North Carolina Advisory Council on Cannabis
Revenue and Legal Subcommittee
Co-Chairs:
Anca Grozav, Chief Deputy Budget Director, NC Office of State Budget and Management
Joy Strickland, Senior Deputy Attorney General, Criminal Bureau of the North Carolina Department of Justice

Meeting Minutes

September 25, 2026, 1:00-3:00pm
Virtual via Teams

Attendees

Council Members Present – Anca Grozav, Pat Oglesby; Joy Strickland; Lillie Rhodes; Dr. Larry Greenblatt

Council Members Absent – Arthur Apolinario; Kris Gardner; David Alexander; Rep. Zack Hawkins

Staff Members Present – Kaycee Deen; Charles Mitchell; Anne Doyle; Kindl Shinn-Detar

Guest Speakers — Brian Rabinovitz, Lila McKinley, Jamie Patten

Agenda

I. Welcome, Roll Call, and Ethics Statement
II. Presentations
- **a. North Carolina Consumer Protection**
  - i. Guest Speaker: Brian Rabinovitz, Special Deputy Attorney General
- **b. Connecticut's Potency-Based Cannabis Tax Structure**
  - i. Guest Speaker: Lila McKinley, Director, Cannabis Control Division, Connecticut Department of Consumer Protection
- c. **Virginia's Cannabis Tax Structure**
  - i. Guest Speaker: Jamie Patten, Acting Head and Chief Administrative Officer, Virginia Cannabis Control Authority
  - ii.

III. Discussion
IV. New Business and Next Steps

Presentation 1: North Carolina Consumer Protection (Brian Rabinovitz)

Unfair and Deceptive Trade Practices Act, Chapter 75

- The Act prohibits unfair or deceptive acts or practices in or affecting commerce in NC. It has limited exemptions and is broad and flexible.
- A violation of other NC laws can also be a UDTPA violation.
- "Deceptive" means having a tendency to deceive. It is defined by case law, not statute.
- "Unfair" is broader: unscrupulous or against public policy.
- The Act includes a private right of action, but the DOJ focuses on public enforcement.

Attorney General Powers and Remedies

- The AG can investigate businesses operating in NC and sue in the name of the state.
- Available relief includes injunctive relief, restitution, disgorgement of profits and other equitable relief, and civil penalties of up to $5,000 per knowing violation. Penalties can add up quickly and are often used in settlements.
- State cases are filed in Superior Court, often in the Business Court. Federal and multistate cases are also possible.

Consumer Protection Division Operations

- The division takes in a large volume of consumer complaints and tracks them in a database by company and industry.
- It coordinates with the FTC, the FCC (on robocalls), and the U.S. DOJ.
- Recent cases include a multistate settlement with Meta, the Juul e-cigarette case, a pending case against TikTok, and a pending case against a wedding photographer accused of scamming customers.
- Many cases involve youth health and safety. Examples:
    - The Juul case focused on marketing to minors, product design, and age-gating under NC's online sales statute. It did not target lawful adult use.
    - The social media cases focus on harms to teens and children.

Case: Juul and Flavored Vapes

- A gap in FDA enforcement priorities led to a flood of disposable flavored vapes. These were often foreign made, typically in China, and rebranded from the same factories.
- Enforcement against retailers is like "whack-a-mole": shutting down stores doesn't solve the problem because new ones open. The DOJ prioritized stores near schools.
- Tracing products to their source is difficult because of multiple middlemen (distributors, wholesalers, master distributors), foreign manufacturers, and brands that aren't registered in the U.S.
- The same stores often sell hemp-derived and Delta-9 THC products, so similar problems are expected with cannabis-adjacent products.
- These products often have no traditional advertising, which removes an easy basis for a UDTPA claim.
- Juul was a U.S.-based company with clearly traceable sales into NC.
- It ran a youth-focused early marketing campaign, including large signage in New York.
- Flavor-based claims are harder to make because adults may also like the flavors.

Overlapping Jurisdiction

- Marketing and labeling claims overlap with the federal Food, Drug, and Cosmetic Act and NC's Food, Drug, and Cosmetic Act (Chapter 106), which is administered mainly by the Department of Agriculture.
- A key question is which agency has the resources, primary responsibility, and technical expertise for a given problem.

Q&A

- Do complaint volumes drive enforcement?
    - Complaint volume is one factor. Others include jurisdiction (some complaints, such as most real estate issues, are referred elsewhere), requests from the FTC and other states to partner, AG priorities (for example, then-AG Stein's focus on Juul), expected impact, and available resources.
- If cannabis is legalized, would UDTPA need changes? Would more resources be needed?
    - Legal cannabis would resemble tobacco: legal for some age groups and not others. Aggressive marketing to underage users would be examined, as in the Juul case, and a mechanism to do so already exists.
    - Whether new statutory authority would help is a question for the DOJ's legislative liaison.
    - Resource needs depend on whether new statutes assign new duties to the AG.
- How would regulation of marketing, packaging, contents, and sales locations be divided between the DOJ and an ALE-type cannabis agency?
    - It depends on how the General Assembly allocates responsibility.
    - Currently, the Department of Agriculture has primary authority over food, drug, and cosmetic products.
    - In the Juul case, the DOJ partnered with ALE on reporting violations after injunctive relief was in place.
    - When a statute designates conduct as a UDTPA violation, that signals legislative intent for DOJ involvement unless another agency has primary authority.

Presentation 2: Connecticut's Potency-Based Cannabis Tax Structure (Lila McKinley)

Background and Policy Goals

- Connecticut uses its Unfair Trade Practices Act to regulate cannabis advertising and fight the illicit market, working closely with its AG. That Act is administered by her agency. She offered to connect the subcommittee with the relevant staff.
- Connecticut has had a medical program since 2012. Adult use was enacted in 2021, 2022 was a build-out year, and retail sales opened in January 2023.
- The legislature was less focused on filling a revenue gap and more focused on social equity, public health, and adequate program staffing.
- Pricing was designed to compete with nearby Massachusetts, New York, and Rhode Island while avoiding prices high enough to drive consumers to the illicit market.

Tax Structure through September 30, 2026

- 6.35% state sales tax
- 3% municipal tax, paid to the town where the sale occurs
- A THC tax based on milligrams of THC content
- Medical cannabis for palliative use is tax-free and will remain so.

No Wholesale Tax

- The industry strongly opposed it.
- Costs are passed on to consumers, which would hurt competitiveness with Massachusetts.
- Weight-based reporting creates diversion and underreporting risk because product loses weight as it dries.
- Apportioning a wholesale tax is complicated under Connecticut's mixed license types.

New Structure Starting October 1, 2026

- The THC tax is being replaced with a 10.75% excise tax collected at the point of sale. It still doesn't apply to medical cannabis.
- The change was pushed by the industry.
- Problems with the THC tax:
    - It is complicated to calculate and enforce.
    - Lab results come as ranges rather than exact numbers.
    - It ignores other cannabinoids that increase a product's effects.
    - It may encourage businesses to underreport THC.
- Connecticut didn't have the THC tax long enough to measure whether it reduced high-potency purchases.

Revenue Allocation

- In 2026, 60% to the Social Equity and Innovation Fund, 25% to Prevention and Recovery (which funds public health surveys on use and youth use), and 15% to the General Fund.
- The program's administration is funded through the General Fund rather than cannabis revenue.
    - Downside: staffing doesn't grow when the market grows.
    - Upside: the program is protected from market downturns, unlike states whose programs are funded by fees or taxes.
- Revenue has grown since 2023 but has fallen short of projections.

Lessons Learned

- Be cautious when projecting revenue, especially if it will fund administration.
- The municipal tax share helped towns accept cannabis businesses and spread them more evenly across the state, since zoning is left to towns.
- Revenue fluctuations can affect staffing if the agency depends on tax funding.
- Federal changes can shift the market at any time.
- Keeping medical cannabis tax-free supports the medical program and keeps patients away from the illicit market.
- Connecticut has seen more "smoke shops" selling hemp-derived products, which count as cannabis under state law. It's unclear whether this is driven by taxes or by the federal hemp loophole.

Q&A

- Medical program timing, agencies involved, and staffing?
    - The medical program ran about nine to ten years before adult use.
    - The Cannabis Control Division is the primary regulator, responsible for licensing, enforcement, and manufacturing and safety regulations.
    - Other agencies involved:
        - Department of Revenue Services: tax collection and enforcement
        - Social Equity Council (a separate agency): reinvestment and social equity licensing
        - DMHAS: prevention, education, and use surveys
        - DPH: public health education
        - DOT: impaired driving
        - Attorney General: advertising enforcement, including a 90% audience threshold rule
    - The division has about 50 staff (management, licensing, field agents, and medical card registration). It relies on its parent agency for HR and business services. Connecticut's population is about 3 million.
- Is the complexity mainly imprecise measurement and missing cannabinoids?
    - Yes, plus the difficulty of enforcing payment. A tax based on the whole final product would better serve the public health goal.
- Doesn't a THC tax counter THC inflation?
    - Sellers want a high THC number for consumers but a low one for the tax.
    - That's the counterargument. Connecticut has seen some gaps between labeled and tested THC but lacks the data to say whether the tax affected behavior.
    - The industry was very vocal, and the legislature moved to match other states.
- Which other cannabinoids matter?
    - Mainly CBD, CBN, and CBG, and sometimes THCV and CBDV (the "entourage effect").
- Is there any analysis of the switch? Any forecasting lessons?
    - Connecticut's Office of Policy Management does the forecasting. Lila will check what can be shared publicly.
    - The analysis focused on keeping social equity and prevention funding whole. The switch may have caused some revenue loss.
    - The 10.75% rate was a compromise.
    - Forecasting advice: be realistic about consumer behavior and the illicit market, study other states' revenue curves, and plan for market saturation followed by a drop.
    - Raising cannabis taxes later is much harder than lowering them because the industry organizes effectively.

Presentation 3: Virginia's Cannabis Tax Structure (Jamie Patten)

Background

- The medical program in Virginia was authorized in 2018, with sales beginning in 2020. Medical sales were originally overseen by the Board of Pharmacy.
- The CCA was created in 2021. Retail sales were also authorized that year, but the law required reenactment, and reenactment failed in each of the next three years.

- In 2026, a retail bill passed the General Assembly but was vetoed by the Governor. Retail sales were then authorized through the budget at the end of June, about three months before this meeting.

CCA's Role

- The CCA is a centralized agency responsible for policy, regulation, enforcement, education, social equity, tax collection, licensing, and administrative hearings for both hemp and marijuana.
- Partner agencies:
    - ABC: tobacco and vape retailers
    - Office of the Attorney General: Consumer Protection Act enforcement
    - State Police
    - VDACS: industrial hemp and food safety

Current Landscape

- Starting August 15, hemp products may contain no more than 2 mg THC per package. This replaced a 25:1 CBD-to-THC ratio rule and is being challenged in court.
- Home cultivation is allowed, and adults may possess up to 2 oz (previously 1 oz).
- Decriminalization without a legal retail source has fueled a large illicit market.
- Medical dispensaries are capped at 30 statewide, with about 25 open, serving a population of nearly 9 million. Medical sales reached about $123 million through August and are tax-free.

Adult-Use Legislation

- Retail sales begin July 1, 2027, which she believes is the fastest stand-up of any state.
- Hemp oversight moves from the Department of Agriculture to the CCA.
- Regulations are due February 1, 2027. A draft is already out.
- Purchase and possession limits:
    - 2 oz of flower, or the equivalent in other product forms
    - 10 mg THC per serving and 100 mg per package
- Localities cannot opt out but can add zoning restrictions.
- Penalties for public consumption were increased.

License Types

- Cultivation, processing, retail, transporter, delivery, testing, and microbusiness (vertically integrated, similar to craft brewing).
- Dual-use license for the five existing medical operators:
    - $10 million fee each
    - They must convert or stop operating and must continue medical sales if they convert.
- Existing hemp processors and cultivators have a fast-track option at $500,000 per license.
- "Impact designee" status allows reduced or waived fees.
- Applications open February 1, and initial licenses must be awarded by May 1.
- The central policy tension is between standing up the legal market quickly to fight the illicit market and not giving medical operators an unfair head start.

Tax Structure (Ad Valorem, Point of Sale)

- It is simple for consumers and for new small businesses, reduces tax noncompliance, and holds up as products change.
- 6% state marijuana tax, rising to 8% on July 1, 2029
- 5.3% state sales and use tax (higher in some localities)
- A required local tax of 1% to 3.5%, set by each locality through ordinance and kept by localities without restriction
- Rates were set with Maryland's rates in mind, to avoid both cross-border shopping and pushing buyers to the illicit market.

Revenue Estimates

- The public estimates assumed a January 2027 start, so their timing is now off.
- They were based on a 2020 JLARC study, seed-to-sale medical data (available since July 2026), and the ratio of medical to retail sales seen in other states.

Revenue Distribution

- Net revenue is what remains after administration and enforcement costs: about $25 million in year one and about $22 million a year after that. These costs cover the CCA, OAG, State Police, and ABC.
- Net revenue goes to four purposes:
    - Early childhood care and education
    - The Cannabis Equity Reinvestment Fund
    - Behavioral health substance use disorder prevention and treatment
    - Public health programs, such as campaigns on safe driving and underage use
- The percentage for each purpose wasn't set. A Joint Commission must recommend allocations by November 1.
- The Cannabis Equity Reinvestment Fund supports communities disproportionately affected by drug enforcement through scholarships, workforce grants, the Indigent Defense Commission, and the Cannabis Equity Business Loan Fund.
- The Business Loan Fund, run by the CCA, will provide grants and low- or zero-interest loans to impact licensees. It will be seeded with 75% of license fees collected in the first 12 months. An impact business support team is being built to run it.

New Business and Next Steps

- Speakers for October Meeting
    - A couple of experts lined up with different perspectives
        - Tax foundation
        - CA Department of Cannabis Control
        - Colorado Department of Revenue
- Approved August Meeting Minutes

Adjournment

Meeting concluded at 2:58pm.

Next Meeting Date: Friday, October 30 from 1:00-3:00pm