

Cannabis Oversight Hearing, Social Equity Panel Leave Behind

March 13, 2023

The Honorable Richard D. Roth
Chair of Senate Business, Professions and Economic
Development Committee

Legislative Office Building
1021 O Street, Room 3320
Sacramento, CA 95814

Dear Senate Business, Professions & Economic Development Committee,

As collective voices for Social Equity, we appreciate that you've created an opportunity for us to share our experiences and the plight of cannabis operators who have been impacted by the drug war. This document summarizes some of the topics discussed on our panel at the Cannabis Oversight Hearing

Social Equity Deserves the Same Access to Provisional Licenses as Their Non-Equity Peers

To operate a California cannabis business, a local permit is required, followed by a provisional or annual license from the state. Provisional licenses are temporary approval that allows business owners to operate while working to fulfill the requirements of an annual license. Provisional licenses grant operators lower regulatory requirements and create a less restrictive runway to launch and grow a business. Currently, individuals must apply for this license type by March 31, 2023. If no legislative action is taken, social equity operators, who have been most impacted by cannabis prohibition, will be denied the same benefits of a provisional license that their non-equity peers have enjoyed, due to no fault of their own.

In 2017, before social equity licensing was fully adopted, the state began issuing provisional licenses to “general applicants” until they were “sunsetting” in 2022, a five-year period. Five years after the industry opened to existing, general operators, many local jurisdictions are now preparing to launch their social equity license applications. However, for existing social equity applicants to benefit from the privileges of a state provisional license, they would have to qualify for their local jurisdictions' permitting requirements by March 31, 2023. This March deadline is nearly impossible for existing and new social equity applicants to meet, because of the many time-consuming challenges associated with local permitting approval.

Need for an Independent Statewide Social Equity Definition

We applaud the increase of state resources intended to benefit cannabis operators who have been most harmed by the drug war through cannabis prohibition. However, it is concerning that there is currently no independent, state-wide definition of social equity that is detached from a specific subsidy program, for example, fee waiver legislation, SB595 (2019).

Without taking the time to comprehensively evaluate metrics associated with the negative consequences of cannabis enforcement, in local jurisdictions throughout the state, it will be impossible for government programs to properly identify the class of people who should be recipients of social equity benefits. We recommend the DCC resource the collection of data, related to historic law enforcement activity, and outcomes in both urban and rural areas throughout the state. State regulatory criteria used to qualify social equity applicants should comprehensively consider specific geographic indicators of cannabis enforcement activity. At the same time, eligibility criteria should be appropriately narrow, to ensure that limited resources are being prioritized for those individuals most disproportionately impacted. We recommend that an oversight committee be put in place to monitor the collection of this data.



Comprehensive Data Necessary to Determine Social Equity Eligibility, Measure Program Effectiveness, and Evaluate the Statewide Impacts of the Drug War

The following types of data should be collected:

- Data to determine social equity licensure eligibility criteria (as described above).
- Data to evaluate cannabis licensure program outcomes, including a measurement of the overall health of the industry.
- Data from state and local regulators on the implementation of equity programming.
- Data to get a statewide assessment of the impacts of the drug war and the use of cannabis as a tool for enforcement, particularly to evaluate the outcomes of programs like the Community Reinvestment Grant

Collecting data on whether equity cannabis businesses are succeeding, or failing - as some local jurisdictions have already done - is critical to assessing the success of equity programs. This helps determine whether improvements or adjustments should be made. Effective data collection should seek to provide insight into how equity operator outcomes correlate with outcomes for all licensed operators. The collection of this data should be organized by license type and jurisdiction. This data can help to clarify to what extent equity operator outcomes are due to specific issues related to equity programs, as opposed to general challenges affecting a specific part of the supply chain or the industry broadly. In addition to collecting data evaluating the health of the industry, data should also be collected from local jurisdictions regarding the implementation of programming.

Stronger Oversight Needed

While we applaud the state's efforts to provide subsidies to social equity operators, many of these resources never reach their intended targets. In nearly every local jurisdiction that received state funding, there is a discrepancy between funds disbursed and funds spent. Despite the Cannabis Equity Act acknowledging within its legislative findings that the burdens of cannabis prohibition and its collateral consequences disproportionately fell on Black and Latinx people, there is also an imbalance of support, as grant funds per capita are lowest in jurisdictions throughout the state with the highest populations of Black residents. Antiquated systems and a lack of capacity make it difficult for many jurisdictions to administer social equity benefits awarded by the state. To ensure funds reach the intended community, the state should disburse a significant portion of funds directly to the equity operator. The disproportionate harm suffered by certain communities as a result of the drug war must be taken into account, by the state, when designating funds to counties and cities. This will ensure that jurisdictions receive funding based on their contribution to cannabis enforcement during the peak of the drug war.

In conclusion, as part of advancing a legalized cannabis industry that fosters a safe, sustainable, and equitable cannabis market, it is important that the DCC pursues research that accurately captures the full depth and breadth of the impacts of the drug war on California's communities. Many local jurisdictions have produced equity assessments that seek to clearly establish the impacts of cannabis prohibition within their jurisdiction, and correlate these impacts with ongoing needs in these communities. The same assessment needs to be carried out on a statewide level, it is only through understanding history, that we can build an equitable, sustainable, and just-regulated California cannabis industry.

