



April 29, 2019

Connecticut General Assembly
Finance, Revenue, and Bonding Committee
300 Capitol Ave.
Hartford, CT 06106

RE: Letter in support of HB 1138

Dear Finance, Revenue, & Bonding Committee Members,

On behalf of The ScottsMiracle-Gro Company and our subsidiary The Hawthorne Gardening Company we urge you to create a legal marketplace for the responsible production, distribution and consumption of cannabis. Outdated drug laws continue to impact the lives of millions of Americans arrested for minor drug possession crimes, which result in lifelong harm.

The ScottsMiracle-Gro Company is the quintessential American business. Established in 1868 in Marysville, Ohio the ScottsMiracle-Gro name is synonymous with America's love for lawns and gardens. Connecticut is home to one of our manufacturing facilities, for many years allowing us to create one of the largest green waste recycling facilities supplying the Northeast with mulch, soils, and other products used in gardening. The Hawthorne Gardening Company is the leading provider of nutrients, plant supplements, growing media, air filtration and lighting used for hydroponic and indoor growing. Hawthorne also distributes hundreds of other products used in the indoor cultivation of plants to retail stores throughout the state.

We have had an opportunity to learn from the successes and failures of other states that have implemented medical and adult-use marijuana regulation. We encourage Connecticut to adopt a system that allows for greater economic opportunity for the state and can create additional tax revenue.

Spurring economic development in other industries

Much of the discussion on revenue and economic development focuses on opportunities through direct sales or employment within the cannabis industry. However, the committee should take note that marijuana legalization that includes home growing and more licensed businesses will have a positive impact on many ancillary business that will support this new legal economy.

State regulation of marijuana in other states has also supported job creation outside of the marijuana industry. A study by the Marijuana Policy Group reviewed employment from marijuana legalization in Colorado and found that over 5,000 ancillary business jobs were created outside of the 12,500 marijuana industry jobs that were created.¹ This job creation comes through the purchase of goods and services and from the spending of marijuana industry employee wages. Ancillary job creation occurred across the spectrum including real estate, construction, consulting, legal, and other sectors. They also noted that employees and business owners were spending their incomes on food, housing, entertainment and other services in Colorado communities.

The 110% job growth rate in cannabis nationwide over the last three years surpasses some of the United States' fastest growing industry sectors like health care aides, wind turbine and solar voltaic

¹ "The Economic Impact of Marijuana Legalization in Colorado"; Prepared by the Marijuana Policy Group, Pages 8-10 October 2016

installers. Connecticut would be able to tap into this job growth as well as support business expansion in ancillary businesses like ours.

As a manufacturer of lighting, nutrients, odor mitigation technology, and durables used in the cultivation of plants we have seen an increase in the demand for products in this sector when state regulation has allowed home grow and have more licensed cultivation businesses. We have also seen the expansion of retail supply locations in many states where legalization has occurred and have heard that this will occur here in Connecticut from retail partners. The state should be aware that these statutory components can create millions in additional sales revenue into other states for the hydroponic supply sector, also creating additional sales tax impact in the state in addition to taxes collected from direct commercial cannabis sales.

Fair licensing that creates opportunities

We support legislation that will responsibly regulate the availability of cannabis and create an economy that will help to eradicate the illegal market. This means setting up a market with a fair licensing system that will encourage job creation and provide opportunities for small businesses too. According to a report by Leafly, the states with the most licenses California (47,822), Washington (33,591) and Colorado (31,486), employ more workers in the cannabis industry than any other state. States that have arbitrary limits on business licenses have routinely ended up in litigation with applicants. Arbitrary limits can also result in inflated prices, less competition and diminished consumer protections.

It is imperative that Connecticut create a cultivation licensing system with tiered canopy sizes for large and small operations. Canopy sizing allows the state to better understand the supply potential of the marketplace and control expansion. To create diversity in the market place the state should only license smaller operations for the first few years, allowing for more businesses to participate and creating opportunities for license holders to establish themselves in the market place. The diversity in the number and size of businesses will help to create a more resilient marketplace supplying consumers with competitive pricing and product choices, while making Connecticut less reliant on the success of a select handful of businesses.

In addition, the state should be conscious of creating hurdles to participation in the legal marketplace through expensive application and licensing fees, mandatory start up requirements, and high taxes. Such barriers have inhibited participation in other states licensing programs from individuals without large investment backers. Many of these costs will also drive up product prices making legal businesses less competitive with the black market and less attractive to consumers.

Permit limited cultivation for personal use

Connecticut should also allow for limited personal cultivation to ensure access to affordable, safe, and effective cannabis. Programs have been implemented in most states that mimic home brewing laws resulting in caps and other safety restrictions on personal production while also creating additional economic activity.

Programs in other states have helped to spur job creation in the hydroponic retail supply market as well as increase sales for products like nutrients, lighting, odor control, growing media and other hardware needed to set up a small personal garden. All of these products also produce sales tax in the state producing another stream of income for Connecticut. If other states are any indicator then Connecticut should see millions of dollars in additional sales of equipment needed to cultivate marijuana in the state.

Personal cultivation is not a threat to undermine the black market. In other states with both personal cultivation and commercial cannabis, retail cannabis sales have remained healthy producing billions of dollars' worth of sales and tax revenue.

Personal cultivation becomes even more essential as a legal access point if the state permits local control, which has led to bans or overly restrictive zoning rules in other states that limit market access. These policies create large distances between consumers and dispensaries and present many consumers

no legal access points. Without personal cultivation these consumers are left only with the black market as their access point. Legalization cannot effectively fight the black market without both commercialization and personal cultivation as consumer options.

Finally, many personal growers who are consumers and patients prefer to control the inputs used on their plants. Personal cultivation facilitates safe production of plants so that the grower can decide what products they use in cultivation and production allowing them to avoid additives they do not want their bodies exposed to. For patients personal cultivation also permits the patient to grow plants that best treats their conditions while also providing access to patients that may have a debilitating condition that prevents travel.

Conclusion

We applaud the committee for taking the time to learn more about this issue and how Connecticut can install major criminal justice reform while creating new revenue. We hope Connecticut will support regulation of marijuana that also spurs economic growth for ancillary businesses as well. As an American company with over 150 years of business experience, we have many unique insights about this emerging industry and would be happy to share those perspectives as the Committee continues consider this legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Herrington". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

Brian Herrington
Director of Government Affairs
Hawthorne Gardening Company