TESTIMONY

COMMITTEE ON BUDGET, APPROPRIATIONS AND FINANCE

36TH LEGISLATURE OF THE VIRGIN ISLANDS

PRESENTED BY:

JOANNE MOOREHEAD
EXECUTIVE DIRECTOR

AUGUST 7TH, 2026

St. Thomas | St. John | St. Croix

Good morning, Senator Novelle E. Francis, Jr., other honorable members of this Committee, members of the Thirty-Sixth Legislature present, my fellow testifiers, and the members of the viewing and listening audience.

Thank you for the opportunity to appear before you today to present the Fiscal Year 2027 budget request for the Office of Cannabis Regulation (OCR) and to provide an update on the Office's implementation of the Virgin Islands Cannabis Use Act and our expanding statutory responsibilities related to intoxicating hemp.

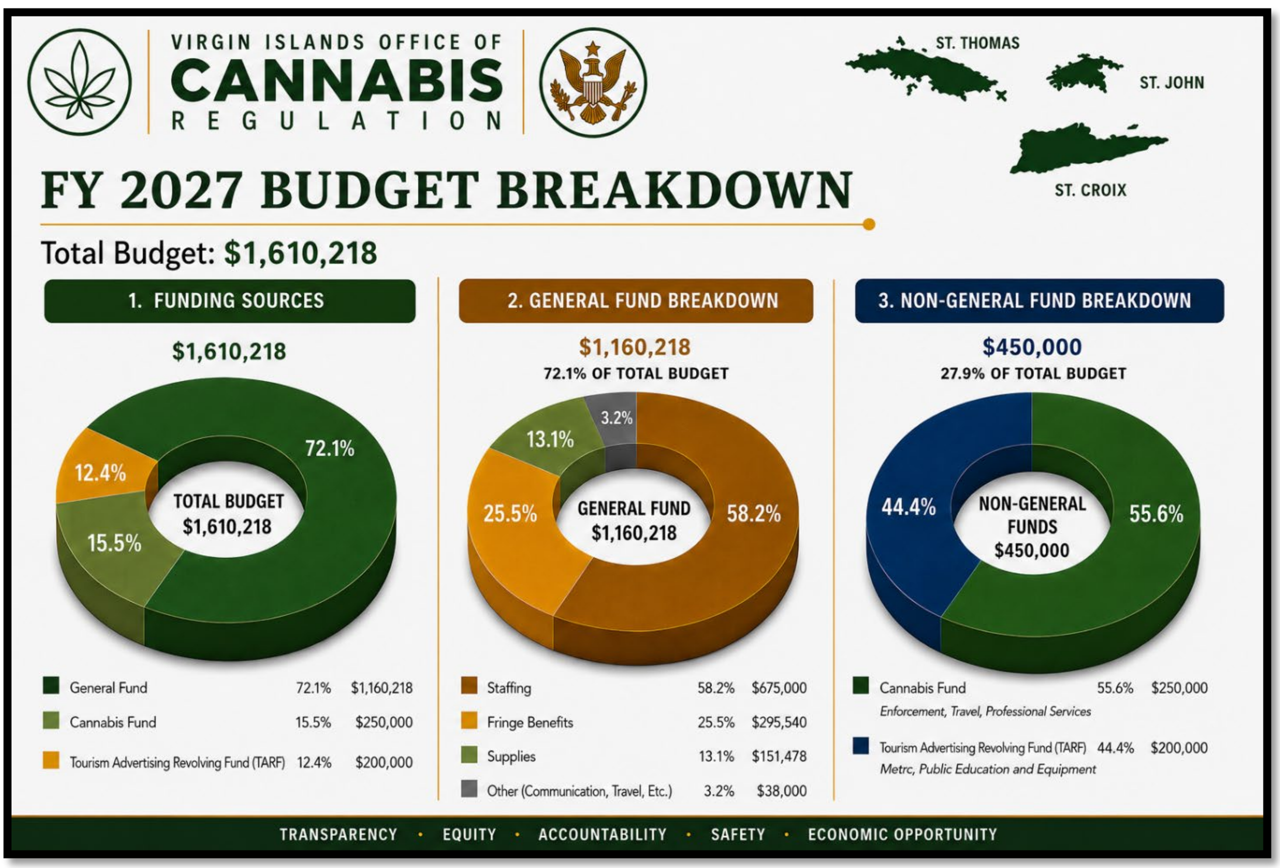
I appreciate the opportunity to appear before the Committee to discuss the Office's progress in fulfilling the responsibilities entrusted to us by the Legislature. Implementation represents more than simply opening a regulated market. It represents the establishment of a modern regulatory framework designed to protect public health and safety, promote responsible economic development, support consumer confidence, and ensure long-term regulatory accountability.

I would first like to acknowledge and thank the staff of the Office of Cannabis Regulation, the Cannabis Advisory Board, our interagency partners, and the many stakeholders who continue to contribute to the responsible development of this emerging industry. I would also like to express my sincere appreciation to Commissioner Nathalie Hodge and her entire staff at the Department of Licensing and Consumer Affairs for their continued support of OCR during its formative years, particularly for generously sharing the Department's workspace, which has allowed the Office to grow while responsibly minimizing costs to the Government. The work undertaken by OCR over the last fiscal year has required significant coordination, persistence, and adaptability as the Territory moves further into operational implementation of the cannabis industry.

For Fiscal Year 2027, the Office respectfully requests an operating budget of approximately $1.61 million, supported through appropriations from the General Fund, Tourism Advertising Revolving Fund, and the

Cannabis Fund.

Since its establishment, the Office of Cannabis Regulation has evolved from a newly created office into a functioning regulatory agency responsible for licensing, compliance, enforcement, laboratory coordination, medical cannabis, intoxicating hemp regulation, public education, and interagency coordination. Today, the Office administers two regulatory programs, has established the core regulatory systems necessary to support a safe and accountable marketplace, and has generated nearly $200,000 in operational revenue as of July 31 while continuing to prepare the Territory's regulated cannabis market for implementation. The Fiscal Year 2027 budget supports the personnel, technology, compliance, enforcement, and operational infrastructure necessary to continue that work while advancing the Virgin Islands toward a safe, transparent, and increasingly self-sustaining regulatory program.



The regulatory environment surrounding cannabis, intoxicating hemp, and related products continues to evolve rapidly at both the territorial and federal levels. Throughout implementation, OCR has been building the Virgin Islands' regulatory framework by drawing upon the experiences of jurisdictions that have already navigated many of these challenges. This process has reinforced an important lesson: responsible regulation requires continual adaptation. As laws, science, markets, and public health considerations continue to evolve, the Office must remain flexible and responsive while maintaining its core commitment to protecting public health and safety, ensuring regulatory accountability, and supporting a stable, well-regulated marketplace.

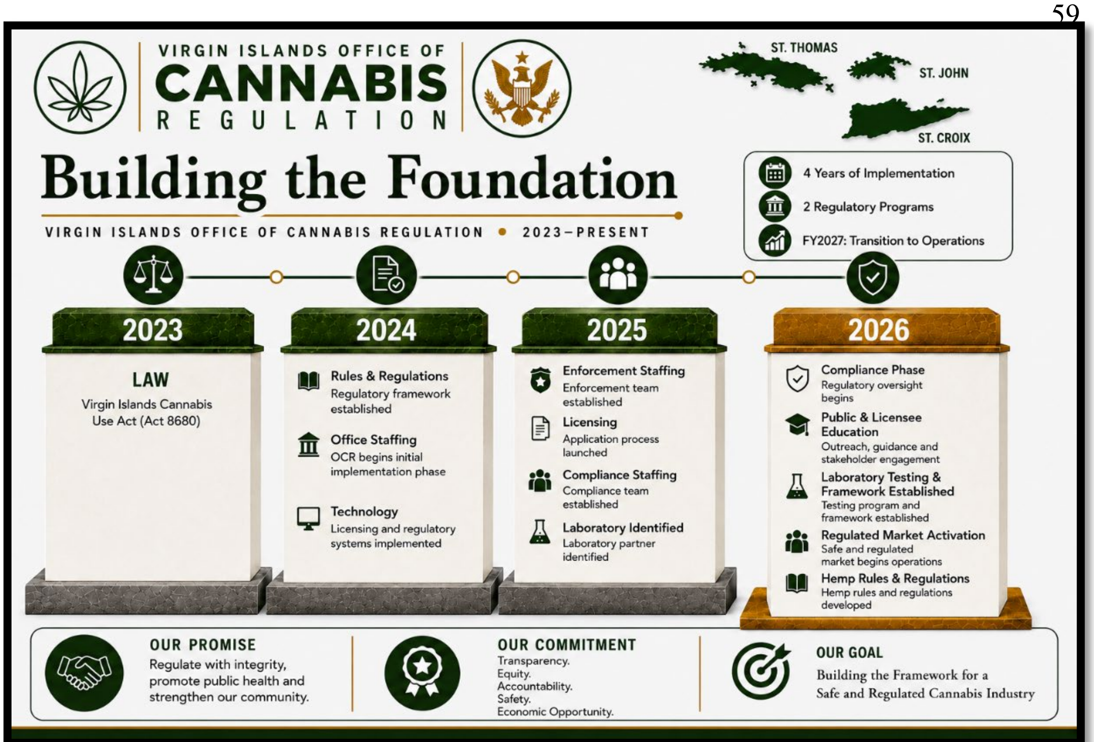
Many stakeholders understandably focus on one question: "When will the regulated market open?" While that milestone is important, it is only one measure of success. Our responsibility extends beyond opening businesses. We must ensure that the marketplace opens safely, protects consumers, supports compliant businesses, operates transparently, and earns public confidence from the very beginning. Those objectives require careful planning, effective regulation, strong partnerships, and sustainable institutional capacity.

Implementation is inherently iterative because OCR exists at the intersection of public health, public safety, economic development, consumer protection, and regulatory policy. Every significant decision requires balancing these interests in a manner that is consistent with law, informed by science, fiscally responsible, and responsive to the needs of the people of the Virgin Islands.

State of the Office

During Fiscal Year 2026, OCR continued strengthening the institutional capacity necessary to regulate a modern cannabis industry. That work included preparing for the launch of the regulated adult-use cannabis market, administering the Territory's medical cannabis program, implementing new statutory responsibilities related to intoxicating hemp, and strengthening the Office's role as the Territory's primary regulatory authority for cannabis and cannabinoid-related products. In doing so, the Office transitioned from primarily developing regulatory policy to actively administering licensing, compliance, enforcement, inspections, and implementation activities across both regulatory programs.

OCR's responsibilities now extend well beyond licensing and include compliance, enforcement, laboratory oversight, public education, financial accountability, and the administration of multiple integrated regulatory systems. Collectively, these responsibilities require specialized expertise, careful coordination, and sound regulatory judgment.During the past year, OCR has established the foundational regulatory systems



necessary to support a safe, transparent, and accountable cannabis marketplace. These foundational systems now include the Tyler licensing and registration platform; the Metrc seed-to-sale tracking system; compliance, inspection, and enforcement programs; laboratory coordination; and a compliant banking pathway for government revenues.

The Office has also developed strong working relationships with regulators, subject-matter experts, public health professionals, industry stakeholders, and enforcement partners throughout the United States. Through active participation in national regulatory organizations and ongoing collaboration with jurisdictions that have already implemented regulated cannabis programs, OCR has drawn on the successes and challenges experienced elsewhere.

In many respects, the Virgin Islands benefits from entering this regulatory space later than many other jurisdictions. We are able to identify evolving best practices, understand where other programs encountered operational difficulties, evaluate changes prompted by litigation and scientific advancements, and adopt policies better suited to the unique needs of our Territory.

Throughout implementation, the Office has remained committed to balancing urgency with responsibility, recognizing that the decisions we make today will establish precedents that shape the future of this industry. While that measured approach has required patience, it has also positioned the Office to transition from implementation toward long-term regulation on a stronger and more sustainable foundation.

Expanded Statutory Responsibilities

The Office's statutory responsibilities expanded significantly in 2026. Through Act No. 9072 and subsequent amendments to the Virgin Islands Code, OCR has been assigned new responsibilities related to the regulation of intoxicating hemp products. Those responsibilities include licensing, inspections, enforcement, public education, rulemaking, compliance oversight, and the development of product tracking and testing systems.

Although cannabis and intoxicating hemp are often discussed together, they continue to exist within distinct and evolving federal legal and regulatory frameworks. As a result, the Office cannot simply apply a one-size-fits-all regulatory approach and must instead develop separate policies, compliance strategies, and enforcement mechanisms appropriate to each program.

These additional responsibilities were assigned without a corresponding increase in appropriations or staffing and have required the Office to balance competing priorities while continuing to advance implementation of the regulated cannabis marketplace.

Accordingly, the Office's work today reflects a broader mission than many anticipated when the Cannabis Use Act was first enacted. OCR is no longer simply preparing for implementation; it is actively functioning as a regulatory agency while continuing to build the institutional capacity needed to support its expanding responsibilities in the years ahead.

Fiscal Year 2026 Operational Progress

Fiscal Year 2026 has represented a period of significant operational advancement for the Office. While much of this work was not readily visible to the public, it was essential to preparing both the Office and the regulated industry for successful market implementation. OCR's implementation period has not been one of inactivity or simply waiting for businesses to open. The pace of this work is reflected in the breadth and complexity of the Office's operational accomplishments during Fiscal Year 2026.

During this fiscal year, the Office expanded its licensing activities to include four new cannabis license categories and launched a second open application round for all license categories, while working closely with all applicants to ensure compliance with statutory and regulatory requirements. As implementation has progressed, applicants have advanced toward operational readiness at markedly different rates, reflecting differences in facility construction, financing, operational planning, compliance readiness, staffing, and other business-specific considerations.

Recognizing these differences, OCR has placed increasing emphasis on compliance readiness rather than simply license issuance. While businesses naturally progress toward operational readiness at different rates, the Office has remained focused on preparing the marketplace as a whole. The long-term success of the regulated industry depends upon an interconnected ecosystem in which licensees, laboratories, technology systems, regulators, financial institutions, and enforcement partners are all prepared to fulfill their respective responsibilities.

Throughout the year, Office personnel conducted dozens of site visits and facility inspections, completed extensive compliance reviews, and maintained ongoing communication with licensees to assess operational readiness, provide technical guidance, discuss regulatory expectations, and identify issues requiring resolution before market operations begin.

Each license or permit application represents a substantial regulatory undertaking – not a single transaction. From initial application through final regulatory disposition and, where applicable, operational readiness, OCR works directly with applicant ownership and management teams over an extended period to provide technical assistance, verify compliance, coordinate inspections, and support each applicant throughout the regulatory process.

The Office has also convened three virtual town hall meetings, three in-person industry engagement sessions, and its inaugural Compliance Summit, providing licensees direct access to regulators, external subject-matter experts, and professional service providers to support operational readiness before market operations begin. These meetings have served not only as educational opportunities, but also as forums for identifying practical implementation challenges and collaboratively developing solutions that support both regulatory objectives and industry success.

Building upon these efforts, OCR expanded its licensee support through the Licensee Readiness Series, which launched this fiscal year with programming focused on laboratory testing and operational readiness and will continue addressing additional operational requirements through future sessions.

The Licensee Readiness Series reflects an important evolution in the Office's approach. Rather than focusing solely on license issuance, OCR has increasingly emphasized building a culture of compliance before commercial operations begin. Implementation requires more than establishing regulatory systems – it also requires preparing licensees to operate successfully within them by clearly communicating regulatory expectations, identifying readiness gaps, reducing avoidable compliance failures, and preparing the marketplace as a whole for responsible operations.

As part of this broader readiness effort, OCR has begun planning a Cannabis Industry Job Expo designed to connect licensed businesses with Virgin Islands residents interested in employment opportunities within the regulated marketplace. The event will help licensees identify prospective employees while introducing residents to the diverse career opportunities, qualifications, training pathways, and workforce needs associated with the regulated cannabis industry. A prepared workforce is an essential component of market readiness, and this initiative supports the development of local talent alongside the Office's broader implementation efforts.

The Office also recognizes that licensees have invested substantial time and financial resources in preparing for market participation, and we appreciate the urgency felt by applicants who are eager to begin operations. OCR continues to work closely with cultivators, manufacturers, dispensaries, laboratory partners, Metrc, financial institutions, and other stakeholders to coordinate implementation activities and minimize unnecessary delays while preserving the integrity of the regulatory process.

This hands-on approach has also enabled OCR to adapt quickly as operational circumstances have evolved. One example occurred earlier this year when the unexpected withdrawal of a conditionally approved licensee significantly affected anticipated supply-chain development.

Rather than viewing that event as an isolated licensing matter, the Office carefully assessed its potential impact on the broader marketplace and evaluated regulatory options designed to preserve market stability, minimize unnecessary disruption, and maintain fairness and consistency across all licensees.

That experience illustrates an important reality of implementation: it is not a linear process. Responsible regulation requires continual assessment, collaboration with stakeholders, and the flexibility to adapt as circumstances evolve while continuing to move implementation forward responsibly.

Consistent with the Office's emphasis on operational readiness, the majority of applications have progressed through the review process within established timelines. Where delays have occurred, they have most often resulted from incomplete submissions, outstanding documentation requirements, applicant-requested modifications, or delays in payment that prevent applications from entering active review.

Collectively, these efforts reflect OCR's evolution from an implementation office into a modern regulatory agency—one responsible not only for opening the market, but for protecting public health, supporting compliant businesses, coordinating with partner agencies, and building the institutional capacity necessary to regulate an evolving industry.

From Implementation to Responsible Regulation

Responsible regulation requires more than issuing licenses.

Before the first legal cannabis product can be cultivated, manufactured, transported, tested, or sold, government must first establish the systems that make those activities safe, accountable, transparent, and enforceable. Those systems are not optional. They are the foundation upon which every successful regulated marketplace is built. That responsibility has required the Office to establish the legal, operational, technological, financial, and regulatory systems necessary to support a safe and accountable marketplace.

Many of these systems operate in ways that are not immediately visible to the public. When they function well, they are often taken for granted.

Consumers simply expect products to be tested. Businesses expect licenses to be processed. Patients expect registrations to be issued. Law enforcement expects reliable regulatory information. Policymakers expect accountability. Government financial officials expect cannabis-related funds to be received and managed without jeopardizing existing public banking relationships.

Those outcomes are possible only because significant work has already occurred long before the first legal sale ever takes place.

Had the Office focused solely on achieving the earliest possible market opening, some of those foundational systems would necessarily have remained underdeveloped. That approach may have resulted in an earlier opening date, but it would not have produced a stronger regulatory program.

Instead, OCR has prioritized building a marketplace capable of withstanding scrutiny, adapting to changing operational realities, and earning the confidence of patients, consumers, businesses, policymakers, and the people of the Virgin Islands.

That philosophy has guided every major implementation decision made by the Office because the systems established today will become the standards by which this industry is governed tomorrow. Efficiency remains important, but never at the expense of accountability.

Compliance and Enforcement as a Regulatory Continuum

OCR’s approach to enforcement is grounded in the understanding that effective regulation begins with clear expectations.

A successful regulatory program does not rely solely on identifying violations after they occur. It relies upon education, technical assistance, communication, compliance monitoring, and proactive engagement that help regulated businesses understand and meet their obligations.

The goal of regulation is not simply to identify failure. The goal is to create systems that make compliance achievable and accountability meaningful.

For that reason, OCR views education, inspections, compliance monitoring, corrective action, and enforcement as parts of a single regulatory continuum.

The Office communicates regulatory expectations through formal guidance, education, ongoing engagement, inspections, and direct interaction with regulated businesses. OCR then verifies compliance through documentation review, inspections, laboratory testing, Metrc reporting, product accountability measures, and ongoing monitoring.

Where deficiencies are identified, the Office may provide guidance, require corrective action, or take appropriate administrative or enforcement action depending upon the nature, severity, and circumstances of the violation.

When expectations have been clearly established and appropriate opportunities for compliance have been provided, enforcement becomes stronger, more consistent, and more defensible.

This approach should not be misunderstood as an unwillingness to enforce the law. OCR's Enforcement Unit is actively conducting investigations, participating in joint and independent enforcement operations, providing technical assistance to partner agencies, supporting seizures and temporary closures where appropriate, conducting compliance inspections, and responding to suspected violations involving cannabis and intoxicating hemp products.

Much of this activity occurs before a matter becomes visible to the public. Effective enforcement frequently involves intelligence gathering, interagency coordination, documentation review, legal analysis, surveillance, product assessment, evidence management, and careful evaluation of the appropriate regulatory response.

Effective enforcement requires more than statutory authority. It requires trained personnel, secure evidence storage, chain-of-custody procedures, testing capacity, confidential investigative space, reliable records, appropriate technology, interagency protocols, administrative hearing procedures, and access to specialized legal and scientific expertise.

Enforcement also protects compliant businesses. A regulated marketplace cannot remain stable if businesses that comply with licensing, testing, tracking, and consumer-protection requirements are expected to compete indefinitely against unlicensed operators or businesses that disregard those obligations.

OCR's goal is not simply to identify violations. It is to create a regulatory environment in which compliance becomes the expected standard and enforcement remains available, credible, and effective when necessary.

Building the Regulatory Infrastructure

Building a responsible regulatory program requires more than laws and regulations. It requires operational infrastructure capable of supporting licensing, compliance, product accountability, financial management, laboratory testing, and long-term regulatory oversight. During implementation, OCR established several of these foundational systems.

Among the most significant is the Territory's licensing and registration platform. OCR has invested approximately $500,000 over the past two fiscal years in the Tyler Technologies licensing and registry system. This platform serves as the operational backbone for medical cannabis patients, caregivers, sacramental users, registered practitioners, and cannabis business agents.

This investment was not simply the purchase of software. It established the Government's licensing infrastructure – a secure, accountable, and scalable system capable of supporting future program growth while reducing administrative burden and improving public service.

Similarly, OCR has continued implementing the Territory's seed-to-sale tracking system through Metrc, the nationally recognized inventory-tracking platform used by regulated cannabis programs throughout the United States. To date, approximately $203,000 has been invested in the implementation and integration of this system.

Metrc provides inventory accountability, product traceability, diversion prevention, recall capability, compliance monitoring, and regulatory oversight throughout the supply chain – from cultivation through retail sale. These are not optional features. They are essential public health and public safety protections that responsible regulation requires.

OCR has also coordinated the establishment of independent laboratory-testing capacity within the Territory. A regulated marketplace cannot responsibly operate without product testing capable of verifying potency, screening for contaminants, and ensuring that products offered to consumers meet established health and safety standards.

While a laboratory vendor has been selected, delays associated with securing an appropriate facility have required continued coordination among OCR, the laboratory, and other stakeholders. Until this critical component is operational, the Office cannot responsibly authorize commercial sales.

Another critical component of implementation has been establishing the financial infrastructure necessary to support the regulated program. Because cannabis remains treated differently under federal law than many other regulated industries, banking cannot be addressed solely as a matter of whether individual businesses can obtain checking accounts.

The Government itself required a safe and compliant pathway to receive, manage, account for, and safeguard cannabis-related revenues without creating unnecessary risk to existing public banking relationships. OCR worked collaboratively with governmental and financial partners to establish that pathway for receiving and managing cannabis-related government revenues.

This work was necessary before the Territory could responsibly begin collecting the fees and other revenues associated with an operational cannabis marketplace.

The Office continues to address related operational considerations involving cash management, revenue collection, security, transportation, and the logistical challenges unique to managing financial activity across an island jurisdiction. Traditional mainland solutions for banking access, armored transportation, cash processing, and centralized deposits do not always translate directly to the geographic realities of the Virgin Islands.

Together, these systems form the operational infrastructure upon which safe, accountable, and sustainable regulation depends.

Building Long-Term Capacity

Ultimately, these investments are not expenditures for their own sake; they are investments in governmental capacity. As implementation transitions into long-term regulation, the Office must continually evaluate which strategic investments will most meaningfully strengthen regulatory oversight while remaining fiscally responsible.

Technology provides one example. OCR has explored expanding the Territory's existing Tyler platform with a dedicated cannabis business-licensing and compliance-management module.

Preliminary evaluations indicate that this functionality could substantially streamline application processing, compliance monitoring, inspection scheduling, document management, and reporting while reducing long-term administrative burden and improving service to applicants. However, implementing that module alone would require an additional investment of approximately $200,000 annually, in addition to one-time implementation costs.

While OCR believes these investments would ultimately improve efficiency and strengthen regulatory oversight, the Office has determined that they are not financially prudent under current resource constraints.

Instead, OCR continues managing many of these functions manually while carefully evaluating future opportunities to modernize operations as revenues mature and resources permit. While that approach has been sufficient during implementation, it becomes increasingly difficult as licensing volume, inspections, compliance obligations, and regulatory responsibilities continue to expand.

OCR has not pursued technology simply because it exists. Rather, every investment must demonstrate meaningful improvements in accountability, transparency, operational efficiency, or public protection before limited public resources are committed.

The same philosophy has informed other operational decisions. For example, the Office has completed substantial due diligence regarding the administrative appeals process required under law.

OCR has worked with procurement professionals and evaluated qualified external resources capable of providing specialized administrative hearing services that the Office cannot reasonably maintain in-house at its current size. Because the volume and frequency of future appeals cannot yet be reliably predicted, a per-task or fee-for-service arrangement represents a more fiscally responsible approach than immediately establishing a permanent hearing office or full-time position.

This model provides the Office with access to independent administrative hearing services as needed while avoiding the recurring cost of a permanent position. It also allows OCR to establish the due-process infrastructure required by law before the first appeal is filed, while preserving the independence of the adjudicative function and ensuring that regulated parties have access to a fair, transparent, and legally sound administrative process.

As a small regulatory agency operating within finite fiscal and personnel resources, OCR must continually balance the use of outside expertise with the long-term goal of developing internal institutional capacity. Certain highly specialized functions – including legal review, scientific consultation, administrative hearings, scientific and laboratory expertise, and complex technology implementation – are neither practical nor cost-effective to maintain entirely in-house at the Office's current size. Accordingly, the Office has strategically relied upon contracted expertise where appropriate while simultaneously investing in staff development, cross-training, and institutional knowledge that will reduce reliance on outside resources over time.

Investing in People and Expertise

The Office has consistently sought to maximize the talents of its existing staff while remaining mindful of the fiscal realities facing the Government of the Virgin Islands. Throughout implementation, OCR has relied heavily upon collaboration, cross-training, interagency partnerships, and carefully selected outside expertise to accomplish work that, in larger jurisdictions, is often performed by significantly larger teams. That approach has served the Office well to date.

As the regulated marketplace becomes operational, however, the complexity of OCR's work will continue to increase.

Regulatory oversight requires specialized knowledge in areas including administrative law, scientific evaluation, compliance, investigations, laboratory testing, public health, data analysis, evidence management, and emerging cannabinoid policy. These disciplines cannot reasonably be expected of every member of a small regulatory staff. Accordingly, the Office continues evaluating the most effective balance between contracted expertise and permanent institutional capacity as the complexity of its responsibilities continues to grow.

Dedicated Legal Counsel

One of the Office's long-term priorities is access to legal expertise dedicated to the specialized needs of cannabis and hemp regulation.

Cannabis and hemp regulation exist within one of the most rapidly evolving areas of administrative law in the United States. Federal policy continues to evolve with respect to cannabis scheduling, intoxicating hemp, cannabinoid products, interstate commerce, product labeling, advertising, enforcement authority, and related litigation, requiring continual legal monitoring and analysis.

At present, OCR relies upon shared legal resources and close collaboration with the Department of Justice and other governmental partners. The Office greatly values those partnerships and will continue to do so.

As regulatory complexity increases, however, dedicated legal support will become increasingly important to assist with rulemaking, enforcement actions, administrative hearings, contracts, procurement, policy development, litigation support, and ongoing legal analysis unique to cannabis and hemp regulation.

Given the Office's current size and the unpredictable volume of legal work, OCR anticipates initially utilizing specialized counsel through an on-call or as-needed contractual arrangement rather than immediately establishing a permanent position. This approach provides access to specialized legal expertise while allowing the Office to defer the recurring cost of a full-time position until workload and operational demands justify that investment.

The eventual establishment of dedicated legal capacity represents not only an investment in the Office, but an investment in sound administrative decision-making and the long-term legal integrity of the Territory's regulatory program.

Scientific Expertise

Similarly, the Office anticipates that scientific expertise will become an increasingly important component of responsible regulation.

Modern cannabis and cannabinoid regulation relies heavily upon scientific evaluation involving laboratory-testing methodologies, contaminants, product formulation, toxicology, cannabinoids, hemp-derived compounds, emerging natural medicines, and evolving public health research. These issues extend well beyond traditional administrative regulation and increasingly require specialized scientific expertise capable of informing regulatory standards and policy decisions.

During implementation, OCR has relied upon external subject-matter experts and laboratory partners to provide specialized scientific guidance where appropriate.

As the Office's responsibilities continue to expand, the eventual addition of a dedicated scientific adviser—whether initially through contract services or ultimately as a permanent member of the Office—will significantly strengthen the Territory's ability to make science-informed regulatory decisions while reducing long-term dependence upon outside expertise.

Facilities and Operational Readiness

The Office remains sincerely appreciative of the workspace generously provided by the Department of Licensing and Consumer Affairs during OCR's formative years. That partnership allowed the Office to establish operations quickly and efficiently while minimizing costs to the Government.

OCR has intentionally deferred the significant recurring expense associated with dedicated facilities for as long as operationally feasible by maximizing existing governmental space and resources during implementation.

As implementation has progressed, OCR's operational needs have evolved considerably. OCR now routinely conducts confidential compliance meetings, enforcement planning, investigative coordination, and other activities requiring privacy and confidential workspaces. As enforcement responsibilities continue expanding, OCR also requires appropriate facilities for evidence receipt, documentation, examination, temporary storage, chain-of-custody management, product handling, and coordination with laboratory and law-enforcement partners. The lack of dedicated operational space increasingly limits the Office's ability to conduct these activities safely, securely, and efficiently.

Looking ahead, the Office anticipates requesting additional personnel in both districts to support growing operational responsibilities. Existing space constraints make accommodating future staff increasingly difficult and limit the Office's ability to conduct its work efficiently. Appropriate office space is therefore not simply an administrative convenience – it is operational infrastructure supporting effective regulation, enforcement, confidentiality, evidence integrity, employee safety, and public service.

The Office has begun evaluating available facilities in both districts. Based on current commercial availability and the operational requirements of a regulatory and enforcement agency, OCR estimates that suitable office space capable of supporting regulatory operations would require approximately $15,000 to $20,000 per month Territory-wide, exclusive of modest furnishings and other one-time startup costs. While this expense is not included in the Fiscal Year 2027 budget request, the Office believes it is important to place these anticipated operational needs before the Committee as long-term planning considerations.

As the Office approaches the point at which shared space no longer supports its enforcement, evidentiary, staffing, and confidentiality obligations, dedicated facilities will become an operational necessity rather than a discretionary expansion.

Responsible Fiscal Stewardship and Long-Term Sustainability

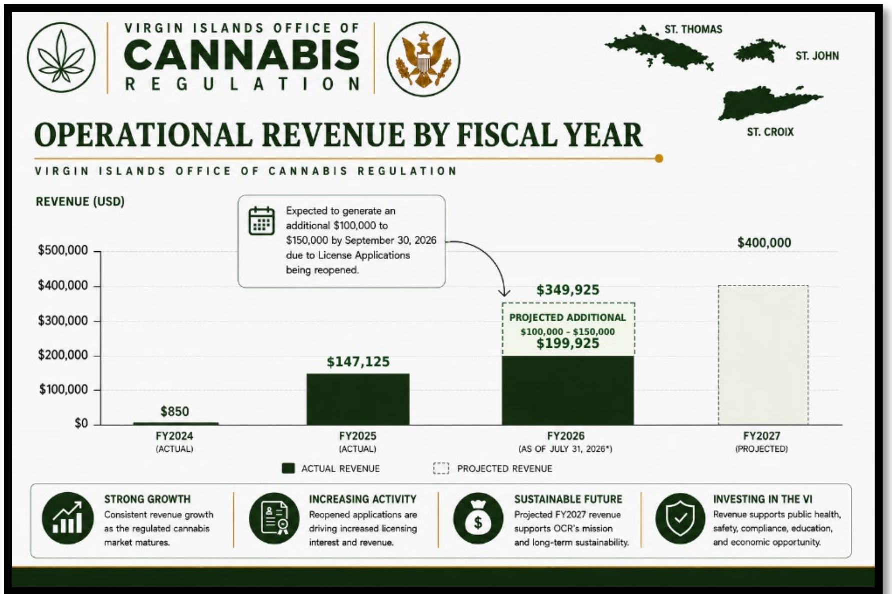
Building a new regulatory agency requires both an initial public investment and a long-term commitment to fiscal stewardship. Accordingly, OCR has approached implementation with the goal of developing a regulatory program that is effective, accountable, and increasingly self-sustaining over time.

Throughout implementation, the Office has intentionally distinguished between investments that were immediately necessary to fulfill its statutory responsibilities and those that could responsibly be deferred. OCR has leveraged existing governmental resources where appropriate, relied upon strategic partnerships, deferred certain technology enhancements and operational expenditures until they become fiscally prudent, and continually evaluated opportunities to improve efficiency while minimizing unnecessary costs to the Government.

While OCR's current appropriation remains essential as the program moves from implementation to full operations, the Office has already begun identifying opportunities to reduce long-term reliance on General Fund support through diversified revenue sources, cost-recovery mechanisms, and operational efficiencies.

This commitment to fiscal stewardship extends beyond expenditures.

During the implementation phase, General Fund appropriations have necessarily provided the financial foundation for building the Office and establishing the regulatory systems required before meaningful program revenues could be generated. As the regulated marketplace transitions from implementation to operations, however, OCR is already experiencing measurable growth in operational revenues generated through licensing and other authorized program activities. Operational revenue has increased from $850 in FY2024 to nearly



$150,000 in FY2025, and to nearly $200,000 as of July 31, 2026, with continued growth anticipated before the close of the fiscal year. While future revenues will continue to depend upon market participation and the pace of implementation, current trends demonstrate that the program is progressing toward the Legislature's vision of an increasingly self-sustaining regulatory framework. The Office will continue to monitor revenue performance, evaluate program costs, and refine its projections as the market matures.

Implementation has also highlighted opportunities to strengthen the long-term financial sustainability of the regulatory program through targeted legislative refinements that would better align program revenues with the cost of administering and enforcing the Cannabis Use Act.

Among those recommendations are legislative clarifications authorizing OCR to collect and retain revenues generated through licensing, application and renewal fees, administrative fines and penalties, educational and training services, and other authorized regulatory activities. OCR is also seeking explicit authority to license appropriate government-owned intellectual property created by the Office.

Dedicated program revenues would allow the Office to reinvest directly in inspections, investigations, compliance monitoring, technology, laboratory coordination, public education, administrative appeals, and other regulatory functions, strengthening the integrity of the program while reducing long-term reliance on General Fund appropriations.

OCR has developed original educational materials, regulatory guidance, compliance resources, branding, training content, and other proprietary program assets in support of the regulated program. These assets can be responsibly leveraged for the benefit of the Cannabis Fund without expanding the Office's operational responsibilities.

OCR does not intend to manufacture, market, distribute, or sell consumer merchandise. Under the contemplated model, private vendors would be responsible for developing, manufacturing, marketing, and selling authorized products or services in accordance with licensing agreements and brand-use standards, while OCR would retain ownership of the intellectual property and receive licensing fees or royalties for the Cannabis Fund.

This approach creates an additional revenue stream for the Cannabis Fund without expanding the Office's operational footprint or imposing additional costs on taxpayers, while ensuring that ownership and oversight of the intellectual property remain with the Government.

Implementation has also highlighted the need for explicit authority allowing OCR to recover reasonable regulatory costs directly associated with administering and enforcing the Cannabis Use Act.

Certain activities – including laboratory analysis, evidence management, product transportation or destruction, administrative hearings, extraordinary records production, and specialized investigations – may generate substantial expenses directly attributable to a particular regulated activity, case, licensee, or violation.

Subject to appropriate statutory safeguards, notice, transparency, and administrative review, cost-recovery authority could help ensure that extraordinary regulatory expenses are borne by the regulated activity that generated them rather than by the general taxpayer.

These proposals are not intended to maximize revenue or create unnecessary financial burdens for regulated businesses or the public. Their purpose is to strengthen the long-term sustainability of the regulatory program by better aligning appropriate regulatory funding with the costs of responsible oversight.

Responsible regulation requires not only effective oversight, but also prudent stewardship of the public resources entrusted to the Office. By carefully managing expenditures, leveraging existing resources, recovering appropriate regulatory costs where authorized, and diversifying program revenues in ways consistent with OCR's statutory mission, the Office is building a regulatory institution that is increasingly self-supporting, transparent, and accountable.

Emerging Regulatory Priorities

Beyond implementation of the Cannabis Use Act and the new statutory responsibilities related to intoxicating hemp, OCR is also preparing for the next generation of regulatory challenges.

One of the most significant emerging operational challenges involves product accountability.

As intoxicating-hemp products continue entering the marketplace, OCR must develop mechanisms capable of tracking products, documenting laboratory testing, monitoring compliance, supporting investigations, and protecting consumers from adulterated or improperly marketed products.

Modern regulatory programs typically accomplish these objectives through specialized technology platforms comparable to those used within regulated cannabis programs. OCR has evaluated several potential technology solutions, including expanding existing regulatory platforms and adapting commercially available tracking systems. While these technologies would significantly strengthen product accountability, implementation costs currently exceed the Office's available resources, requiring continued reliance on manual tracking during the early stages of implementation.

Although manual processes are sufficient initially, they are not a sustainable long-term solution. As the volume and complexity of regulated products increase, manual tracking limits the Office's ability to efficiently analyze data, monitor compliance trends, support enforcement activities, and respond efficiently to emerging public-health concerns.

Simply stated, the work envisioned by the Legislature cannot be accomplished at scale through manual processes alone.

Equally important is the need for public education. The intoxicating-hemp marketplace continues evolving rapidly, and many consumers remain unaware of the differences among hemp-derived cannabinoids, intoxicating products, regulated cannabis, and other emerging substances available within the marketplace. Businesses likewise require education regarding changing regulatory requirements, labeling standards, testing expectations, and lawful business practices.

Recognizing these challenges, OCR has already begun working collaboratively with the Department of Health, the Virgin Islands Police Department, the Department of Licensing and Consumer Affairs, the Department of Justice, and other governmental partners to develop coordinated public-education initiatives while simultaneously expanding joint compliance and enforcement activities.

Beyond intoxicating hemp, the Office is closely monitoring national and territorial developments involving hemp-derived cannabinoids, THC-infused foods and beverages, novel cannabinoids, and other emerging natural medicines, including psilocybin, ibogaine, kratom, and functional mushroom products that are already appearing on retail shelves throughout the Territory despite the absence of comprehensive regulatory frameworks.

The Office believes the Virgin Islands should begin thoughtful policy discussions regarding how these emerging markets intersect with public health, consumer protection, law enforcement, and existing regulatory authority before circumstances require reactive policymaking. This should not be interpreted as a recommendation that any particular product be legalized, prohibited, or regulated by OCR. Rather, it reflects the Office's responsibility to identify emerging regulatory issues before they become public health or enforcement challenges.

Implementation has also highlighted the need for legislative refinements to Act No. 8680 to more directly address THC-infused food and beverage products. This rapidly expanding category is now one of the fastest-growing segments of the cannabinoid market nationally and presents regulatory issues that merit proactive legislative attention.

Ultimately, the expansion of OCR's responsibilities reflects the Office's role as the Territory's center of expertise for cannabis, hemp, and emerging cannabinoid policy. As that role continues to evolve, the Office remains committed to providing the Legislature with thoughtful, science-informed, and practical recommendations that protect public health while supporting responsible regulation and sound public policy.

Conclusion

Good regulation is not static. It is iterative. It is informed by experience, strengthened through collaboration, and refined through continuous improvement.

As the Office looks beyond implementation and toward the long-term future of regulation in the Virgin Islands, one principle remains constant: the work of building a responsible regulatory system does not end when the first licensed business opens its doors.

In many respects, that is when the work truly begins.

The people of the Virgin Islands deserve regulatory institutions that are transparent, accountable, science-informed, and capable of adapting responsibly as laws, markets, technology, and public-health considerations continue to evolve.

Every significant decision made by the Office throughout implementation has been guided by that principle. Public trust is not established by statute alone. It is earned through consistent, transparent, and principled administration over time – one decision, one partnership, and one system at a time.

The Office recognizes that implementation has required patience – from the Legislature, from licensees, from our partner agencies, and from the public. We are grateful for that patience, and we believe it has allowed the Virgin Islands to build a stronger, more accountable, and more resilient regulatory framework than would have been possible had we focused solely on opening the market as quickly as possible.

The Legislature entrusted OCR with an extraordinary responsibility: not simply to implement a statute, but to establish a new regulatory institution from the ground up. We have embraced that responsibility with humility, collaboration, fiscal prudence, and an unwavering commitment to protecting the public interest.

Along the way, we have learned that responsible regulation requires far more than issuing licenses. It requires sound policy, scientific integrity, legal rigor, meaningful public education, effective enforcement, modern technology, financial accountability, thoughtful collaboration, and the willingness to continually evaluate and improve.

OCR is not asking the Legislature simply to fund another government office. We are asking the Legislature to continue investing in a regulatory program intentionally designed to become increasingly self-supporting, fiscally responsible, and accountable to the people of the Virgin Islands. The progress reflected throughout this testimony demonstrates that the Office is already moving steadily toward that objective.

Through thoughtful implementation, strategic legislative refinements, diversified program revenues, continued oversight, and prudent stewardship of public resources, we are building not only a cannabis program, but a modern regulatory institution capable of serving this Territory for decades to come.

The work of implementation will eventually conclude. The responsibility of stewardship will not.

It is in that spirit that OCR respectfully submits this budget – not simply as a request for operating funds, but as an investment in the governmental capacity necessary to protect public health, promote accountability, support responsible economic development, and earn the continued confidence of the people of the Virgin Islands.

Mr. Chairman, and Honorable Members of the Committee, thank you for your continued partnership, your thoughtful consideration of this budget, and your commitment to helping build regulatory institutions that will serve this Territory with integrity for decades to come.

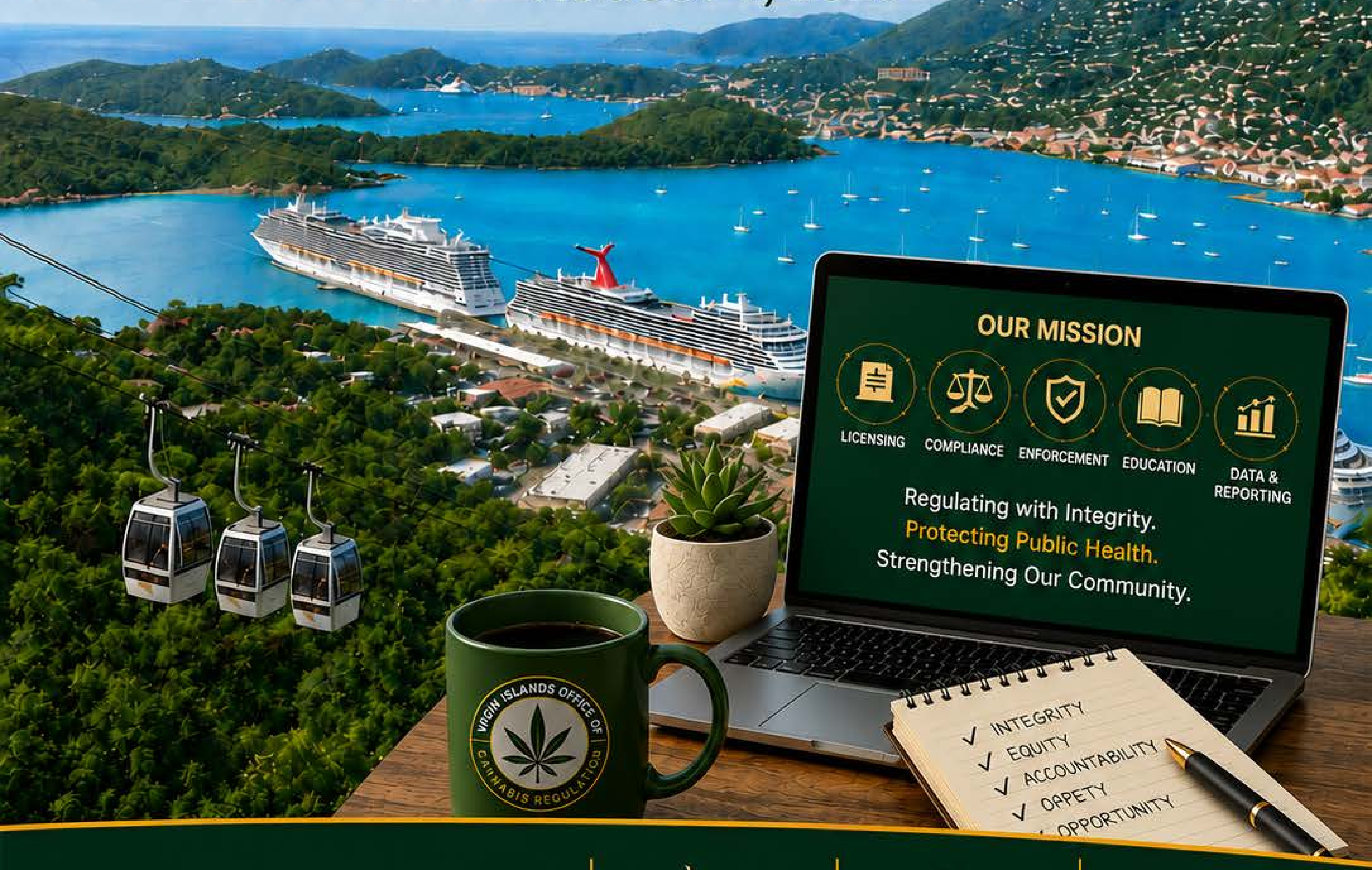
I welcome your questions.

VIRGIN ISLANDS OFFICE OF CANNABIS REGULATION

APPENDIX

COMMITTEE ON BUDGET, APPROPRIATIONS AND FINANCE

BUDGET HEARING FY2027
AUGUST 7, 2026



St. Thomas | St. John | St. Croix

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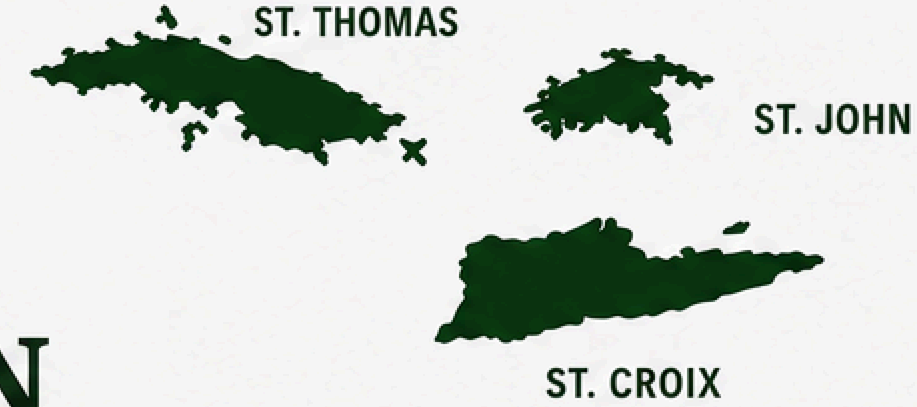
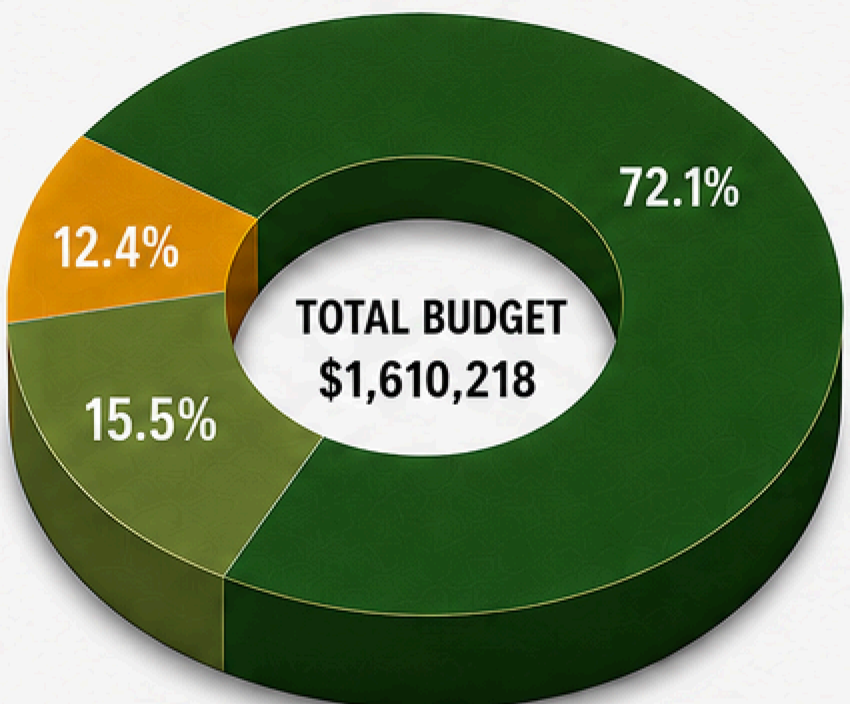


FY 2027 BUDGET BREAKDOWN

Total Budget: **$1,610,218**

1. FUNDING SOURCES

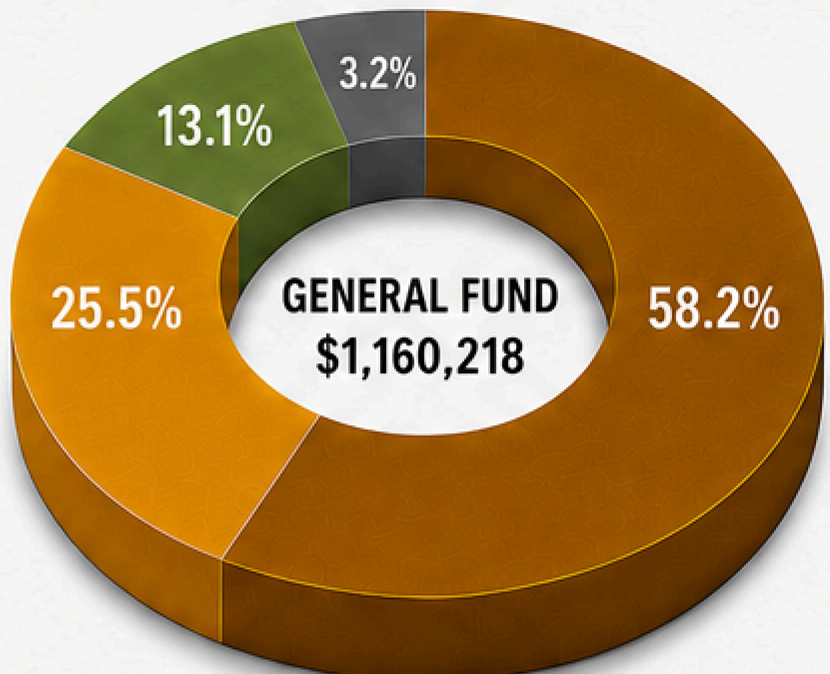
$1,610,218



General Fund	72.1%	$1,160,218
Cannabis Fund	15.5%	$250,000
Tourism Advertising Revolving Fund (TARF)	12.4%	$200,000

2. GENERAL FUND BREAKDOWN

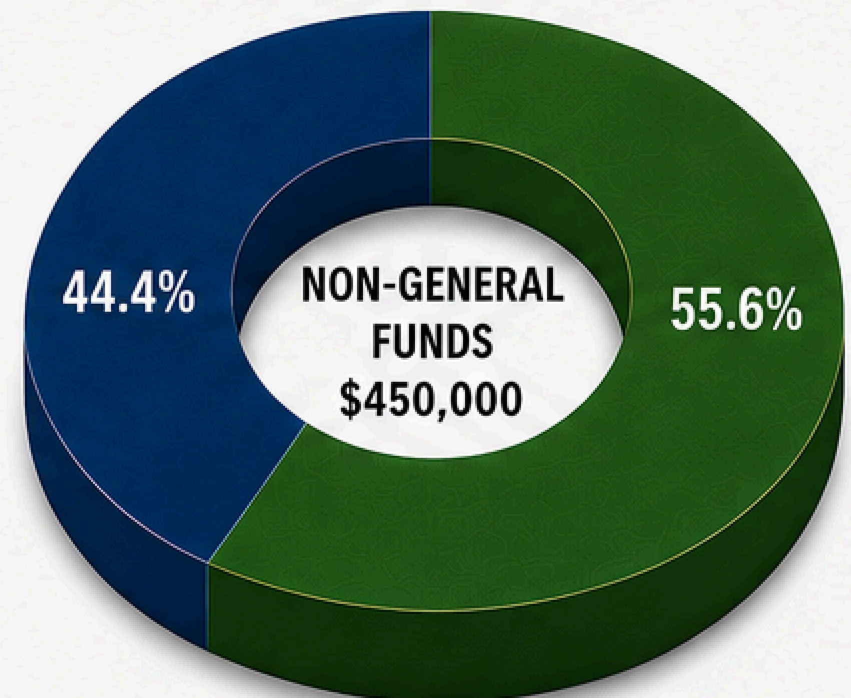
$1,160,218
72.1% OF TOTAL BUDGET



Staffing	58.2%	$675,000
Fringe Benefits	25.5%	$295,540
Supplies	13.1%	$151,478
Other (Communication, Travel, Etc.)	3.2%	$38,000

3. NON-GENERAL FUND BREAKDOWN

$450,000
27.9% OF TOTAL BUDGET



Cannabis Fund *Enforcement, Travel, Professional Services*	55.6%	$250,000
Tourism Advertising Revolving Fund (TARF) *Metrc, Public Education and Equipment*	44.4%	$200,000

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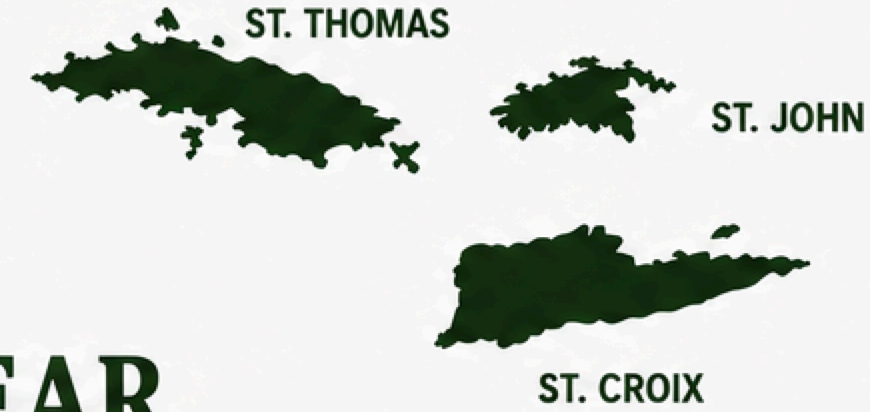
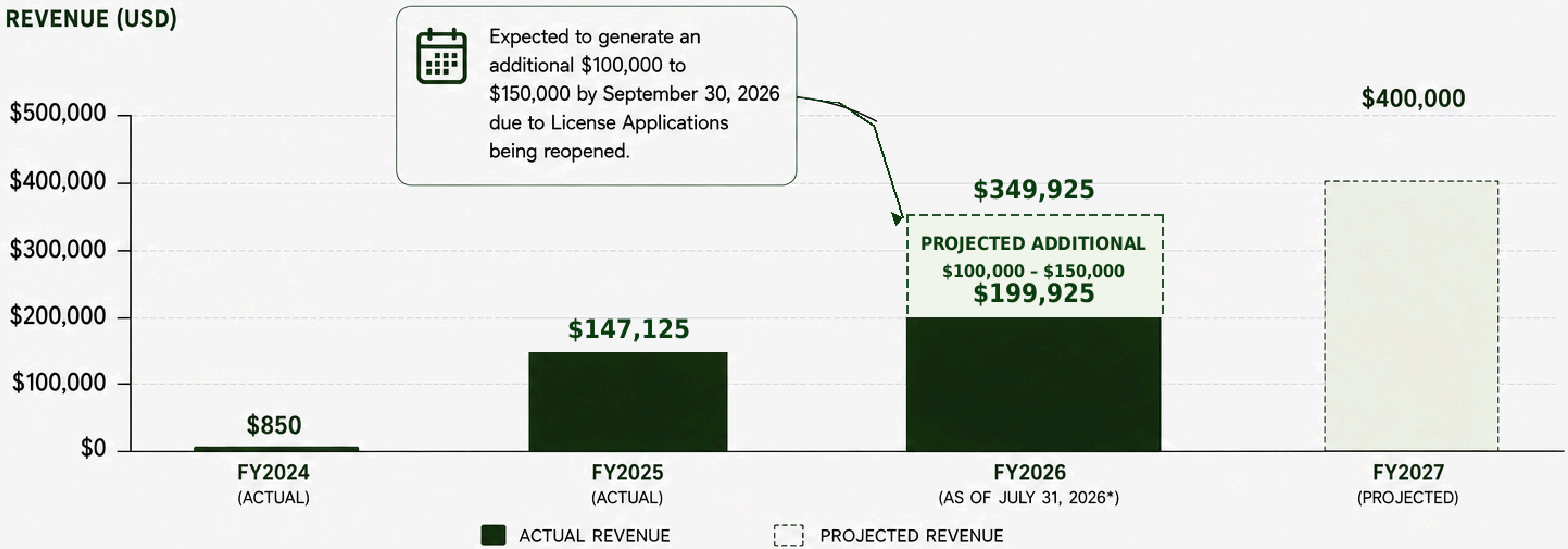


OPERATIONAL REVENUE BY FISCAL YEAR

VIRGIN ISLANDS OFFICE OF CANNABIS REGULATION



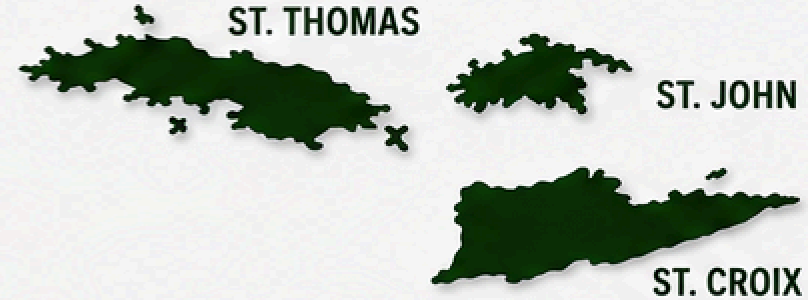
STRONG GROWTH
Consistent revenue growth as the regulated cannabis market matures.

INCREASING ACTIVITY
Reopened applications are driving increased licensing interest and revenue.

SUSTAINABLE FUTURE
Projected FY2027 revenue supports OCR's mission and long-term sustainability.

INVESTING IN THE VI
Revenue supports public health, safety, compliance, education, and economic opportunity.

VIRGIN ISLANDS OFFICE OF
CANNABIS
REGULATION



Building the Foundation

VIRGIN ISLANDS OFFICE OF CANNABIS REGULATION • 2023–PRESENT

- 4 Years of Implementation
- 2 Regulatory Programs
- FY2027: Transition to Operations

2023

LAW

Virgin Islands Cannabis Use Act (Act 8680)

2024

Rules & Regulations
Regulatory framework established

Office Staffing
OCR begins initial implementation phase

Technology
Licensing and regulatory systems implemented

2025

Enforcement Staffing
Enforcement team established

Licensing
Application process launched

Compliance Staffing
Compliance team established

Laboratory Identified
Laboratory partner identified

2026

Compliance Phase
Regulatory oversight begins

Public & Licensee Education
Outreach, guidance and stakeholder engagement

Laboratory Testing & Framework Established
Testing program and framework established

Regulated Market Activation
Safe and regulated market begins operations

Hemp Rules & Regulations
Hemp rules and regulations developed

OUR PROMISE

Regulate with integrity, promote public health and strengthen our community.

OUR COMMITMENT

Transparency.
Equity.
Accountability.
Safety.
Economic Opportunity.

OUR GOAL

Building the Framework for a Safe and Regulated Cannabis Industry

VIRGIN ISLANDS OFFICE OF
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OCR TIMELINE

St. Thomas | St. John | St. Croix

2023

- 8680 PASSED

2024

- RULES AND REGULATIONS APPROVED
- TYLER CONTRACT
- MEDICAL PRACTITIONERS
- ADMINISTRATIVE STAFFING
- MEDICAL REGISTRY

2025

- METRC CONTRACT
- ENFORCEMENT STAFFING
- LICENSING APPLICATIONS
- 36-0105 HEARINGS
- TRAININGS
- PUBLIC AWARENESS / EDUCATION
- OCR COMPLIANCE SUMMIT
- CONDITIONAL APPROVALS
- LAB RFQ
- BANKING SYSTEM

2026

- METRC IMPLEMENTATION
- HEMP ENACTED
- LICENSEE READINESS
- LAB TESTING FACILITY
- SOPPs
- COMPLIANCE READINESS
- TRAININGS
- TRAININGS
- MEDICAL AND SACRAMENTAL REGISTRY
- PUBLIC EDUCATION / AWARENESS
- ENFORCEMENT OPERATIONS
- LICENSING APPLICATIONS ROUND II
- INTERAGENCY PARTNERS
- RULES AND REGULATIONS 9072
- INTOXICATING HEMP ENFORCEMENT
- CAREER EXPO

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VIRGIN ISLANDS OFFICE OF CANNABIS REGULATION

CORE REGULATORY INFRASTRUCTURE ESTABLISHED

St. Thomas | St. John | St. Croix

1. LICENSING PLATFORM

tyler

- 100 % Online
- Practitioners
- Patients & Caregivers
- Sacramental Users
- Cannabis Business Agents

2. METRC

metrc®

- Contract executed
- Weekly implementation & training
- Licensee credentialing & training

3. MEDICAL REGISTRY

- HIPAA compliant
- 100% online
- Home Grow
- Reciprocity

4. ENFORCEMENT DIVISION

- Investigations & Inspections
- Licensed Establishments
- Illicit Market Enforcement
- Testing & Training

5. BANKING SYSTEM

- Commercial Banking Partner Identified for GVI & commercial clients

6. RESPONSIBLE VENDOR TRAINING (RVT)

- OCR Interim Instruction
- 1st vendor selected (MOU being executed)
- Possible additional vendors

7. HEMP REGULATORY PROGRAM

- Inspections
- Compliance
- Rules & Regulations

8. LAB TESTING

- Main Laboratory STX
- Collection Hub STT
- Testing Standards & SOPPs
- Licensee Education

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VIRGIN ISLANDS OFFICE OF CANNABIS REGULATION

VIRGIN ISLANDS OFFICE OF CANNABIS REGULATION

OCR

BY THE NUMBERS

APPLICATIONS

62

- Licenses
- Permits

INSPECTIONS

BUSINESS
90

AT HOME GROWS
23

ENFORCEMENT

INVESTIGATIONS
11

JOINT OPERATIONS
2

PATIENTS

APPROVED
40

MEETINGS

TRAINING SESSIONS	4
TOWN HALLS	3
IN-PERSON SESSIONS	3
COMPLIANCE SUMMIT	1

AGENCY PARTNERS

LOCAL & FEDERAL
10

NATIONAL
2

OUR PROMISE

To regulate with integrity, protect public health, and strengthen our community.

OUR COMMITMENT

TRANSPARENCY | EQUITY | ACCOUNTABILITY | SAFETY | ECONOMIC OPPORTUNITY

ST. THOMAS | ST. JOHN | ST. CROIX

VIRGIN ISLANDS OFFICE OF
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REGULATION

St. Thomas | St. John | St. Croix

TYLER | LICENSING & REGISTRY PLATFORM

SYSTEM ACTIVITY TO DATE

9	Registered Medical Practitioners
144	Electronic Medical Certifications Issued
67	Medical Patient Identification Cards Issued
1	Registered Sacramental Organization
9	Cannabis Business Agent Registrations Issued

OUR PROMISE
Regulate with integrity, promote public health, and strengthen our community.

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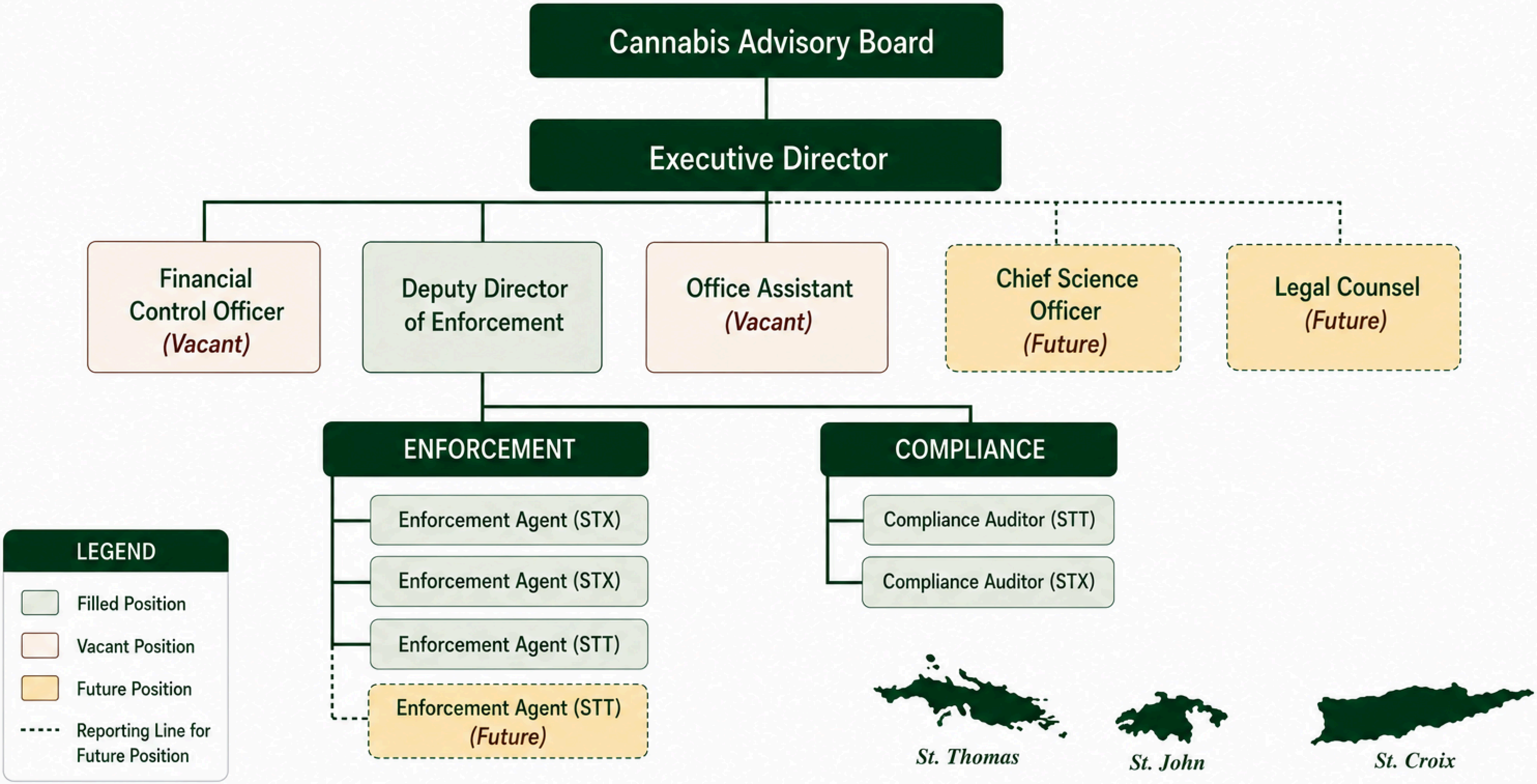
Transparency • Equity • Accountability
Safety • Economic Opportunity

VIRGIN ISLANDS OFFICE OF CANNABIS REGULATION

OCR ORGANIZATIONAL CHART



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