

# STATE OF COLORADO

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John W. Hickenlooper  
Governor

June 8, 2017

The Honorable Colorado Senate  
General Assembly  
State Capitol  
200 E. Colfax Ave.  
Denver, CO 80203

Dear Members of the Colorado Senate:

Today, I vetoed Senate Bill 17-111, "Concerning Measures to Address Medical Marijuana Inventory Shortfalls" (SB 17-111) at 8:41 am. Senate Bill 17-111 provides the Marijuana Enforcement Division (MED) rulemaking authority to modify vertical integration requirements for medical marijuana licensees and grants an exception to such requirements for inventory transfers between identically owned licensees.

Vertical integration has been a critical component of Colorado's medical marijuana regulatory system since the medical marijuana code was enacted in 2010. Each medical marijuana center must be aligned with a cultivation facility from which it must obtain at least 70 percent of its inventory. A center may receive up to 30 percent of its inventory from non-vertically aligned licensees and transfer as much as 30 percent of its inventory to non-vertically aligned licensees. These requirements are critical components of production management within the medical marijuana industry and prevent risk of diversion.

SB 17-111 would allow these thresholds to be relaxed, and would provide a subset of licensees further exemptions from vertical integration requirements, such that 100 percent of those licensees' inventory transfers may be conducted outside limits set in law. There is no clear data to support the basis for these provisions, and the bill does not provide a substitute for production management of medical marijuana inventory. Thus, both provisions weaken long-standing vertical integration laws in a manner that favors a subset of licensees, poses inventory tracking challenges for MED, and risks destabilizing Colorado medical marijuana markets.

We have worked diligently with the General Assembly to establish a robust regulatory structure that responsibly manages production levels and prevents opportunities to distribute marijuana unlawfully. In this time of uncertainty regarding federal intervention in states that have legalized recreational marijuana, Colorado must demonstrate its ability to maintain a regulatory system that protects these priorities. Accordingly, I have vetoed SB 17-111.

Sincerely,

John W. Hickenlooper  
Governor