



**Government of the Virgin Islands of the United States of America
Department of Licensing and Consumer Affairs
Office of Cannabis Regulations**

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*Testimony before the 35th Legislature of the Virgin Islands'
Committee on Economic Development & Agriculture*

Javan E. James, Sr., Committee Chair

September 13, 2023

Good morning Committee Chair Javan E. James, Sr., other Committee Members, Senators of the 35th Legislature of the Virgin Islands, and the people of the Virgin Islands of the United States. My name is Hannah Carty. I am the Executive Director of the Office of Cannabis Regulations or the “OCR.”

We were invited here today to discuss the implementation of Act 8680, a status update on the necessary personnel to carry out the duties of the Office of Cannabis Regulations, the path moving forward for the implementation of the medicinal and adult Cannabis industry, and a discussion on the licensing procedures for the Cannabis Industry which we previously discussed on March 8, 2023, of this year.

Thank you all and the members of the 35th Legislature for your continued interest in promoting the Cannabis industry here in the Virgin Islands.

Implementation of Act 8680 & the Path Moving Forward

We continue to run a lean operation in anticipation of reserving funding for the program’s rollout. We received the allocation of Act 8680’s funding on September 7, 2023, and have begun processing how we will be utilizing the funds. We will first create a Request for Proposal for the Track and Trace (or Seed to Sale) system, which will be closely followed by a Request for Proposal for consultants to score the Merit-Based Application process. Simultaneously, we have submitted our Personnel Requisition Forms for our initial enforcement personnel.

We have been working with the Office of the Governor to put together Training Programs for the general community, including a two-part training program that engages potential industry participants. Legacy Operators have historically been the primary participants in the Cannabis industry prior to its legalization. Our current legislation encourages those in the Legal market to enter the Legacy market to purchase its start-up material; however, this group, historically marginalized, needs to be given more opportunities to join the legal market. Legacy operators retain unique and inherently valuable skills, especially in cultivation, customer service, creative thinking, and optimizing small spaces.

- i. Other states have set aside specialized funding, training, and resources to encourage the legacy market to enter the legal market. Such things typically include amnesty on outstanding taxes, prioritizing or reserving licenses for operators, specialized business and cannabis industry “jargon” education, and incorporating the formerly incarcerated.
- ii. We also have not done enough to discourage individuals from continuing in the illicit industry. One suggested strategy would include a specific enforcement plan that guides all agencies on outlined actions that they may take regarding cannabis enforcement, particularly concerning legacy activity and cannabinoid hemp.

Now that we have received our funding, we will collaborate with other agencies to increase consumer education and engagement. We previously collaborated with the VIPD on two radio advertisements, and we plan to continue this progress by working with the Department of Health to engage specific target populations, including Medicinal Patients, Sacramental Users, and Legacy Operators, with the following: Surveys, Town Hall Meetings, and Advertising through radio, television, and social media.

We are ready to implement the Rules and Regulations for Medicinal Cannabis Use only! Unfortunately, due to issues in the language of Act 8680, we cannot yet set up retail programs for Adult Users or Sacramental Users. There are a number of other significant challenges in the law that need to be addressed, which I discussed on March 8 of this year. I have again attached my requests for Amendments to this Testimony under Appendix A. Key Amendments that this Body needs to consider:

- **Restricted Access Area:** Says only Owners, Consultants, and Medicinal Patients are allowed; however, Adult-Use individuals, Sacramental Users, properly registered visitors, and law enforcement (OCR) will also need access.
- **Medical Recommendations:** For Cannabis use under age 21, patients should receive two recommendations, with at least one coming from a pediatrician or another general practice doctor.
- **Board Member Confirmation & Quorum:** Need to add language specifying that Board Members who are seated by the confirmation process “ex-officio” would not be required to go back to the Senate for a second confirmation. It makes the Board more likely to lose their quorum in the interim.

These Amendment requests are quintessential to the access, health, safety, and running of the program. Many of our recommendations fall into this category. Here are some of the other challenges that the OCR is currently facing:

1. Hemp Enforcement: These states regulate all hemp-derived cannabinoids under the same regulatory agency as marijuana-derived cannabinoids (e.g., NY, RI, MI, MD, IA, WA, UT). Policy differs, but states are increasingly bringing intoxicating hemp products under the purview of the Cannabis regulator, where the same cannabinoids – but derived from marijuana – are being regulated.
 - i. Concerning cannabinoid hemp products, several states (e.g., CA, IN, LA, TX, HI) have banned or attempted to ban smokeable hemp to avoid renormalizing smoking following the Master Settlement against the tobacco industry.
 - ii. States are in the process of adopting a range of standards for cannabinoid hemp products, with several states adopting manufacturing requirements (e.g., MI, NV, HI), minimum age of sale (e.g., NY, OR, FL, MD), required packaging and labeling standards (e.g., NY, CO, FL, CT, MD, HI), and required testing standards (e.g., CA, NY, OR, MD, HI). However, state regulations are primarily determined by state legislatures. Cannabinoid hemp is a complex topic, and this is one of many issues that state lawmakers are dealing with. Accordingly, educational gaps can impact the type of policies state legislatures enact.
 - iii. The Virgin Islands could and should be doing more to protect the public from unregulated cannabinoid hemp products through legislation.
2. Staffing Shortages at Involved Agencies
3. More robust engagement, attention, and response from supporting agencies.
4. Programmatic Challenges
 - i. Virgin Islands Driver's Licenses are not scannable, which makes it difficult to verify the identification and age of patrons as they enter businesses.
 - ii. National Verification System Access

Since our Testimony on March 8, we have:

- Annotated and studied the Cannabis Use Act of 2023;
- Hosted an OCR Lunch & Learn meeting on the Rules and Regulations;
- Released a DRAFT of the Rules and Regulations on September 9, 2023;
- Coordinated with other agencies;
- Developed job organizational charts and job descriptions for the creation of new roles;
- Selected a person for an Office Assistant, but subsequently, we had to repost the position;
- Reviewed and updated budgets;
- Developed tools for regulators looking to understand the CUA of 2023;
- Coordinated and collaborated with regulators across the US through the Cannabis Regulators Association (CANNRA);
- Attended and represented the Virgin Islands at the Cannabis Regulators Association Conference in June;
- Finalized the contract for the Cannabis Registry System with Tyler Technologies, which will host the registration and card processing for Sacramental Users, Medicinal Patients, Agent Identification Cards, Practitioners, and Sacramental Organizations, and
- Reviewed the timelines for the start of the program based on staffing levels, status of Requests for Proposals, and readiness of programs.

At this time, I would like to take this moment to remind the public that legal Cannabis cannot begin until the Rules and Regulations are completed and the Cannabis programs and dispensaries are open. As a reminder, under the CUA of 2023, consuming Cannabis in public remains an offense. The Cannabis Advisory Board released a draft of the Rules and Regulations on September 8, 2023, to receive community feedback for what they hope to have included in the Final Rules and Regulations. A comment period is now open and shall remain open through October 10, 2023, at 5:00 PM. The draft is available on the OCR Website under “Governance, Rules & Regulations” and is subject to addition, amendment, and revision as it has not been reviewed for legal sufficiency.

Recently, the federal Department of Health and Human Services recommended that cannabis should be rescheduled from Schedule I (substances that lack accepted medical use and have the potential for high abuse) to Schedule III (substances deemed to have moderate to low potential for dependence). This recommendation would allow cannabis to keep company with other substances such as ketamine, anabolic steroids, and Tylenol with codeine, among other things. This recommendation would additionally enable cannabis businesses to fully participate in the business community, including receiving tax breaks and utilizing banks. This rescheduling has not happened yet. It is up to the Drug Enforcement Administration to make the ultimate decision on this issue.

Until this happens, Cannabis is still a highly regulated substance and is illegal at federal facilities in the Virgin Islands. For community members, please know that ports, airports, cargo facilities, post offices, and national parks are examples of properties under federal jurisdiction. If federal agents see an illegal act, they are empowered to act upon it.

Licensing Procedures

Outside of the language created by Act 8680 under subsections 786 through 799, licensing procedures will be established under the Rules and Regulations. The OCR will provide more details on the final licensing procedures through its newsletter once the Rules and Regulations are finalized. Interested parties can register for the newsletter online at ocr.vi.gov.

We anticipate the license application will be a fully digital system, allowing us the best flexibility in receiving and processing applications. The approach will also be announced via the newsletter.

Necessary Personnel

Attached to this testimony is a preliminary Organizational Chart containing the positions we anticipate for the initial rollout of the Cannabis regulatory program (Appendix B). I have prepared a preliminary budget (Appendix C) based on comparing salaries for similar positions nationally and locally. The OCR will likely require a more considerable investment than the money allocated in the Act based on these introductory numbers over the program's first two years. We are looking

at hiring, at minimum, sixteen (16) full-time employees, of which eleven (11) are for compliance and enforcement-related activity over the next two years. This structure is critical for our adult-use market. In speaking with other regulators, we must have the persons onboard our team to bring the illicit market into the legal market, particularly in the beginning.

As a preliminary draft of the personnel, this may mold and change as our understanding of our local industry changes. We aim to convert the legacy market and encourage all community members to join the legal industry! As such, enforcement activity will be critical, as well as persons to process license applications, coordinate training, ensure compliance, and operate our office locations, phones, etc. A significant component of our program is contingent on our request that our office maintains responsibility for exclusively regulating the legal market and that the VIPD and other relevant enforcement officers remain responsible for regulating the illicit market. This differentiation will dramatically influence the total amount of personnel necessary to continue this program.

Conclusion

Thank you for the opportunity to testify today about the Cannabis Industry and our plans and intentions for the Office of Cannabis Regulations here in the Virgin Islands. In 1972, a conservative columnist and editor advocated, "Even if one takes every reefer madness allegation of the prohibitionists at face value, marijuana prohibition has done far more harm to far more people than marijuana ever could." It is time for us to end the prohibition on cannabis here in the Virgin Islands. We appreciate your attention and are ready to receive any questions you may have. I am prepared to implement the program and make this a reality for all Virgin Islanders. If any other persons have any questions, I am also available via email at info.ocr@ocr.vi.gov or phone at (340) 714-9755.

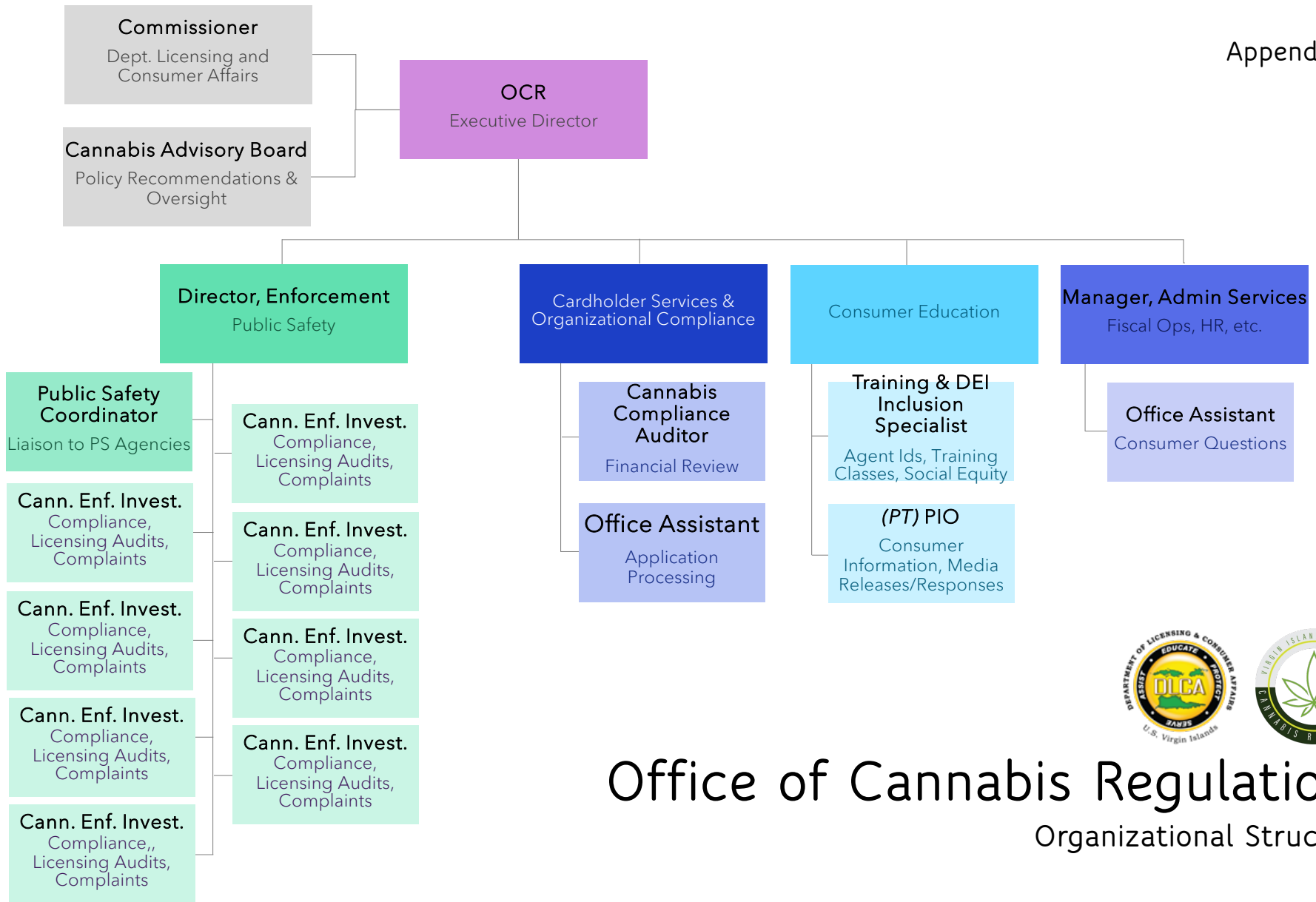
APPENDIX A

Legislative Recommendations

- **Practitioner:** Should include podiatrists.
- **Smoking:** Should include vaporization, sublimation, or general inhalation of gas; it can have other implications in the law since these different methods are not included.
- **Board Indemnification, Protected Action, & Communication:** According to current law, the Board does not explicitly have the protections other Boards have, such as the Board of Medical Examiners (outlined in 27 VIC 1 § 13). Such items should include immunity and indemnity.
- **Testing Facility:** It may be a fiscal reality that we cannot sustain three labs on each island, particularly on St. John. In many other jurisdictions, such as Hawaii, the lab is on one island, and samples are flown to it for testing. In our opinion, we would benefit from having one testing facility for licensees, with the OCR operating a second facility (a state-managed reference lab) for spot-checking and as a backup.
- **Qualified Patient's Bill of Rights:** (section b) should be parent... under 21 years of age, not 18. Since 18-20, YO's still require someone to do the listing
- **Distance requirements for Licensees Inconsistent:** Standard language indicates not less than 500 or 1000 feet, depending on type. Subsection 792, etc., says 250 feet.; Adult-Use Lounges say 500 ft.
- **Restricted Access Area:** Says only Owners, Consultants, and Patients are allowed; however, Adult-Use individuals, Sacramental Users, properly registered visitors, and law enforcement (OCR) will also need access. [SS 794d]
- **R&D Facilities:** Research & Development producers should not be able to introduce Cannabis products to the industry for sale to a consumer. If the intent is for nurseries, a nursery license should be created under the Act. An R&D facility should not be allowed to buy or sell if it is also operating a testing facility.
- **Suspension, Revocation, and Fines:** clarification needed on what subsection e means;
 - No cash payments at all to OCR? Just fines? (Would be worth doing no cash)
 - Specificity may be needed on how these monies will get into the Cannabis fund.

- **Medical Recommendations:** For Cannabis use under the age of 21, patients should receive two recommendations, one from a pediatrician or another general practice doctor.
- **Fees:** Revenue from the application fees should be directly given to OCR.
- **Enforcement:** OCR should be responsible for regulating the legal market, and the VIPD and other relevant entities should regulate the illicit market (remove criminals from the Act).
- **Taxes:** Should be specific on what is for the OCR and what remains with the general government for other uses; the OCR should be funded first to ensure operational needs are met.
- **Taxes:** Subsection 802 d5 should be e; e becomes f
- **Background Check:** Need to add language specifying the Background Check must come from the Federal Database and that the person(s)/agencies that have the authority to access the information must be by law and not by rule.
- **Board Member Confirmation & Quorum:** Need to add language specifying that Board Members seated by the confirmation process “ex-officio” would not be required to return to the Senate for a second confirmation. It makes the Board more likely to lose their quorum in the interim.

APPENDIX A



Office of Cannabis Regulations

Organizational Structure

2-Year Budget Projection

Appendix C

THIS IS A DRAFT FILE AND FOR DISCUSSION PURPOSES ONLY.

This document has been designed to provide an estimation of the amount of funds OCR will generate and require for the successful implementation of the Cannabis program in the Virgin Islands of the United States. It includes several assumptions, based on data collected from across the US on how cannabis is used. Where possible, the references are included. As this would be the first year of the program, there is no historical data that can be used to generate future reference points. Finally, it does not include all possible operating expenses that may be required for the use of the Office of Cannabis Regulations.

NOTE: THIS FILE IS ALMOST FULLY AUTOMATED. ONE CHANGE IN A SECTION OF THE DOCUMENT, MAY IMPACT SEVERAL AT A TIME. PLEASE USE CAUTION WHEN MAKING EDITS.

All data contained within this file is confidential and is subject to change.



2-Year Budget Projection

Budget Area	Summary	Adjustment for Program Start	Lag Time Differential
Year 1 Personnel	\$ 760,924.55	\$ 760,924.55	0.00
Year 2 Personnel	\$ 1,700,065.15	\$ 1,700,065.15	0.00
Annual Expenditures (2-Years)	\$ 3,002,400.00	\$ 3,002,400.00	0.00
One Time Expenditures	\$ 969,200.00	\$ 969,200.00	0.00
Average Annual Expenditures	\$ 3,216,294.85	\$ 3,216,294.85	
Total Additional Expenditures over Two Years	\$ 6,432,589.70	\$ 6,432,589.70	

Estimated Program Start Date	10/1/23
End of Year	9/30/24
% of Time Operational (Lag Time)	100%

		<u>Tourism Advertising Revolving Fund (\$1,000,000.00) until</u>	<u>Projected Shortfall</u>
Year 1	\$ 2,256,300.00	\$ (1,000,000.00)	\$ 1,256,300.00
Year 2	\$ 3,914,865.15	\$ -	\$ 3,914,865.15

Virgin Islands Office of Cannabis Regulations

Year 1

Personnel

Position Name	Hourly Base Wage	Annual Hours	Salary
Executive Director	\$ 48.08	2,080.00	\$ 100,000.00
Training & DEI Inclusion Specialist	\$ 27.40	2,080.00	\$ 57,000.00
Office Assistant	\$ 24.04	2,080.00	\$ 50,000.00
Cannabis Investigator (STT)	\$ 32.21	2,080.00	\$ 67,000.00
Cannabis Investigator (STT)	\$ 32.21	2,080.00	\$ 67,000.00
Cannabis Investigator (STX)	\$ 32.21	2,080.00	\$ 67,000.00
Cannabis Investigator (STX)	\$ 32.21	2,080.00	\$ 67,000.00
Public Information Officer	\$ 23.56	1,040.00	\$ 24,500.00
Total Personnel	\$ 251.92	15,600.00	\$ 499,500.00

7	Number of Full-Time Employees
1	Number of Part-Time Employees

Fringe Benefits

TYPE	COST	TOTAL
GERS	26.5%	\$ 132,367.50
Health Insurance	\$ 8,539.44	\$ 59,776.08
Insurance Supplemental	\$ 517.92	\$ 3,625.44
Workers Compensation	\$ 3,920.54	\$ 27,443.78
FICA	6.2%	\$ 30,969.00
Medicare	1.45%	\$ 7,242.75
Total Personnel		\$ 261,424.55

SALARY TOTAL (WAGE & FRINGE)	\$ 760,924.55
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TOTAL EMPLOYEES	8.00
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Virgin Islands Office of Cannabis Regulations

Year 2

Personnel

Position Name	Hourly Base Wage	Annual Hours	Salary
Executive Director	\$ 48.08	2,080.00	\$ 100,000.00
Manager, Admin Services	\$ 40.87	2,080.00	\$ 85,000.00
Director, Enforcement	\$ 38.46	2,080.00	\$ 80,000.00
Cannabis Compliance Auditor	\$ 33.65	2,080.00	\$ 70,000.00
Public Safety Coordinator	\$ 28.85	2,080.00	\$ 60,000.00
Training & DEI Inclusion Specialist	\$ 27.40	2,080.00	\$ 57,000.00
Office Assistant	\$ 24.04	2,080.00	\$ 50,000.00
Office Assistant	\$ 24.04	2,080.00	\$ 50,000.00
Cannabis Investigator (STJ)	\$ 32.21	2,080.00	\$ 67,000.00
Cannabis Investigator (STJ)	\$ 32.21	2,080.00	\$ 67,000.00
Cannabis Investigator (STT)	\$ 32.21	2,080.00	\$ 67,000.00
Cannabis Investigator (STT)	\$ 32.21	2,080.00	\$ 67,000.00
Cannabis Investigator (STT)	\$ 32.21	2,080.00	\$ 67,000.00
Cannabis Investigator (STX)	\$ 32.21	2,080.00	\$ 67,000.00
Cannabis Investigator (STX)	\$ 32.21	2,080.00	\$ 67,000.00
Cannabis Investigator (STX)	\$ 32.21	2,080.00	\$ 67,000.00
Public Information Officer PT	\$ 23.56	1,040.00	\$ 24,500.00
Total Personnel	\$ 546.63	34,320.00	\$ 1,112,500.00

16
1

Number of Full-Time Employees
 Number of Part-Time Employees

Position Name	Hourly Base Wage	Annual Hours	Salary
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Fringe Benefits

TYPE	COST	TOTAL
GERS	26.5%	\$ 294,812.50
Health Insurance	\$ 8,539.44	\$ 136,631.04
Insurance Supplemental	\$ 517.92	\$ 8,286.72
Workers Compensation	\$ 3,920.54	\$ 62,728.64
FICA	6.2%	\$ 68,975.00
Medicare	1.45%	\$ 16,131.25
Total Personnel		\$ 587,565.15

SALARY TOTAL (WAGE & FRINGE)	\$ 1,700,065.15
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TOTAL EMPLOYEES	17.00
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2-Year Budget Projection

YEAR 1

Operating Expenses	Budget	Multiplier	Total
Seed to Sale System	\$ 125,000.00	1.00	\$ 125,000.00
Medicinal Registry	\$ 250,000.00	1.00	\$ 250,000.00
Application Processing & Review	\$ 25,000.00	25.00	\$ 625,000.00
Personnel Training/Education	\$ 1,500.00	7.00	\$ 10,500.00
Gas Usage (per vehicle)	\$ 4,550.00	5.00	\$ 22,750.00
Interisland Travel	\$ 850.00	12.00	\$ 10,200.00
National Travel	\$ 2,000.00	6.00	\$ 12,000.00
Office Supplies	\$ 10,000.00	1.00	\$ 10,000.00
Consultants	\$ 25,000.00	3.00	\$ 75,000.00
Maintenance and Repairs	\$ 10,000.00	1.00	\$ 10,000.00
Postage	\$ 200.00	1.00	\$ 200.00
Advertising	\$ 25,000.00	1.00	\$ 25,000.00
Legal and auditing	\$ 50,000.00	1.00	\$ 50,000.00
Cell Phones	\$ 50.00	7.00	\$ 350.00
Rent or mortgage		12.00	\$ -
Catering	\$ 15,000.00	1.00	\$ 15,000.00
Residual (Unanticipated Expenses)	\$ 20,000.00	1.00	\$ 20,000.00
Total Operating Expenses	\$ 564,150.00	86.00	\$ 1,261,000.00

YEAR 2

Operating Expenses	Budget	Multiplier	Total
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Operating Expenses	Budget	Multiplier	Total
Seed to Sale System	\$ 125,000.00	1.00	\$ 125,000.00
Medicinal Registry	\$ 250,000.00	1.00	\$ 250,000.00
Application Processing, Review, & On-going Audit	\$ 25,000.00	40.00	\$ 1,000,000.00
Personnel Training/Education	\$ 1,500.00	16.00	\$ 24,000.00
Gas Usage (per vehicle)	\$ 4,550.00	10.00	\$ 45,500.00
Interisland Travel	\$ 850.00	48.00	\$ 40,800.00
National Travel	\$ 2,000.00	16.00	\$ 32,000.00
Office Supplies	\$ 8,000.00	1.00	\$ 8,000.00
Consultants	\$ 25,000.00	3.00	\$ 75,000.00
Maintenance and Repairs	\$ 10,000.00	1.00	\$ 10,000.00
Postage	\$ 250.00	1.00	\$ 250.00
Advertising	\$ 30,000.00	1.00	\$ 30,000.00
Legal and auditing	\$ 50,000.00	1.00	\$ 50,000.00
Cell Phones	\$ 50.00	17.00	\$ 850.00
Rent or mortgage		12.00	\$ -
Catering	\$ 10,000.00	1.00	\$ 10,000.00
Residual (Unanticipated Expenses)	\$ 40,000.00	1.00	\$ 40,000.00
Total Operating Expenses	\$ 582,200.00	171.00	\$ 1,741,400.00

TOTAL OPERATING EXPENSES (2-YEAR)	\$ 3,002,400.00
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One Time Expenditures

YEAR 1

Operating Expenses	Budget	Multiplier	Total
Vehicles	\$ 45,000.00	5.00	\$ 225,000.00
Furniture	\$ 750.00	8.00	\$ 6,000.00
Computers	\$ 1,850.00	8.00	\$ 14,800.00
Application Framework Development	\$ 250,000.00	1.00	\$ 250,000.00
Total Operating Expenses	\$ 297,600.00	22.00	\$ 495,800.00

YEAR 2

Operating Expenses	Budget	Multiplier	Total
Vehicles	\$ 50,000.00	5.00	\$ 250,000.00
Furniture	\$ 750.00	9.00	\$ 6,750.00
Computers	\$ 1,850.00	9.00	\$ 16,650.00
Audit Framework Development	\$ 200,000.00	1.00	\$ 200,000.00
Total Operating Expenses	\$ 252,600.00	24.00	\$ 473,400.00

TOTAL OPERATING EXPENSES (2-YEAR)	\$ 969,200.00
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