

ADULT-USE CANNABIS NIXED FROM 2021 EXECUTIVE BUDGET AMID CORONAVIRUS EMERGENCY – WHAT NOW?

Hemp & Medical Cannabis Alert
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What Happened to “Priority”?

When Governor Cuomo rolled out his proposed 2021 Executive Budget, it contained the latest version of the Cannabis Regulation and Taxation Act (CRTA)—his vision of a regulated cannabis market in New York State. The Governor publicly announced that legalization was a priority for his administration. Our detailed breakdown of Governor Cuomo’s new-look cannabis legislation can be found [here](#).

But the 2019 novel coronavirus has reshaped life as we know it—the Capitol Building in Albany is no exception. With New York State currently under a state of emergency, legislators considering the 2021 Executive Budget returned to wholly different political agenda than they planned. Priorities necessarily shifted to the more essential matters of the budget, and earlier this week most policy legislation was off the table. Adult-use recreational cannabis was on the chopping block.

According to Governor Cuomo, who initially planned to move cannabis legalization forward despite the pandemic, the move was simply “too much, too little time.”

Where Do We Go From Here?

In New York legislative politics, the annual State budget generally provides the best opportunity and most likely means for the Governor to push what may otherwise be deemed controversial policy legislation. The legalization of adult-use recreational cannabis certainly falls into that category. But that is again on hold, at least when it comes to the 2021 Executive Budget. The Governor and the legislature will have the opportunity to revisit the issue as standalone legislation before the conclusion of the 2020 legislative session in June. Pushing standalone legislation, however, is generally less likely to succeed (especially in an election year).

That said, the current landscape may provide a window of opportunity. The State was already facing fiscal shortages, and must now absorb the costs and lost tax revenue stemming from an unprecedented pandemic. The budget gap is estimated at \$10-\$15 billion. Leaders would be hard pressed to ignore the revenue from a fully functional and regulated adult-use recreational cannabis program—projected to

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generate \$300 million annually.

Therein lies the rub. A major sticking point for cannabis has always been disagreement about what to do with tax revenues from legalized sales. Legislators are pushing to set aside revenues for disadvantaged communities, while the Governor favors more flexibility. Moreover, the \$300 million revenue is projected once the program is fully operational. In practice, it could take years to get there. Until then, the Governor's budget projected only \$20 million in annual revenue—and that assumed a strong economy, not one ravaged by a global pandemic. Finally, even in the best conditions, \$300 million is a drop in the bucket against a \$15 billion deficit.

In the meantime, those operating in or doing business within this industry should stay tuned. If you have questions about the current status of proposed legislation, and how it may affect your business, contact Melissa Subjeck (716.848.1719), Noah Shaw (518.736.2924) or any other member of the Hodgson Russ Hemp & Medical Cannabis Practice.

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