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Connecticut Cannabis Market: An In Depth Analysis Of Hurdles And Opportunities

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Last year, Connecticut passed a law that made possession and consumption of marijuana legal from July 1st 2021 and which paved the way for the legal cultivation, processing, distribution and retail of the drug for adult use. Those that expected that by now, almost eight months later, those businesses would be underway, however, will have been disappointed. Progress towards that is slow. That has often been the case with adult-use cannabis legislation that has passed recently, but there are a few things about the law and regulations in Connecticut and the nature of the state that will make it even slower than elsewhere.

The Moratorium Option

Unlike in New York, where failure to opt out of the licensing process by a set date (December 31st 2021) meant that municipalities were automatically opted in, the Connecticut legislation allowed for them to essentially delay a decision by invoking a moratorium on license applications and the approval process. That has so far proven significant, as the OBEDIO data and analysis by THCREGS.com clearly shows. Up until the time of writing, 22 towns and cities have taken that option, as opposed to 20 that have opted out, and 11 that have actively embraced the opportunity.

That shouldn't come as too much of a surprise. Maybe I am just a cynic, but it seems to me that if you give a politician an opportunity to kick the can down the road on a controversial decision, most of them will take it. That inevitability, however, doesn't detract from the importance of the idea of a moratorium for potential investors. The popularity of the option means that there will be a significant number of locations where, while retail stores and other businesses won't be opening soon, there is still the possibility that they will at some point. It is important to factor that in when looking at the opt in/out data.

It remains to be seen how many of those delaying will eventually allow marijuana businesses but, if they make their eventual decision based on data rather than on opinions, there is a good chance that it will be the majority of them. The studies that have been done so far, including the Federally funded one referenced [here](#) along with research by the Cato Institute and RAND, show little or no impact on property or violent crime rates following legalization or, in some cases, a reduction in those crimes.

However long it takes, though, and whatever the total of eventual opt-ins, the demographics of the state make it likely that the rollout will be successful, if geographically uneven.

Connecticut Demographics

When most outsiders think of Connecticut, they think of what those of us who live here often refer to as the 'Gold Coast', towns like Greenwich, Westport, and Darien close to the New York border that are populated largely by Wall Street refugees and high earning commuters to the big city. That, though, is only a tiny part of a quite economically diverse state that also includes large rural areas and some quite poor, post-industrial towns.

According to a survey released by the census bureau in 2018, at that time **median household incomes by town** in Connecticut ranged from around \$200,000 in those Gold Coast towns to well under \$50,000 in other parts of the state. One might think that legalization and the attendant economic opportunities would be more rapidly embraced by those poorer parts of the state but so far, that isn't necessarily the case. Of the three Connecticut municipalities with the lowest median incomes, Hartford, New London, and New Haven, only Hartford has already opted in. That is despite the fact that the legislation allows them and other targeted towns significant advantages in the licensing and approval process.

Priority Towns

35 towns and cities in Connecticut, including the three mentioned above, have been designated priority areas for cannabis licenses and will be given earlier consideration and approval, allowing them a head start. The priority status was awarded to areas that had been disproportionately affected by the prohibition of cannabis in the past, defined as those with "...either a historical conviction rate for drug-related offenses greater than one-tenth, or an unemployment rate greater than ten percent, as determined annually by the Social Equity Council."

It would seem logical that, priority status or not, municipalities that fit that description would be keen to start the licensing process early, if for no other reason than to start getting the 3% tax that local authorities are allowed by the act to levy on cannabis sales, but that hasn't been the case. So far, only six of the priority towns have opted in, with two having opted out and the rest yet to decide. For potential investors, though, priority towns should be just that...a priority, as anything that streamlines applications and approvals in a regulated market is welcome.

What Next?

Retail sales of cannabis are scheduled to begin in Connecticut on July 1st, 2022. However, without a fixed deadline for municipalities to opt in or out and with the option of a moratorium available to those that do address the issue, it is likely that even then, the scale and scope of the market in the state will be unclear. It would be helpful if authorities could force the issue somewhat by creating a deadline, after which an opt-in would be assumed, but I have not seen any mention of that to date.

Even if they do, of course, there will still be zoning issues to be negotiated. Local authorities have the right to set zoning rules and restrictions around the cannabis industry and, if the history of legalization so far is to be trusted, they will enthusiastically embrace that right. There are some statewide rules relating to the proximity to schools, churches and the like but, as with all states, there is a risk that as the comment process gets underway, local groups will ask for additional restrictions.

Still, even with those potential problems, the cannabis market in Connecticut will probably turn out to be a decent one. It is a generally prosperous state with enough municipalities incentivized

and willing to embrace the industry to take advantage of the inherent demand. Progress will be slow, but it will be progress, nonetheless.