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***Testimony of Senator Mattie Daughtry introducing
LD 1691, An Act to Provide Parity in State Energy Rate Relief Payments and
Tax Exemptions for Maine Cannabis Businesses
Before the Joint Standing Committee on Veterans and Legal Affairs
April 24, 2023***

Good morning Senator Hickman, Representative Supica, and Esteemed Members of the Joint Standing Committee on Veterans and Legal Affairs, my name is Mattie Daughtry, and I proudly represent Senate District 23, which includes Brunswick, Freeport, Harpswell, Pownal, Chebeague Island, and part of Yarmouth. Today I am pleased to introduce LD 1691, “An Act to Provide Parity in State Energy Rate Relief Payments and Tax Exemptions for Maine Cannabis Businesses.”

I was asked to bring this bill forward to assist the many cannabis businesses in our state struggling with the twin challenges of upwardly spiraling costs with simultaneous slumps in pricing. As a business owner myself, I understand the incredible time, commitment and personal investment that goes into launching and maintaining a small business in our state, and have experienced the recent pressures of increased cost of materials, labor and energy. Unlike my business, however, Maine’s registered and licensed cannabis cultivators are unable to avail themselves of tax relief, ARPA funds, and other government programs designed to provide assistance because cannabis continues to be illegal at the federal level.

While some of these factors are beyond our control as lawmakers, this bill offers some steps we can take to provide parity and relief. LD 1691 would require Maine cannabis businesses be paid monetary assistance in an amount equal to that given to non-cannabis businesses, including energy relief. For example, in 2022, the legislature passed and Governor Mills signed a bill into law providing thousands of Maine businesses with \$2,000 checks to help with energy costs. Cannabis businesses were exempt from this help. This bill would fix that.

Energy relief is of particular concern for cannabis cultivators, many of whom operate energy-intensive indoor cultivation or fixed structure greenhouses due to the dramatic and rapid increase in the cost of electricity over the past few years. For example, a cannabis cultivator classed at a medium non-residential market rate was paying nearly two times the rate in 2022 that they were paying in 2021 and, in winter months that skyrocketed in 2022 to nearly three times the same class of market rate of winter the previous year. In a single month, energy rates jumped from 7 cents a kw/ hour to 22 cents. One small medical cannabis caregiver reported their bill went from

\$3,000 monthly to \$10,000 monthly for the same energy usage. Add this to record low wholesale prices in both the medical and adult use markets, and rising costs of labor, other utilities, fertilizers, rent or mortgage, licensing fees and other necessities, and there is not much revenue left. Cannabis cultivators are surviving on extremely slim margins and many are going out of business. LD 1691 would use funds generated and paid to the state by these predominantly small cannabis businesses themselves to mimic the vital relief that other industries have and will receive.

This bill also clarifies that cannabis cultivators should be exempted from sales tax on the products used in commercial cannabis cultivation - again, providing parity with other Maine agricultural producers. In the past, it seems this has been applied inconsistently so some have received the exemption and others have not. Finally, this bill would provide additional relief for our medical cannabis caregivers by waiving registration fees for those who passed all inspections and demonstrated compliance the previous year. Since we, as a state, have decided to authorize, regulate and tax these local businesses, we should do what we can to provide them fair treatment and parity when possible - just like any other business. I hope that the struggles of these hardworking small Maine cultivators finds an audience in this committee, and you will vote "Ought to Pass."

I thank you for your time, and I would be happy to answer any questions you might have.



Mattie Daughtry

Assistant Senate Majority Leader, Senate District 23

Brunswick, Freeport, Harpswell, Pownal, Chebeague Island, and part of Yarmouth

Senate Mattie Daughtry
Senate District 23
LD 1691

Good morning,

This is the correct sponsor testimony for LD 1691.

Thank you!