



January 27, 2022

Dear Gov. Lamont and Commissioner Seagull:

We'd like to thank you and your staff for your commitment to ending cannabis prohibition. As Connecticut begins accepting license applications for its adult-use market, we are writing to share some concerns that MPP has identified in the licensing process that could significantly hamper Connecticut's goal of an equitable cannabis market.

As you know, on December 10, the Department of Consumer Protection (DCP) issued guidance on its website in response to the question, "Are there limits to the number of Equity Joint Ventures¹ a producer or dispensary facility can partner with?" DCP's guidance stated, "There are no limits to the number of Equity Joint Ventures that a producer or dispensary can create."

In contrast, DCP announced that only 56 licenses for nine different license types would be available through the equity and open license lotteries. MPP is especially disheartened to see the paltry number of licenses being made available for the equity lottery – six retail licenses, two micro-cultivator licenses, zero full-sized cultivator licenses, and five delivery licenses.

Low license numbers often allow the cannabis market to be controlled by the interests of the wealthy and politically connected, which is contrary to the equity-minded spirit with which Connecticut's legalization law was drafted. Low license numbers also could create a situation where Connecticut's recreational and medical cannabis markets are unable to provide adequate supply to meet the level of demand that exists, thus inflating prices and allowing nearby states — once their legal markets are up and running — to siphon off business from Connecticut operators.

In Washington, retail stores are capped at 556,² which amounts to 7.3 stores per 100,000 residents. Adjusted to Connecticut's population, the cap would be 260. Washington has not imposed a numerical cap on manufacturers or cultivators, though it does cap total cultivation area. It has 1,079 licensed cultivators and 1,148 licensed product manufacturers (including 915 licensees with both licenses).³ Adjusted for Connecticut's population, the cap would be 505 cultivators and 538 manufacturers, all of which could have dual licenses.

¹ An Equity Joint Venture ("EJV") is a business entity, partnered with a licensed medical cannabis producer or medical cannabis dispensary facility, that is at least 50% owned and controlled by an equity applicant.

² <https://www.seattlebusinessmag.com/policy-regulations/tight-regulations-high-taxes-may-keep-washington-states-14b-cannabis-industry>

³ Washington State Liquor and Cannabis Control Board, "Annual Report Fiscal Year 2021," p. 15. <https://lcb.wa.gov/sites/default/files/publications/2021-annual-report-draft5.pdf>

Colorado does not have numerical caps on any licenses at the statewide level, though some cities do limit licenses, and some cities and counties ban businesses entirely. Statewide, as of October 1, 2021, Colorado had 711 licensed adult-use cultivators, 216 manufacturers, and 433 stores. Adjusted to Connecticut's population, this would amount to 444 cultivators, 135 manufacturers, and 270 stores.

According to a November 2020 report commissioned by the state of Maryland, Alaska had 30.8 cultivation licenses per 100,000 residents, along with 6.3 manufacturing licenses and 18.3 retail licenses. That per capita amount would translate to 1,096 cultivators, 224 product manufacturers, and 651 stores in Connecticut.⁴

Together, the December 10 guidance, and the very small number of licenses initially available through lottery, secures the existing medical operators — none of which are minority-owned — dominance in Connecticut's market.

This unjust reality is particularly concerning for cultivator license types. Cultivators are the life blood of any cannabis market. They are the product suppliers for all other licensees — retailers, product manufacturers, food and beverage manufacturers, and delivery services. Allowing Connecticut's four existing producers, some of which are vertically integrated, to create an unlimited number of cultivator and retail licenses, while licensing only a meager number of minority-owned and small businesses, will negatively skew the marketplace for equity and small business applicants for years to come. This is compounded by the fact that the existing producers and associated equity joint ventures (EJVs), along with cultivation applicants that have the resources to pay a \$3 million fee, have no cap on the size of their grows, in contrast to the small micro-cultivators.

For these reasons, we are strongly urging you to adopt the following recommendations. First, reconsider your guidance on EJVs. Instead of allowing the current medical licensees to create an unlimited number of cultivator and retail establishments, a cap at two for each existing medical operator should be imposed in this initial round. This would allow for an additional number of licenses to be made available through the lottery for equity and small business applicants, creating some parity between the EJV and lottery application process.

Second, substantially increase the number of licenses available through lottery in the near future, including for full-scale cultivators, retailers, and micro-cultivators, even if the application period will open in a slightly later scheduled licensing round. This would ensure a diverse, stratified market that benefits consumers and the economics of Connecticut by allowing access to a robust offering of products. While some may argue this approach might oversaturate the market in Connecticut, restrictive licensing has proven only to benefit the illicit market. By

⁴ "Comprehensive Market Analysis of Medical and Adult-Use Cannabis in Maryland," *Mathematica*, November 13, 2020, p. 31.

stifling the legal cannabis industry with low license numbers, illegal operators continue to profit.

We hope you take swift action on these recommendations. We are happy to speak with you or your staff should you have any follow-up questions. Our organizations stand ready and available to help Connecticut craft sensible, humane cannabis policy.

Sincerely,

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