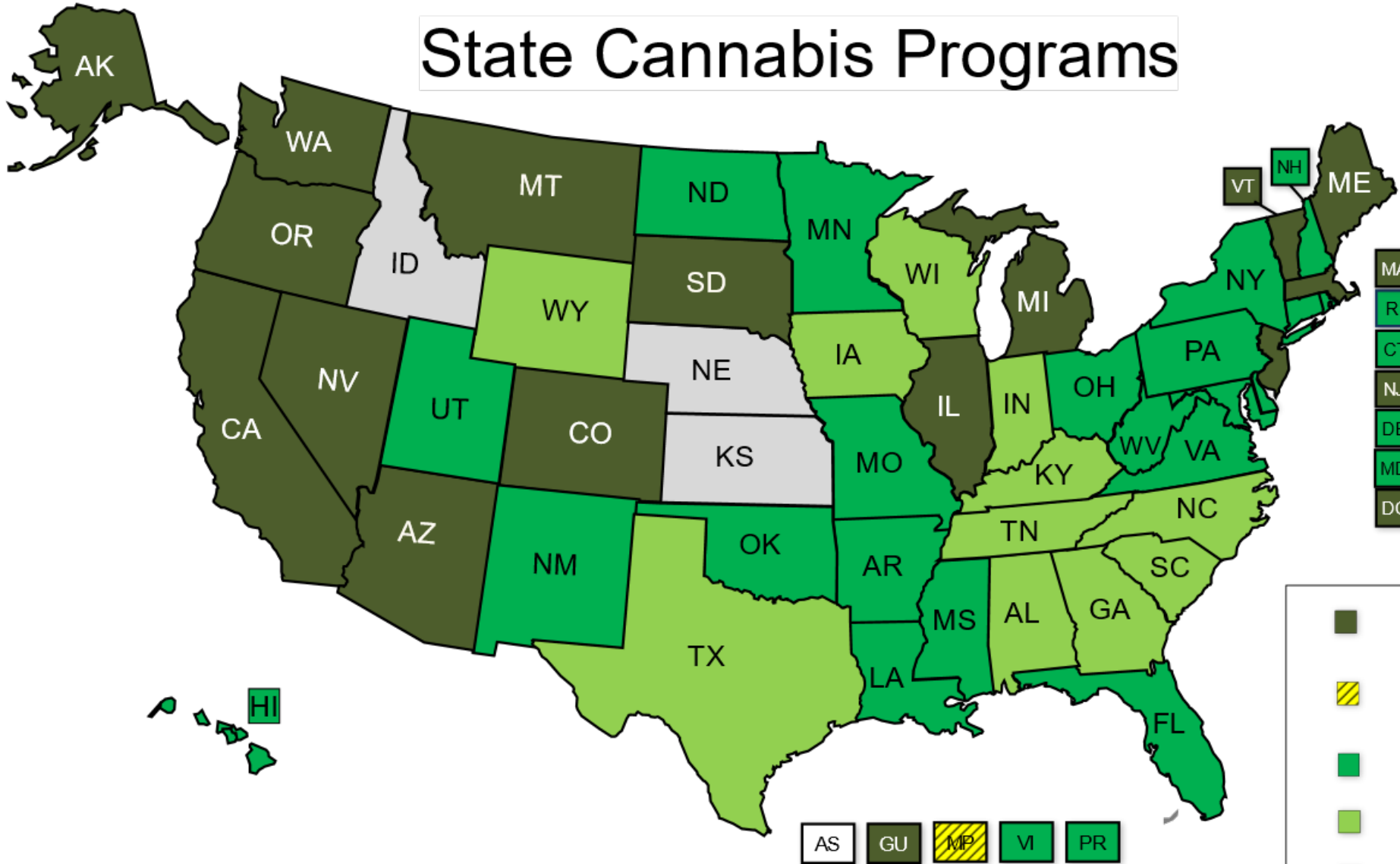

SOCIAL EQUITY IN STATE REGULATED CANNABIS PROGRAMS

PRESENTATION FOR THE WASHINGTON STATE SENATE LABOR & COMMERCE COMMITTEE
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State Cannabis Programs



- MA
- RI
- CT
- NJ
- DE
- MD
- DC

- Adult & medical use regulated program
- Adult use only no medical regulated program
- Comprehensive medical cannabis program
- CBD/Low THC program
- No public cannabis access program

Limited adult possession and growing allowed, no regulated production or sales: DC

SOCIAL EQUITY- OVERVIEW

- **Social equity: Intentionally making rules or regulations that increase access to the cannabis industry for people or communities historically negatively or disproportionately targeted by law enforcement for possessing, consuming or selling cannabis**
 - Inclusion of disproportionately impacted areas or people of color in every aspect, from cultivation to dispensing
 - Business or employee licenses % or #, access to capital, location of businesses, mentoring, grants, access to application and operations assistance, etc.
 - May include expungement of certain previous minor offenses or be separate
- Not initially a part of early-adopting states (Colo., Wash., Alaska, Ore.) but being added at state and local levels
- Record clearing typically included in recent efforts
- More commonly included in recently-adopted states (Mass., Mich., Ill.,)

IN THE BEGINNING: 2012

Colorado

- Social equity provisions not initially included in 2012 initiative, enacting legislation or regulations
- Review in 2019 created new licenses for accelerator cultivation, manufacturing and retail licenses, eligible for reduced licensing fees and other incentives CO SB19-224
- HB20-1424 created social equity licensee, starts 2021
- Expungement on a local basis until HB20-1424
- Some localities have or developing their own, and industry Social Equity Workgroup started summer 2020
- May be difficult for new applicants enter mature market

Washington

- HB 2870 (2020) created a Marijuana Social Equity Program, competitive technical assistance grant
- Requirements: residency 5/10 years, self or family member convicted of a misdemeanor offense, required to own at least 51% of business (if an owner), submit a plan as to how licensee will meet equity goals
- Defines disproportionately impacted areas
- SB 5605 (2019) allows anyone to apply to vacate their misdemeanor conviction if over 21, may petition governor for clemency

EARLY ADOPTING STATES: 2014

Alaska

- Not included in original initiative
- Legislation introduced (2019) to seal records for possession of under 1 oz.
- Generally little discussion of creating a social equity program

Oregon

- No initial social equity program, but added Social Equity Subcommittee to make recommendations
- Recently enacted an expungement/sealing process with no fee or fingerprint requirements.
 - Person applies and public is given 30 days to object. If no objection, petition is granted for offenses prior to Jan. 1, 2015 that are no longer considered crimes
- Localities like Portland are working to create their own program to discount license fees by up to 25%

2ND GENERATION: 2016

California

- Recently enacted state program encourages and provides grants to localities to enact their own program and apply for state grant \$
- Cannabis industry allowed in 1/3 of the state
- Varied local equity programs in:
 - Cities: LA, Oakland, Sacramento, San Jose, Long Beach, Coachella, Palm Springs
Counties/cities: Humboldt County, San Francisco, Santa Cruz County
 - Coming soon: Lake, Monterey and Nevada Counties and Cities of Santa Cruz, Clearlake, Palm Springs
 - Reports cite difficult implementation in some areas

Maine

- Not included in initial measure

Nevada

- Not included in initial measure but Nevada industry and localities discussing using some revenue to fund social equity efforts like key services for the unhoused, youth and health programs

2ND GENERATION CONT.

Massachusetts

- State-level social equity program
- Income limits of 400% local median income, residency 5/10 years, 51% + of current employees or subcontractors live in impacted areas at opening and then 75%+, majority of employees or subcontractors have drug-related convictions and otherwise eligible to be employees, majority ownership is of Black, African American, Hispanic or Latino descent, etc.
- Possession crime records can be sealed, or records expunged for juvenile offenses, but not automatic
- Prioritizes applicants with business experience that empowers disenfranchised communities with high arrest or incarceration for drug crimes
- 2 years of exclusive access to social consumption and transportation licenses
- Numerous reduced or waived fees
- Local licensing rules vary widely, equity businesses report difficulties qualifying for both state and local licenses

2ND GENERATION: 2018

Michigan

- Included social equity in enacted measure with qualifications including residency for 5/10 years, previous cannabis conviction, disproportionately impacted communities as defined and low-income areas
- Regulatory agency to develop a plan that promotes and encourages participation in employment, mentorship and entrepreneur tracks
- Provides application assistance, 75% reduction in application and licensing fees
- Recently expanded definition to include over 400% more communities
- So far low participation: handful of qualified licensees

Vermont

- Initially enacted in 2018, regulations recently enacted to include social equity and promote small cultivators
- 2020 measure to enact Cannabis Control Board to include a member with expertise in systemic social justice issues as well as expertise in women and minority-owned business
- Priorities include considering applicant's ability to foster social justice and equity in the industry
- Develop outreach, training and employment programs

MOST RECENT: 2019-2020

Illinois

- Included in enacting legislation
- Requirements: 51% ownership, lived 5/10 years in disproportionately impacted area or self/family convicted or arrested, defines impacted areas, etc.
- Automatically expunges minor cannabis offenses and arrest records, with some exceptions
- 50% reduction of fees if under income limit
- Allows for technical assistance, low-interest loans, conducts limitation studies
- Licensing delays due to COVID

Arizona

- Enacted Prop 207 directs the Dept. Health Services to provide justice reinvestment programs, address public health issues, and research and develop social equity programs that would promote the ownership and operation of businesses and testing facilities by individuals from disproportionately affected communities
- Encourages the legislature to create or implement social equity programs, allowing licenses to increase up to 10% to meet this goal
- Allows for expungement of certain marijuana-related crimes

MOST RECENT: 2020

Montana

- Initiative 190 of 2020 did not include a specific social equity plan
- Tax will generate revenue for the state to provide compensation for the economic and social costs of past and current marijuana cultivation, processing, and use, but directing funds to myriad efforts
- Allows courts to resentencing currently serving sentences for acts now permitted, or reduce penalties, redesignate or expunge completed sentences from criminal records
- Funding of veterans' programs to offset prior uses of unregulated marijuana in ways that harmed vets

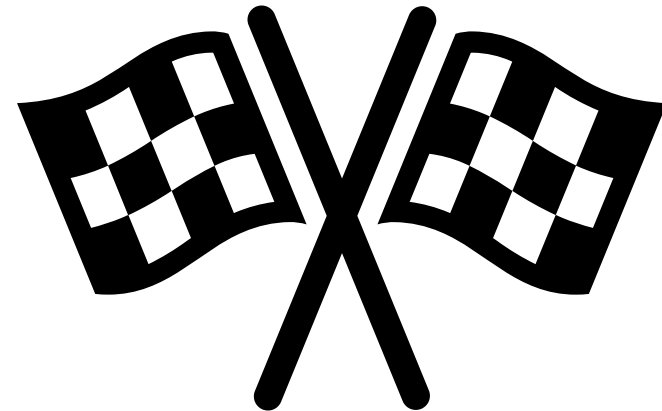
New Jersey

- Under construction, bills pending
- Considering:
 - Social equity license fee on cultivator licenses to fund various programs
 - After school programs for “impact zones”
 - Cannabis Commission would include someone representing affected communities
 - Requiring a social responsibility/impact plan

AND LAST BUT NOT LEAST...

South Dakota

- Amendment A enacted a regulated adult-use and medical program
- Does not include social equity provisions as written
- **Currently being challenged – questioning constitutionality, due to it ADDING a new section vs. changing, which is only allowed through state convention (none since statehood in 1889)**

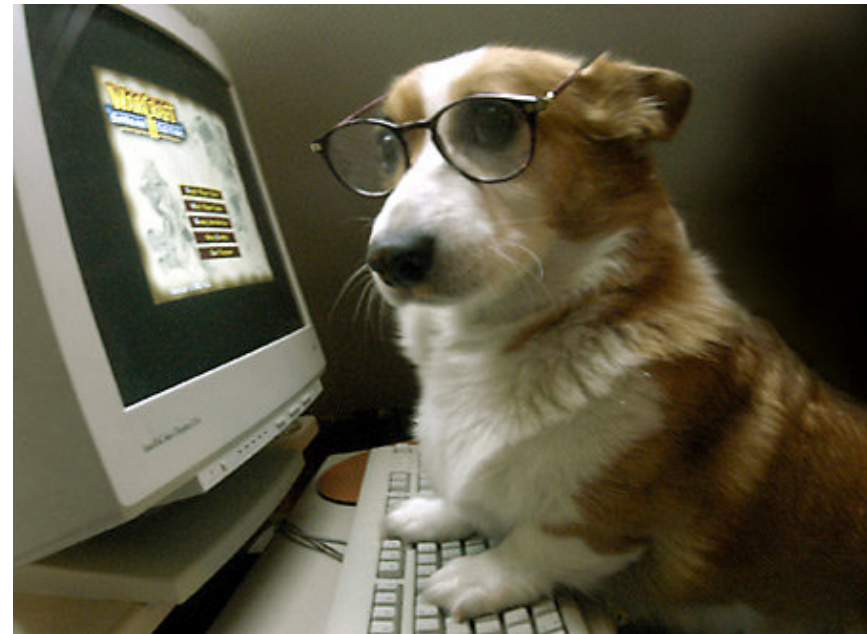



IN SUMMARY

Generations exchanging ideas

- New states adopting older states' models and lessons learned
- Old states adopting new states' efforts to include intentional, specific social equity measures
- Most programs too new to evaluate
- May be harder to build equity into mature markets (CO and WA)
- May be easier to build equity into new markets from day one

Questions?





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