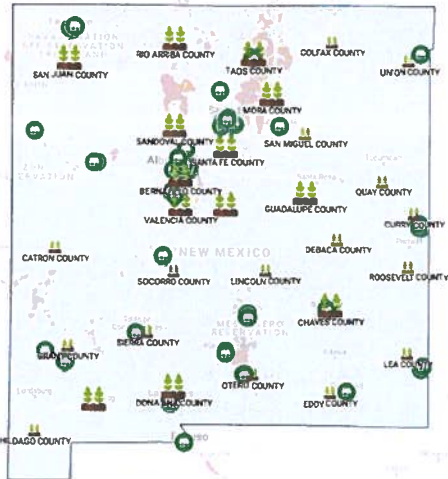
Our three month process included both in-person public hearings and online collaboration, along with a robust public comment period which generated comments from across New Mexico.

Additionally, some work group members (including DAC Sheriff Kim Stewart) held their own public input meetings and presentations.



THE MARKET

HOW BIG?



CANNABIS IMPACT TODAY

- HEMP** Less than 0.3% THC
- **7,000+ Acres under production** (\$800/yr. license, \$6/ac. fee)
Chile = 7,900 Acres.
 - **8.3 Million Sq. Ft. Indoor** (\$900/yr. license, \$0.75/1K sq ft. fee)
 - **400 Licenses**

- MEDICAL CANNABIS**
- **35 PRODUCERS**
 - **78,000 PATIENTS**
 - **40,000 PLANTS (2019)**
 - **3,100,000 TRANSACTIONS (2019)**
 - **\$130,000,000 SALES (2019)**

Cannabis is already a multi-hundred million dollar industry in New Mexico. Only Los Alamos County does not have some cannabis business operating in the county.

HEMP: Legalized by federal legislation in 2018 and through the state legislature (with Supreme Court intervention) in New Mexico in 2018, New Mexico's Agriculture Department promulgated emergency rules to allow for open-air crop cultivation in 2019. NM currently has as much hemp under production as we do Chile. But hemp and cannabis are much more profitable per pound and per acre (\$17/lb. last year in raw product).

MEDICAL CANNABIS: New Mexico's medical cannabis program is one of the most established in the country. 78,000 patients (projected to surpass 100,000 in 2020) rely on medical cannabis in-state. 35 producers and about a dozen product manufacturers (making edibles, oils and smokeable products) create products from specially cultivated strands. State-licensed scientific labs ensure THC and other cannabinoid potency, as well as testing for contaminants.

The state's medical cannabis program grew by 20% in 2019. It is estimated to produce \$130,000,000 in sales by year-end.

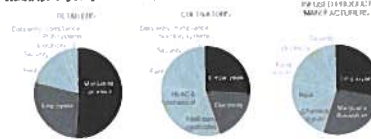
Figure 1.
Economic Impact of Spending for Major Industries in Colorado

For every  spent on:



Note: Impact results will be different in other states and regions.

Figure 3
Business Spending Categories for the Marijuana Industry



CANNABIS IMPACT TODAY

- **CANNABIS SPENDING RETURN IS MUCH HIGHER THAN MOST OTHER INDUSTRIES**
- **The industry is wholly confined in the state.** This keeps more of the jobs and dollars in New Mexico's local economies.
- **New investment dollars from out-of-state are spent locally since interstate transfer is limited.**

<http://www.mipolicygroup.com/pubs/MPG%20Impact%20of%20Marijuana%20on%20Colorado-Final.pdf>

Thanks to states like Colorado where legalization has grown and stabilized, we have actual data on the economic impacts of legalized cannabis. Unlike other industries, cannabis is wholly contained in a state because of federal interstate commerce restrictions. That means that more industry money stays in-state. And data shows that spending in the cannabis industry creates ripple effects in our economy. Just half of a retail operation's spending, for example, goes to sourcing cannabis products. The remainder goes to salaries, support services like accounting and legal, HVAC and construction spending, and regulation. All of the products are produced in commercial kitchens and grows operate in tightly-regulated greenhouses our outdoor facilities with security plans and strict rules.



Jill Brown stacks hemp buds at her farm in Estanola. She expects the buds to sell for \$20 per pound. 'Nobody makes \$20 a pound on tomatoes, corn, alfalfa or any of that. This is a big cash crop,' Brown says. 'You can take 10 acres and actually make something out of it for a summer.' Michael Gerstein/The New Mexican

NEW MEXICO'S HEMP PRODUCTION PROGRAM

"Nobody makes \$20 a pound on tomatoes, corn, alfalfa or any of that. This is a big cash crop," Brown says. "You can take 10 acres and actually make something out of it for a summer." - Santa Fe New Mexican, 11/4/19

- 400 LICENSED GROWERS
- 7,000 ACRES
- 8.3 MILLION INDOOR Sq. Ft.
- 30 of 33 Counties



GOVERNOR MICHELLE LUJAN GRISHAM'S

MARIJUANA LEGALIZATION

WORK GROUP | marijuanaworkgroup.com

All across New Mexico, farmers are converting low-yield and low-income crops to hemp and medical cannabis. In Otero County, a 200 acre orchard was converted to medical cannabis by Ultra Health. And 7000 acres of hemp are now under production from Luna County to Los Lunas. These higher-yield, higher- profit crops are helping some declining farmers secure their future.



Cannabis would become New Mexico's 15th largest industry - 3 times larger than mining, double our current food manufacturing industry.

Equal in size to film in 2010.

Jobs are all non-exportable and open new entrepreneurship to New Mexico.

NEW JOBS

11,000
NEW JOBS

FARMING / AG.

PRODUCT
MANUFACTURING

RETAIL

REGULATION



REAL ESTATE

SPECIALIZED LEASING / PURCHASING
Cultivation, Retail, Manufacturing, Office

CONSTRUCTION
INDUSTRIES

SITE PREP CARPENTRY ELECTRICAL
PLUMBING MACHINISTS

JOB TRAINING

COMMUNITY COLLEGE SKILL
TRAINING

BUSINESS SUPPORT

LEGAL ACCOUNTING HR

With legalization, Cannabis would become the state's 15th largest industry by jobs overnight, adding 11,000 new jobs from rural farming and agriculture, to artisan and local product manufacturing, to transporting, real estate and construction. The Cannabis industry would be 3X larger than mining and double the size of our entire statewide food manufacturing industry, and as large as our entire manufacturing sector today. By comparison, Cannabis would be larger than Agriculture/Forestry (9.5K), Mining (3.7K), or Hotel/Accommodation employment statewide.

MARKET ESTIMATES

	YEAR ONE START UP		YEAR FIVE STABILIZATION	
	3X+ SIZE OF MEDICAL PROGRAM		6X+ SIZE OF MEDICAL PROGRAM	
	MEDICAL	ADULT-USE	MEDICAL	ADULT-USE
PLANTS	50,000	150,000	80,000	300,000+
SALES	\$130,000,000	\$318,000,000	\$260,000,000	\$620,000,000
TAXES	\$0	\$54,000,000	\$0	\$94,000,000



Estimates vary widely, but we know from other states that estimates increase annually as Cannabis becomes more accepted - and every state has seen Year 1 sales of adult-use exceed legislative estimates by the time the program comes on line. Other state experiences show that program growth stabilizes about year 5.

- Note the almost \$1B market estimated with stabilization -- all without government subsidies, and all dollars that -if we do it right - can stay in NM
- These charts show an estimate of sales and size of the market according to models developed in other states.



RECOMMENDATIONS

POLICY, STATUTE & REGULATION

OUR PRIORITIES



MAINTAIN & ENHANCE A ROBUST MEDICAL CANNABIS PROGRAM

- requires guarantees for both PATIENT ACCESS & AFFORDABILITY



PUBLIC SAFETY & LAW ENFORCEMENT

- MAINTAIN LOW TAX RATES to reduce incentives for black market diversion
- AVOID CREATING BLACK MARKETS in statute
- STATES where Law Enforcement were left out see the most problems



STRONG LABELING & TESTING



EQUITY & SHARED ECONOMIC DEVELOPMENT



GOVERNOR MICHELLE LUJAN GRISHAM'S

MARIJUANA LEGALIZATION

WORK GROUP | marijuanaworkgroup.com

"When, not if." We believe legalization is coming. We began not by asking whether we should legalize, but what the most balanced program would look like when we did. Governor Lujan Grisham challenged the work group to recommend best practices for legalization, provided that we achieved 4 main goals.

We studied programs in 11 other states who had legalized cannabis, evaluating each state on their initiatives to achieve each goal.

We found that no state had done it right in all regards, mainly because they ignored or forgot one of these key pillars when developing their program. Instead, we see where making them after thoughts led to problems up front.

We believe New Mexico can borrow the best from each of the other 11 states and be the first state to put all 4 priorities first when building a new program.

 <p>DEPARTMENT OF REVENUE & FINANCE CANNABIS LEGALIZATION A 2015 PROGRAM</p>	<p>CHEAPER</p>	<p>✓ TAX-FREE CANNABIS REDUCES PATIENT RETAIL COST BY 7% (avg)</p>	
<p>MAINTAIN & ENHANCE A ROBUST MEDICAL CANNABIS PROGRAM</p>		<p>ACCESSIBLE</p>	<p>✓ *NEW* LOW-INCOME PATIENT SUBSIDY FUND Paid for by new adult-use revenue, we help low-income and specialized users access medicine.</p>
<p>RECOMMENDATIONS FOR A MORE PATIENT-CENTERED MEDICAL PROGRAM "PATIENTS FIRST"</p>			<p>AVAILABLE</p>
		<p>✓ REQUIRING RETAILERS TO SERVE PATIENT NEEDS FIRST. Set aside plants and products just for patients (patients can still buy non-reserved products as well). Retailers failing to meet patient needs will lose adult-use retail option. That's a strong incentive to maintain strong patient supply.</p>	

New Mexico currently has 78,000 patients, expected to rise to 100,000 next year. But patients still report issues with affordability and shortages, as well as the inaccessibility of legal medicine, particularly outside the Rio Grande urban corridor. They are rightly anxious about adding recreational cannabis until our medical program is more available, accessible and affordable. But we found that the market factors necessary to do that do not exist without the benefits of scale provided by legalization. But unlike other states who co-mingled medical and adult-use programs, we see a model that puts patients first and incentivizes (and requires) adult-use licensees to serve medical patients at the same counters as recreational patients - this increases the number of medical dispensaries and we can use new cannabis revenue to lower the cost of medical products. Our program would focus on a "Patients First" model - a first for any program in the country.



GOVERNOR MICHELLE ELLEN SUTHERLAND
CANNABIS LEGALIZATION
ADULT-USE ONLY



**STRONG
LABELING &
TESTING**

RECOMMENDATIONS



REQUIRE

NMED-LICENSED FACILITY TESTING FOR DOSING AND

CONTAMINANTS And require food-grade testing for every product.

CONSPICUOUS THC LABELING

Making the products easily identifiable for parents, health, education & law enforcement personnel

FLEXIBLE REGULATION TO ALLOW REGULATORS TO TEST FOR NEW CONTAMINANTS AS SCIENCE EVOLVES

**FUND A ROBUST PUBLIC EDUCATION PROGRAM AIMED AT
CHILDREN/TEENS** (see CO)

PROHIBIT

PREVENT THE PROMOTION OF ANY HEALTH CLAIMS

(similar to FDA prohibitions on health statements for supplements)

**PROHIBIT THE USE OF MINORS, CARTOON CHARACTERS, ETC. IN
ADVERTISING.** No advertising on public TV/Radio or to mobile devices
or in publications owned or targeting minors.

We studied Colorado's example closely. Early admissions for hospitalization or examination were attributed to inconsistent dosing (two products labeled 10mg THC might vary by as much as 100%, causing consumers to over consume accidentally). Teachers, parents and law enforcement want easily identifiable labels (perhaps a bright red stripe across every product?) to help distinguish between THC-containing and regular products, particularly for candies and edibles.



GOVERNOR MICHELLE L. SUTAN, GOV-NM-AM-3
CANNABIS LEGALIZATION
2018 - 2020



**PUBLIC SAFETY
& LAW
ENFORCEMENT**

RECOMMENDATIONS

LAW ENFORCEMENT NEED ADDITIONAL TRAINING/RESOURCES TO IDENTIFY AND ADDRESS PERSONS WHO ABUSE LEGAL MARIJUANA.

- ✓ **Use new revenue to train every law enforcement officer in drugged driving roadside impairment detection (ARIDE).** Provide funds for each agency to develop their own strategies to address law enforcement concerns, even if they don't relate to marijuana.
- ✓ **Provide local agencies with Cannabis-funded discretionary funds** to deal with underfunded community law enforcement needs.
- ✓ **Fund a pilot program** to test and implement roadside implied consent oral fluid testing for the presence of drugs in suspected DWI cases.

PERSONAL PRODUCTION ("HOME GROW") HAS BEEN DIFFICULT TO SAFELY REGULATE IN OTHER STATES

- ✓ **Do not allow home grow for recreational (maintain for medical),** or if allowed phase it in or strictly license it, during early years.

We listened closely to presentations from the New Mexico Sheriff's Association, Association of Chiefs of Police and OSI.

They heard from their colleagues in other states that they should help craft provisions to beef up law enforcement provisions, and we agree.

We recommend requiring the State Law Enforcement Academy to train every officer on ARIDE as a part of bi-annual certification (this may take multiple cycles).

We recommend providing local discretionary funding (\$1000 per officer) to be used for local law enforcement needs. Some communities will use this for local training, others for overtime to deal with non-cannabis issues. We recognize that what is needed in Albuquerque is different than what is needed in Roswell, so we want to give local agency leaders the discretion to invest in what works best. And for small towns without law enforcement, they would be able to apply to DPS for grants to assist in community issues.

Finally, we hear concerns about DWI. Today, New Mexico peace officers are not trained on drug recognition or enforcement at the academy, even though drugged driving already happens every day in New Mexico. We want to give officers the tools to identify and arrest those who abuse legal cannabis and other substances while driving.

We recommend New Mexico fund a pilot project through NMSP or one of our larger agencies to study new roadside impairment testing technology currently being used in Michigan, Colorado, California and other legalized states.



GOVERNOR MICHELLE J. JOHNSON'S
CANNABIS LEGALIZATION
ADVISORY BOARD

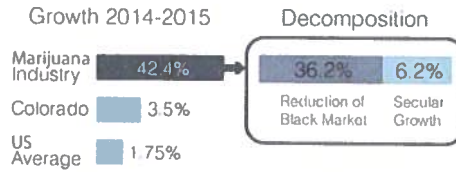


PUBLIC SAFETY
& LAW
ENFORCEMENT

RECOMMENDATIONS

“OPT-OUT” COMMUNITIES BECOME ILLICIT MARKETS

Prevent “black market” and “legal market” communities by prohibiting opt-out but **do** allow local communities to regulate the time, place and manner of sales through local zoning and permitting.



85% of Colorado's early year cannabis industry growth came from a reduction in illicit markets.

Colorado estimates that 90% of reported use comes from regulated sales.

If the legislature considers opt-out, consider a very limited opt-out term requiring strong public objection and participation

LIMIT OPT-OUT TO CITIZEN-INITIATED BALLOT PETITION/ELECTION W/IN 90-120 DAYS OF LEGALIZATION

We studied problems in other states and heard from our own law enforcement that illicit markets develop where retail access to otherwise legal substances is prohibited. At a conference of regulators from around the country, we heard similar concerns from law enforcement in other states.

We recommend that no community be allowed to opt-out of cannabis sales so that we do not accidentally create illicit markets by creating entire opt-out counties or communities. Instead, we recommend allowing local communities to use their zoning authority to place retail where it best fits city-by-city and also preserving their authority to regulate the time, manner and place of operation.

If the legislature does consider an “opt-out” provision, the legislature should consider a one-time “opt-out” window of 90-120 days after the bill becomes law (July 1, 2020) whereby residents could organize by ballot petition and election to opt-out by one-time special election.

<http://www.mipolicygroup.com/pubs/MPG%20Impact%20of%20Marijuana%20on%20Colorado-Final.pdf>

“Lax enforcement of farming” allows illicit growers to set up and produce for out of CO sales, Forbes

<https://www.forbes.com/sites/kevinmurphy/2019/04/04/cannabis-black-market-problem/#aa75e12134f3>

71% of California is a “legalization desert” creating a market for black market sales.

<https://www.forbes.com/sites/kevinmurphy/2019/04/04/cannabis-black-market-problem/#aa75e12134f3>

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GOVERNOR MICHELLE LUTAN SHENKARD'S
CANNABIS LEGALIZATION
ACT - E-BOOK



EMPLOYERS,
LOCAL CONTROL
& OTHER BIG
ISSUES

RECOMMENDATIONS

HOW DO LOCAL COMMUNITIES ASSERT THEIR RIGHT TO REGULATE BUSINESS IN THEIR COMMUNITIES?

- ✓ **License and regulate marijuana operations at the state level** (consistent with, but more robustly than, the current medical program).
- ✓ **Allow local counties and municipalities to determine the density, location, time and manner of operations for retail stores** through local zoning and permitting (consistent with the way we currently allow locals to regulate medical dispensaries). Counties/municipalities may not prohibit a business based solely on it involving marijuana.
- ✓ **Protect buffer distances** between marijuana operations and other uses (Child care, churches, schools, etc), and allow local communities to expand or decrease those limits through local zoning
- ✓ **Allocate a portion of new revenue to local communities.** Give communities the authority to allocate those new funds however they see fit, protecting local control.



GOVERNOR MICHELLE LUJAN GRISHAM'S
CANNABIS LEGALIZATION
ADVISORY GROUP



EMPLOYERS,
LOCAL CONTROL
& OTHER BIG
ISSUES

RECOMMENDATIONS

HOW DO EMPLOYERS NAVIGATE OFF-DUTY USE OF MARIJUANA, PARTICULARLY IN SAFETY SENSITIVE POSITIONS AND FOR FEDERAL CONTRACTORS?

- ✓ **Treat legal marijuana like alcohol for workplace issues.** NM Employers may already prohibit or restrict off-duty use and may test for impairment with reasonable suspicion or when involving workplace accidents.
 - By default, this includes safety-sensitive employers and employers who must comply with federal drug free workplace laws (national labs & some federal contractors)
 - Employers electing to prohibit alcohol or marijuana use off-duty must provide notice to employees in writing and during hiring.
 - **Law enforcement officers and other safety-sensitive positions** are not allowed to use marijuana. Similar prohibitions apply to federally-certified persons (DOT drivers, FAA workers, etc.)
- ✓ **Workers' Compensation Administration** would continue to apply rebuttable federal impairment standards when evaluating accidents involving marijuana or other legal but regulated substances

In New Mexico, employers can already enact morals clauses regulating off-duty conduct. Most employers do not, however, because it limits the pool of potential employees.

We recommend that cannabis legalization legislation not impose additional rules, thereby allowing each employer to determine their own policies.

Safety-sensitive positions (law enforcement, federally certified employees) and federal contractors who must follow federal Drug Free Workplace rules would be required to follow federal guidelines and would prohibit any cannabis use off-duty.



GOVERNOR MICHAEL LUTZ'S OFFICE
CANNABIS LEGALIZATION
ADVISORY BOARD



**SOCIAL EQUITY &
SHARED
ECONOMIC
DEVELOPMENT**

RECOMMENDATIONS

HOW DO WE USE NEW MARIJUANA REVENUE TO HELP REBUILD COMMUNITIES DISPROPORTIONATELY IMPACTED BY OLDER DRUG PROHIBITION POLICIES?

- ✓ **Dedicate new MJ revenue to a fund helping communities and small businesses access capital** needed to start and grow NM-based businesses
- ✓ **Dedicate new MJ revenue to funds** to support housing, job training and education programs statewide

HOW DO WE ENSURE THAT LOW-INCOME, DECLINING AND MINORITY COMMUNITIES STATEWIDE SHARE IN THE OPPORTUNITIES AVAILABLE FROM THIS NEW MULTI-MILLION DOLLAR INDUSTRY?

HOW DO WE ENSURE EQUITY IN THE NEW MARKETPLACE (RACIAL, ECONOMIC, GENDER, GEOGRAPHIC, ETC.)?

- ✓ **Allow persons with previous marijuana criminal records to participate as licensees and/or workers if they are otherwise eligible.** Automatically expunge marijuana possession convictions (when technically feasible)
- ✓ **Keep licensing fees low & allow for "micro business" licenses.** These allow small family farms and entrepreneurs to enter the market with lower capital costs.
- ✓ **Study the demographic and geographic diversity of existing marijuana industry workforce** and licensees now and in future years to monitor equity

Cannabis revenue does not have to be allocated exclusively to cannabis programs. We know that prohibition policies disproportionately impacted minority communities. That's why we recommend advancing expungement legislation passed in the last legislative session.

We also know that otherwise qualified cannabis licensees (current retail owners or food manufacturers) face a barrier to opening cannabis businesses if they do not have access to large sums of liquid cash (Cannabis businesses are still prohibited from participating in federally regulated lending).

So, we recommend using cannabis revenue to help local family-owned entrepreneurs and declining farms convert to cannabis.

We also recommend keeping license fees low to lower the barrier to entry.



GOVERNOR MICHELLE LUTSEN, R-MICHIGAN 11
CANNABIS LEGALIZATION
WORK GROUP



SOCIAL EQUITY &
SHARED
ECONOMIC
DEVELOPMENT

RECOMMENDATIONS

HOW DO WE INVITE AND INCLUDE TRIBES AND FIRST NATIONS IN THIS EMERGING INDUSTRY?

- ✓ **Allowing tribal entities to create cannabis businesses,** subject to the same rules and taxes as other industry licenses.
- ✓ **Allow for tribal-state reciprocity for cannabis products and sales**

Tribal communities should be able to participate. This will likely require authorization for the state to enter reciprocity agreements or compacts for equitable tax sharing.



DEPARTMENT OF HEALTH & HUMAN SERVICES
CANNABIS LEGALIZATION
AS OF 2019

KEY FINDINGS

✓ INVEST IN YOUTH EDUCATION EARLY. IT WORKS.

Colorado youth cannabis use dropped 4% once health-based education programs were implemented. By comparison, New Mexico's youth cannabis use increased by 2-4% annually over the same time.

✓ INVEST IN LAW ENFORCEMENT EARLY. IT WORKS.

Accidents involving THC-impaired driving decreased 7% in Colorado since legalization. Again, public education and law enforcement investments to identify and prosecute drug-impaired driving have benefits seen for all drugged driving, not just cannabis driving (which already happens in New Mexico).

✓ NEW MEXICO IS READY.

Our experience with medical cannabis shows that we can regulate this well (better than many other states). In fact, most communities with the most anxiety about legalization already have cannabis businesses and don't even know it.

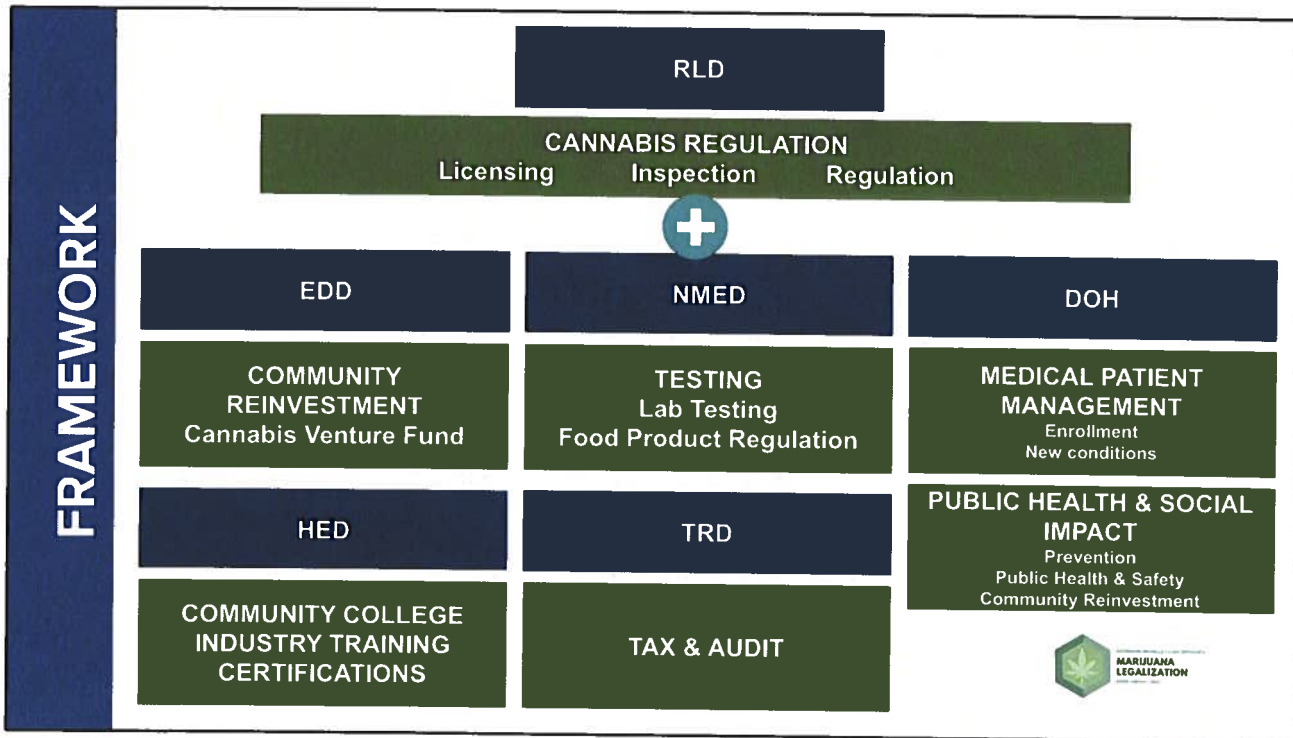
✓ CANNABIS IS A GAME-CHANGER FOR OUR ECONOMY.

The Cannabis industry is already as large as Chile, and growing 20% each year. And anyone who really wants to buy marijuana on the street can. Converting that illicit economy to a regulated and taxed one creates real jobs, real economic impact and decreases problems that come with illicit markets. Legalizing helps law enforcement focus on bad actors instead of enforcing the untaxed sale of decriminalized substances already legally growing the economy in 32 countries.



THE FRAMEWORK

LICENSING, FEES & FUNDS



We evaluated systems like Nevada's with an independent cannabis commission, but rejected it because each of the functions we need already exist in state departments and agencies.

We felt that the use of new advisory boards within these agencies helped to focus expertise where it could be most useful.

CANNABIS BUSINESS LICENSING

- 1 MANUFACTURER
- 2 RETAILER
- 3 CULTIVATOR
MICRO-CULTIVATOR
- 4 COURIER
- 5 TESTING LAB
- + INTEGRATED MICROBUSINESS

LICENSE FEES

\$500/ mo.
\$6000 annually

Allocations
REGULATION



PER PLANT FEE

\$100 / plant.

Equal to current per plant average
paid by producers.

Allocations
DOH & PUBLIC HEALTH
LAW ENFORCEMENT
COMMUNITY REINVESTMENT
REGULATION

← "Farm store" model: Seed-to-sale microbusiness to create boutique products.

5 license types mirror those already in place in the medical program
Licenses can be obtained independently, or vertically integrated (1-4 types, or limit 2)
Fees are purposefully low to allow for new small and low-income entrepreneurs to enter the market

KEY PRINCIPLES:

1. Fees must cover 100% of the cost of regulation - not dependent on general fund.
2. Fund robust compliance and inspection, not just licensing.
3. Keep licensing low enough to allow entry for small and family business.

NEW REVENUE USES



REGULATION COSTS

100% FUNDED BY LICENSING

CANNABIS REGULATION FUND

\$6.8M

\$870K: NEW LICENSE FEES (est)

\$6M: PORTION OF PER-PLANT FEE

-\$700K: REVERTED TO GENERAL FUND

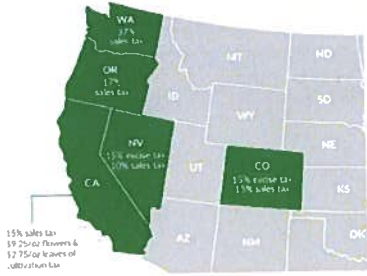


- We heard from both DOH and producers (LNPP) that new adult-use licensing should include robust field inspection and compliance, not just licensing. Law enforcement also wants on-call regulators who can work through issues in the field - something our DOH model does not current have in a robust manner.

TAX RATE

17%
Average Statewide

5%	STATE CANNABIS EXCISE TAX
5.125%	STATE GRT
5%	LOCAL EXCISE TAX
2% Avg.	LOCAL GRT



Colorado, Washington, and Oregon have all taken steps to reduce their marijuana tax rates, with Alaska considering it, after initial rates of 30 percent or more did not reduce the black market sufficiently. More recent ballot initiative proposals across the country propose rates between 10 and 25 percent.
-Tax Foundation Report, 2016

A tax rate below 20% provides enough revenue to regulate the industry, invest in social programs.
And customers are willing to pay a 20% premium for safe, tested cannabis if they know they won't be arrested and that their taxes are investing in programs that benefit the community.

COMMUNITY REINVESTMENT FUNDED BY EXCISE TAX & PER-PLANT ASSESSMENT			
NEW REVENUE USES	\$12.6M	40%	DOH 5%: \$1.5M : MED. PROGRAM MANAGEMENT • Patient Registry & Administration 25%: \$7.7M : DOH PUBLIC HEALTH & SAFETY • Advisory Board: Prevention, Education, Housing, Job Training 10%: \$3.1M : LOW-INCOME PATIENT SUBSIDY FUND
	\$5.1M	15%	DPS 15%: \$5.1M : LAW-ENFORCEMENT LOCAL PROGRAMS
	\$3.1M	10%	EDD OR NMFA 10% : \$3.1M : CANNABIS INDUSTRY VENTURE FUND
	\$10.7M	35%	REVERT TO GENERAL FUND

We recommend allocating new cannabis revenue between three major goals: health and safety, law enforcement, and economic development.

The \$10.7M estimated GF reversion could be added to other community reinvestment programs at the legislature's discretion - for example, increasing funds for prevention and farm programs to help farmers convert or diversify.
OR the funds could be used for GF programs.

Notably, as the cannabis program grows, these numbers will grow and generate a significant portion of the gov's free college education program, for example.

NEW REVENUE USES

LOCAL REVENUE			
	YEAR 1	YEARS 5+	
5% LOCAL EXCISE TAX	\$15.9M	\$31.5M	LOCAL GOVERNMENT DETERMINED *NEW* RECURRING REVENUE Education, Law Enforcement, Health, Staff
2% LOCAL GRT (avg.)	\$6.6M	\$12.4M	

Legalized cannabis could create \$22 - 43,000,000 in new recurring revenues for local government needs, without requiring them to raise local taxes.



Local communities should share in the new revenue. Again, we recognize that needs in large cities are different than those in smaller and rural communities. That's why we recommend implementing a local excise tax to help communities use new cannabis revenue for local priorities.

NEW REVENUE USES

YEAR 1 ESTIMATED LOCAL REVENUES			
Albuquerque	LAW ENFORCEMENT	LOCAL EXCISE TAX	LOCAL GRT
	\$1,053,000	\$4,200,000	\$1,509,000
Doña Ana Co.	LAW ENFORCEMENT	LOCAL EXCISE TAX	LOCAL GRT
	\$155,000	\$840,000	\$110,000
Portales	LAW ENFORCEMENT	LOCAL EXCISE TAX	LOCAL GRT
	\$17,000	\$91,900	\$68,900
+LOCAL SHARE OF STATE DWI, PREVENTION, PUBLIC HEALTH GRANT PROGRAMS			

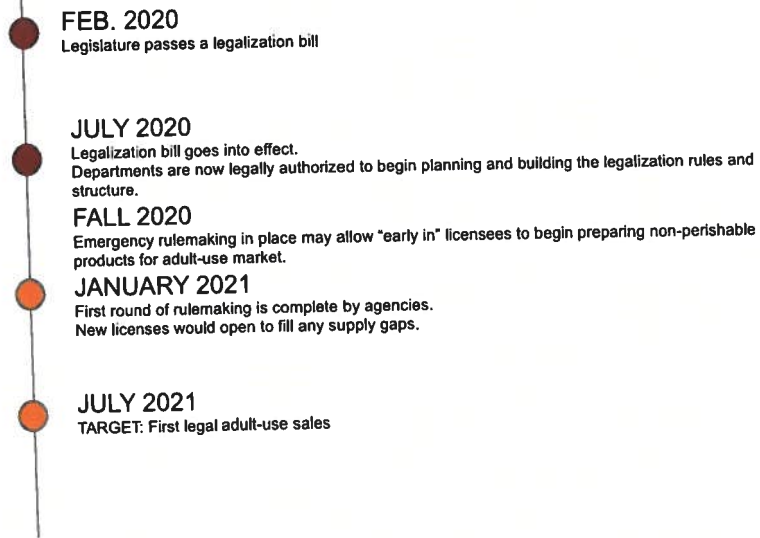
Local revenues vary depending on whether retail operates in a community, and whether other factors such as tourism add more to local sales. But, a good rule-of-thumb: \$10.50 in new local revenue per resident (statewide avg of new revenue/person).



PROPOSED TIMELINE

The most ambitious
timeline would allow
sales one year after the
bill becomes law.

That assumes departments
use Feb - July 2020 to begin
preparations.



Alternatively, the legislation could not have a "sell by" date. Instead, it could have a provision authorizing sales XX days after the governor certifies that regulation is in place, or have a "sell by" date that can be extended by the governor if certain programs or rules are not in place.



CANNABIS LEGALIZATION

**ADDITIONAL
STAND-ALONE
LEGISLATION
WE NEED**

This new legislation is needed to address existing issues in the marijuana space. They will also support legalization.

Establish Roadside Drugged-Impairment Test Pilot Program (NMSP or APD)

New roadside oral fluid swab tests for MJ and other drugs are now available. The Pilot Project would test them and build new case law.

Beef up provisions of SB406 to require out-of-state CBD products to undergo the same testing as in-state products.

Currently, out-of-state products are imported and sold without testing.

Prohibit the consumption of marijuana in automobiles

Similar to "open container" laws, passengers should not be able to consume cannabis in a vehicle.



Limit licenses to just two types per license holder.

Requiring a licensee to be only producer/retailer would require them to work with a manufacturer and courier. Similarly, a producer/manufacturer would need to partner with a retailer to sell products.

This increases diversity in the marketplace and ensures that out-of-state mega companies do not monopolize the industry, locking out locally-held companies.

Fund an annual Cannabis summit for state regulators, agencies and professionals to focus on annual program improvement.

Create a “Cannabis czar” to coordinate activities across departments and assist local governments in integrating these programs.

**“If you find a bill sheriffs, the
ACLU, and defense attorneys can
all live with, you should pass it.”**

Sheriff Glen Hamilton, Sierra County

Legislative liaison, NM Sheriff's Association, Sept. 25, 2019 presentation to Legalization Work Group



GOVERNOR MICHELLE LUJAN GRISHAM'S

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