Making Cannabis Legal in NYS

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HON. JOHN F. MARREN
President

STEPHEN J. ACQUARIO
Executive Director

Counties Working For You

540 Broadway, 5th Floor
Albany, NY 12207

www.nysac.org

518-465-1473
Introduction

During the 2020 Legislative Session, New York State lawmakers will again discuss whether to legalize the most widely used illegal drug in the United States, marijuana, and how to do so responsibly. According to the 2015 National Survey on Drug Use and Health, 44 percent of the population over age 12 (nearly 118 million people) have tried marijuana in their lifetime. Twenty-two million used marijuana in the past month.¹

While legislation to legalize adult-use cannabis was not adopted during the 2019 Legislative Session, lawmakers did pass bills to decriminalize possession of small amounts of cannabis, expunge records for low-level convictions, and regulate industrial hemp. This report describes these measures and their potential impact on county governments.

As of the writing of this report, 32 states, including New York, have legalized medical marijuana. Ten states have legalized cannabis for adult use. Thirteen have decriminalized — but not legalized — marijuana, meaning they have repealed or amended laws to make certain acts criminal but no longer subject to prosecution.² Decriminalization laws vary from state to state. In many states that have decriminalized marijuana, possession of small amounts is treated like a minor traffic violation.³

This report is not a discussion on whether marijuana should be legalized. Rather, it is a review of the challenges and opportunities that may be presented to counties if state lawmakers decide on legalization. Moving marijuana out of the unregulated black market will impact public health, public safety, criminal justice, the economy, and the environment in New York State’s counties.

Public Health

Researchers do not fully understand the health effects of marijuana. Federal regulations, including marijuana’s Schedule I classification by the Drug Enforcement Administration (DEA), make research difficult to conduct even in states where cannabis is legal to buy.⁴

With this in mind, this is an overview of the generally accepted benefits and harms of marijuana use.
**Benefits**

Cannabis is known to have therapeutic effects. It can be used to treat pain, seizures, nausea, anxiety, post-traumatic stress disorder, muscle spasms, multiple sclerosis, Parkinson’s disease, glaucoma, and other health and mental conditions. Proponents argue that marijuana legalization can help to stem the tide of the opioid epidemic by providing an alternative to opioids for pain management. It is less risky to consume marijuana in a regulated market. In the black market, consumers cannot be sure about the potency or purity of cannabis products. Fentanyl-laced marijuana and synthetic cannabinoids are growing concerns. Product testing, which is becoming a standard requirement in legalized marijuana markets, makes consumers better informed about the products they use.

**Risks**

Marijuana use may impair learning, memory, and attention. Smoking marijuana damages the lungs and can lead to symptoms like chronic cough and acute bronchitis. Marijuana smokers tend to inhale more deeply and hold their breath longer than cigarette smokers, which leads to a greater exposure to tar per breath. Regulating marijuana under the NYS Clean Indoor Air Act can help to protect nonparticipants from the negative health effects of secondhand smoke. Research shows the negative health consequences of marijuana are lower than those associated with alcohol, tobacco, and other illicit drugs. Cannabis should not be used during pregnancy because it can have negative effects, including lower birthweights. Children may be at increased risk for unintentional exposure if marijuana is legalized, which can lead to hospitalization.

**Public Safety**

Legalized marijuana brings new public safety challenges. Local law enforcement should be prepared to spend increased amounts of time on money and enforcing new laws surrounding legal marijuana. Public education and ongoing monitoring will be necessary to protect the public from risks associated with the sale, possession, and use of cannabis.

**Traffic Safety**

A primary concern with legal marijuana is the possibility of increased impaired driving and car crashes. Legalization will impact the DWI system and result in new costs, including those associated with increases in law enforcement, prosecution, court resources, toxicology lab tests, and testimony.

Training and education for law enforcement, prosecutors, and consumers will be necessary to protect public safety. Counties should expand anti-DWI efforts to include education about the risks of driving under the influence of marijuana. Law enforcement will have to change its mindset from a focus on possession of marijuana to signs of impairment while driving. Officers should take detailed notes based on their observations rather than relying on THC levels to prove impairment. Toxicology tests can be used to corroborate their findings. Drug testing is moving away from urine and towards blood, oral fluid devices, and breathing tests.
Youth Access
Another concern with legalization is that it will make marijuana easier for adolescents to access. Roughly 80% of 12th graders, 70% of 10th graders, and 40% of 8th graders in the United States report that marijuana is either “fairly easy” or “very easy” to obtain.12

Experts agree that there should be a minimum age for consumers to purchase and consume marijuana. Taxation can be used to price adolescents out of the market and prevent many from using marijuana. Advertising restrictions can also be used to control cannabis use and protect customers. These strategies have succeeded in reducing youth consumption of tobacco and alcohol.13 Warning labels and child-resistant packing should also be used to deter minors and protect children and infants from accidental ingestion.

Crime
Marijuana is a cash-only industry, even in states where it is legal. The DEA’s Schedule I classification of marijuana puts banks at risk of being charged with money laundering for handling cash used in marijuana transactions.14 This makes cannabis businesses a target for internal and external theft. Cash-only businesses can also make tax collection difficult and create challenges for law enforcement in conducting investigations.

Regulations that mandate stringent security protocols, such as extensive video surveillance, can help to protect employees and customers.15 Local law enforcement should be prepared to monitor and respond to crime around dispensaries.

Edible Marijuana Products
It can be a challenge to regulate edible marijuana products. Without packaging, edible marijuana may be indistinguishable from any other edible products and can be accidentally ingested by children. Serving sizes may not be clear and intuitive to consumers because product dosing and standard servings are different for marijuana edibles than ordinary foods. Regulations regarding marijuana production, including potency limits, quality standards, and product packaging and labeling, can help to protect consumers from accidental or over-consumption.16
Criminal Justice

While marijuana was not legalized this year, lawmakers decided to expunge the criminal records of individuals with certain low level marijuana-related convictions and decriminalized possession of small amounts of cannabis (See Page 12). In 2010, New York State’s marijuana arrest rate (535 per 100,000 people) was the highest of any state and double the national average.17

Marijuana is one of the biggest drivers of racial disparities in criminalization and incarceration.18 Though data show cannabis use among racial groups is equal, black individuals are nearly four times more likely to be arrested for possession than white individuals.19 Past convictions can make it difficult to get a job, find housing, obtain college loans, and acquire a professional license.

After California legalized marijuana, district attorneys in San Francisco and San Diego proactively expunged low-level marijuana convictions and downgraded higher-level offenses. Other California jurisdictions have either let people petition courts on their own or are working through past convictions on a case-by-case basis.20

Environment

Water Quality

Many marijuana growers use chemicals during the cultivation process that can contaminate a water supply if not treated or disposed of properly.30 Wastewater from a production facility may have elevated concentrations of fertilizers, pesticides, and fungicides.31 Local water treatment plants should prepare for potential contamination issues. Environmental health departments will want to watch for impacts on downstream ecologies.32

Energy

Indoor marijuana production uses a lot of energy. Growing marijuana requires the use of heaters, carbon dioxide and ozone generators, carbon filters, dehumidifiers, fans, and high intensity lights. A typical indoor marijuana grow room has the same power density as a data center (200 watts per square foot). Counties may want to provide energy efficiency rebates to growers who use efficient lighting systems or renewable energy to help take pressure off the electrical grid.29
Economy

Legal marijuana can be a boom for local economies. A 2018 study of Pueblo County, Colorado found that the regulated cannabis industry contributed more than $58 million to the local economy. After accounting for $23 million in added costs from legalization, including law enforcement and social services expenses, the county experienced a net positive impact of $35 million.21

Legalization is expected to reduce costs associated with illegal marijuana, including police time, court costs, jailing costs, and administrative fees.22

Taxation

Experts estimate the size of the current illegal market for marijuana in New York State ranges from $1.7 billion to $3.5 billion annually. The State Department of Taxation and Finance estimates that potential tax revenue in the first year of legalization could range from $248.1 million to $493.7 million with a 7% tax rate or from $340.6 to $677.7 million with a 15% tax rate.

Though other states have imposed higher taxes, it is important that the tax rate—not be so high as to prevent elimination of the illegal market. See the table below for a more detailed tax breakdown.23

Tax revenues from cannabis sales can fund state and local programs. Colorado uses its Marijuana Tax Cash Fund to support school construction, expanded education, drug prevention efforts, and law enforcement. Marijuana sales in Washington State aid administrative costs, research projects, substance abuse programs, marijuana programs, health care, and the State’s general fund.24

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<th>TABLE 1: RETAIL PRICE - RETAIL TAX</th>
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SOURCE NYS Department of Health.
Cannabis Legalization

Enacted Budget and 2019 Legislative Session

While legislation to legalize adult-use cannabis was ultimately not put to a vote during the 2019 Legislative Session, state lawmakers did move to decriminalize the possession of small amounts of cannabis, expunge low-level convictions, and regulate industrial hemp. The following section describes these measures in more detail.

Cannabis Decriminalization

Senate Bill 6579-A (Bailey)/Assembly Bill 8420-A (Peoples-Stokes) decriminalizes possession of small amounts of marijuana. The legislation amends the penal law to remove criminal penalties for possession of any amount of marijuana under two ounces. Under the new law, possession of less than one ounce of marijuana is a violation subject to a $50 fine (previously $100) and possession of between one and two ounces is a violation subject to a $200 fine (previously a Class B misdemeanor). Possession of more than two ounces is still a crime.

The legislation also amends the penal law to remove language that makes smoking in public view a misdemeanor offense and amends public health law to ban the smoking of marijuana anywhere tobacco is prohibited.

Record Expungement

Senate Bill 6579-A (Bailey)/Assembly Bill 8420-A (Peoples-Stokes) also provides for the expungement of certain low-level marijuana convictions. Senate Bill 6614 (Zebrowski)/Assembly Bill 8432 (Peoples-Stokes), passed as a chapter amendment, specifies that the chief administrator of the courts must notify the heads of all appropriate police departments, district attorney’s offices, and other law enforcement agencies of all convictions that have been vacated and dismissed.

Tourism

Counties can work with small business owners to take advantage of the marijuana tourism industry. Travelers may be interested in marijuana shopping expeditions, visits to grows, lodging in marijuana-friendly hotels, marijuana cafes, social clubs, cannabis cooking classes, spa treatments, and other opportunities to consume marijuana.

Keep in mind that out-of-state tourists may not be familiar with local laws related to public consumption and consumption while driving. Hotels, tourism outlets, and marijuana retail businesses should provide educational materials with legal and safety information for customers.

Job Creation

Legalizing and regulating marijuana will create jobs and economic opportunities in the formal economy. In 2015, the legal marijuana industry in Colorado created more than 18,000 new full-time jobs and generated $2.4 billion in economic activity. This includes employees directly involved in the marijuana industry, such as in stores and dispensaries, cultivations, and manufacturing, and ancillary jobs, such as security guards, commercial real-estate agents, consultants, and construction.

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The Drug Policy Alliance estimates that the measure will allow for the expungement of criminal records for approximately 900,000 low-level marijuana arrests in the past 20 years. While the vast majority of these files are kept in town and court records, some county offices may have relevant records or copies thereof. Please contact your county attorney for guidance related to whether these are to be included in those documents that are to be redacted.

**Hemp Regulations**

Senate Bill 6184-A (Metzger)/Assembly Bill 7680-A (Lupardo) would amend the agriculture and markets law, in relation to the growth of industrial hemp and the regulation of hemp extract. The legislation establishes a permitting process under the Department of Agriculture for growers, processors, and marketers and directs the Department to create regulations to address the process and enforcement of licensing provisions.

Manufacturers and extractors would be required to have their products tested for quality. Product packaging would also be required to contain labels warning about the potential impact on human health, as well as information about serving sizes and potency.

The legislation would authorize the Commissioner of Agriculture to collect and publish data and research related to growth, cultivation, production, and processing methods. The Commissioner may also work with Cornell Cooperative Extension to promote best farming practices for industrial hemp that are compatible with state water quality and other environmental objectives.

**2020 Legislative Session: What to Watch**

**The Governor’s Proposal**

In his SFY 2020-21 Executive Budget, Governor Cuomo introduced a new proposal to legalize adult-use cannabis, consolidate governance of all forms of cannabis, and create a regulatory structure to oversee the licensure, cultivation, production, distribution, sale and taxation of cannabis within New York State. The Governor’s revised Cannabis Regulation and Taxation Act (CRTA) can be found in Part BB of the Revenue Article VII bill (S.7509/A.9509). The proposal, described below, is more similar to the Legislature’s Marihuana Regulation and Taxation Act (MRTA) (A.1617B/S.1527B) than the Governor’s previous proposal.

**Office of Cannabis Management (OCM)**

This CRTA would establish the Office of Cannabis Management (OCM) within the Division of Alcohol Beverage Control, governed by a five-member Cannabis Control Board. The Board would oversee the adult-use (21+), medical, and cannabinoid hemp (CBD) industries. The Budget includes $13 million in new funding to support the operations of the OCM.
**Local Option**
All counties, as well as cities with a population of 100,000 or more, would have the opportunity to opt-out of the cultivation, processing, distribution, and sale of adult-use cannabis to consumers with the passage of a local law, ordinance, or resolution by a majority vote of their governing body. Counties, cities, towns, and villages will be able to dictate the hours of operation and location of licensed adult-use cannabis retail dispensaries within their jurisdiction through ordinances and regulations. Local rules, ordinances, regulations or prohibitions enacted by a county, city, town, or village cannot require an adult-use cannabis applicant or licensee to enter into a community host agreement or pay any consideration to the municipality other than reasonable zoning and permitting fees.

Adult-use cannabis, medical cannabis, and cannabinoid hemp (CBD) farming and farm operations on land located within an agricultural district is required to be deemed an approved activity under the relevant county, city, town, or village land use or zoning ordinances, rules, or regulations.

**Taxation**
This bill would impose three taxes on adult-use cannabis products. The first tax is imposed on the cultivation of cannabis at the rate of $1 per dry weight gram of cannabis flower, $0.25 per dry weight gram of cannabis trim, and $0.14 per gram of wet cannabis. The second tax is imposed on the sale by any person to a retail dispenser at the rate of 20% of the invoice price. The third tax is imposed on the same sale by any person to a retail dispenser at the rate of 2% of the invoice price but collected in trust for and on account of the county in which the retail dispenser is located.

**Revenue**
Legal sales would not begin until April 1, 2021, at the earliest. The Division of Budget estimates an increase in All Funds revenue by $20 million in FY 2021, $63 million in FY 2022, $85 million in FY 2023, $141 million in FY 2024, and $188 million in FY 2025.

Revenues from the state cannabis taxes would be deposited into the NYS Cannabis Revenue Fund and expended for the following purposes: administration of the regulated cannabis program, data gathering, monitoring and reporting, the governor’s traffic safety committee, the social and economic equity plan of the office of OCM, substance abuse, harm reduction and mental health treatment and prevention, public health education and intervention, research on cannabis uses and applications, program evaluation and improvements, and any other identified purpose recommended by the director of the OCM and approved by the Director of the Budget.
Social Equity

The bill would establish a social and economic equity plan to encourage members of communities who have been disproportionately impacted by the policies of cannabis prohibition to participate in the new industry. OCM would provide technical assistance, training, loans, and mentoring to qualified social and economic equity applicants. The plan will also promote diversity in ownership and employment with respect to minority-owned businesses, women-owned businesses, and disadvantaged farmers. The Board is authorized to create and distribute local social and economic equity impact grants to community-based organizations which are located or operate in areas of disproportionate enforcement from the War on Drugs.

A three-tier market structure (similar to the alcohol model) would prohibit vertical integration. This is coupled with licensing limits and supply management to control market concentration and encourage social equity applicant participation.

Restrictions

Cannabis retail businesses cannot sell more than one ounce of adult-use cannabis, or its equivalent amount as determined in regulation, per cannabis consumer per day, nor more than five grams of cannabis concentrate per cannabis consumer per day. They also cannot sell alcoholic beverages on same premises where cannabis products are sold or permit any gambling. The use or integration of wine, beer, liquor, nicotine or any other substance identified in regulation in cannabis products is prohibited.

OCM will promulgate guidelines for appropriate content, warnings, and means of advertising and marketing, including but not limited to prohibiting advertising that: (a) is false, deceptive, or misleading; (b) promotes overconsumption; (c) depicts consumption; (d) is designed in any way to appeal to children or other minors; (e) is within or is readily observed within five hundred feet of the perimeter of a school grounds, playground, child care center, public park, or library; (f) is in public transit vehicles and stations; (g) is in the form of an unsolicited internet pop-up; (h) is on publicly owned or operated property; (i) makes medical claims or promotes adult-use cannabis for a medical or wellness purpose; (j) promotes or implements discounts, coupons, or other means of selling adult-use cannabis products below market value or whose discount would subvert local and state tax collection.
An employer may implement policies prohibiting the use or possession of cannabis, provided such policies are in writing as part of an established workplace policy, uniformly applied to all employees, and the employer gives prior written notice of such policies to employees. An employer may take disciplinary or adverse employment action against an employee, including termination of employment, for violating an established workplace policy.

**Public Health**
The bill requires OCM, in consultation with the Department of Health (DOH), Office of Alcoholism and Substance Abuse Services (OASAS) and Office of Mental Health (OMH), to develop and implement a comprehensive public health monitoring, surveillance, and education campaign regarding the legalization of adult-use cannabis and the impact of cannabis use on public health and safety.

Every processor of adult-use cannabis is required to contract with an independent laboratory to test the cannabis products it produces. The Cannabis Control Board may assign an approved testing laboratory, which the processor of adult-use cannabis must use, and may establish consortia with neighboring states, to inform best practices, and share data.

**Public Safety**
The bill requires OCM, in consultation with the Department of Motor Vehicles (DMV) and State Police, to develop and implement a workgroup with other states to outline goals and standard operating procedures for a statewide or regional oral fluid or other roadside detection pilot program. The work group may include, but not be limited to, representatives from district attorney offices, local and county police departments, and other relevant public safety experts. The legislation also requires courts to accept testimony from drug recognition experts.

**Home Cultivation**
Eligible certified medical cannabis patients or one of their designated caregivers (age 21+) may apply for registration with OCM to grow and possess no more than four cannabis plants per household. All medical cannabis cultivated at home must be grown and stored in a single location in an enclosed, locked space, not open or viewable to the public. Such homegrown medical cannabis must only be for use by the certified patient and may not be distributed, sold, or gifted.

**The State Legislature’s Proposal**
The legislation described above is more similar to the Legislature’s Marihuana Regulation and Taxation Act (MRTA) (A.1617B/S.1527B) than the Governor’s previous proposal. According to the Senate sponsor of the MRTA, Liz Krueger (D-Manhattan), adult-use cannabis legalization could be agreed to as part of budget negotiations if the Governor is willing to make commitments about how the revenue is to be spent. The Legislature will support the Governor’s proposal only if it is amended to investment more heavily in communities that have been disproportionally affected by cannabis prohibition.

A revised version of the MRTA may be introduced as early as the week of 1/26/20. According to a press conference on 1/23/20, the bill (A.1617C/S.1527C) will direct 25% of cannabis revenue toward substance abuse prevention, treatment, and education. It also includes additional funding for local law enforcement and drug recognition experts. The rest of the funding will be directed toward social justice and reentry into communities hit the hardest by prohibition. These communities will be prioritized for licensing and small business investments in the legal cannabis sector.
Next Steps
The Legislature and the Governor’s office will negotiate based on these respective positions over the next two months if they want to legalize the adult use of cannabis in the 2020-21 State Budget. If they are unable to reach an agreement, they may try to negotiate and act by the end of the State Legislative Session in June.

Conclusion
During the 2019 Legislative Session, the Governor and Legislature put forward competing proposals to legalize adult-use cannabis in New York State. However, after months of debate, there was not enough consensus to put either proposal to a vote. In the final days of session, state lawmakers instead passed standalone bills to decriminalize cannabis, expunge low-level convictions, and regulate industrial hemp.

Lawmakers will again attempt to legalize adult-use cannabis during the 2020 Legislative Session. As outlined in this report, this measure would impact public health, public safety, criminal justice, the economy, and the environment in New York State’s counties. NYSAC will continue to research and communicate the impact to local services and urge state lawmakers to provide counties with sufficient resources for public education and technical assistance.
References


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23 NYS Department of Health.

24 NYS Department of Health.


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29 Birch Horton Bittner & Cherot, et al.

30 Birch Horton Bittner & Cherot, et al.


32 Birch Horton Bittner & Cherot, et al.
