



NATIONAL ASSOCIATION OF CANNABIS BUSINESSES

Vermont Social Equity Recommendations



OVERVIEW

Recommendations regarding:

1. Social Equity criteria and benefits
2. Economic Empowerment criteria and benefits
3. Creation of a socially equitable cannabis industry
4. Legislative action to promote social equity

Social Equity Criteria

“Social equity applicant” means an applicant that meets at least one of the following criteria:

1. African American or Black; Indigenous; Hispanic; or any person from a community that historically has been disproportionately impacted by cannabis prohibition;

OR

2. Convicted of cannabis-related offense
 - (a) Personally been convicted and incarcerated for any crime relating to the sale, possession, use, cultivation, manufacture, or transport of cannabis prior to legalization (misdemeanor or felony); or
 - (b) Are a member of an ***impacted family*** (defined on next slide)

No previous residency required. Must currently reside in state.

Impacted family - Defined

Relationship to the *impacted individual*:

- An individual who has or had a parent, legal guardian, child, spouse / domestic partner, or was a dependent of an individual who, prior to legalization, was incarcerated for any crime relating to the sale, possession, use, cultivation, manufacture, or transport of cannabis.

Domestic Partnership - Defined

State of Vermont definition

1. The persons are each other's sole domestic partner and have been in an enduring domestic relationship sharing a residence for not less than six consecutive months prior to the submission of the application.
2. The persons are eighteen years or older.
3. Neither person is married to anyone.
4. The parties are not related by blood closer than would bar marriage under Vermont state law.
5. The persons are competent to enter into a legally binding contract.
6. The persons have agreed between themselves to be responsible for each other's welfare.

Supporting Documents for Social Equity Candidates

- Proof of conviction*: court documents, probation documents or Department of Corrections documents
- Proof of residency:
 - a) Valid photo ID (driver's license or passport);
 - b) Current utility bill;
 - c) Current bank statement; or
 - d) Another government document

*Applicant can request to self-attest to conviction if they are unable to obtain supporting documents.

Eliminated / Discounted Fees for SE

- Application fees should be waived for social equity applicants
- License fees for SE applicants should be reduced according to the following schedule:
 - First year: full fee waiver
 - Second year: licensee pays 25% of fee*
 - Third year: licensee pays 50% of fee*
 - Fourth: licensee pays 75% of fee
 - Fifth and subsequent year: no reduction

* If a licensee can't pay the reduced fee during their second or third year of business, they can apply for a full waiver if they can demonstrate financial need and a plan to achieve full payment in future

Other Fee Waivers

Other Fees Proposed by Market Structure sub-committee

- Provisional license application (Intent to Apply) fee \$500

Recommendation: waived

- Employee registration card fee \$100

Recommendation: waived or to be paid by businesses

- Local fees is \$100

Recommendation: waived for first year only

SE License Business Ownership

Requirements

- Business must be at least 51% percent owned by one or more Social Equity candidate (applicant may request a waiver from Board for 50/50 split ownership)
- Social Equity candidate must be involved with the daily operations and have the authority to make decisions for the business
- Social Equity candidate must meet state requirements to open a business

Social Equity License Transfer

- Transfer to another Social Equity Business is permitted, however, the new SE licensee benefits will start at the 2nd year of SE reduced license fee schedule, regardless of when business is transferred.
- If the business is transferred to a SE affiliate, owner, or anyone that has control over the business or a SE family member, the new SE licensee must take over the previous owner's fee schedule.
- Transfer within 5 years to a non-SE Licensee: new licensee business holder will need to repay any cost savings the company received to the social equity program.
- After 5 years, transfer of ownership is allowed without repayment requirements.

Social Equity Benefits

- **Priority licensing review**
- **Reduced and waived fees**
- **Education courses/Cannabis certificates**
- **Technical assistance in the following areas:**
 - Application assistance
 - Business management
 - Job training
 - Tax and legal guidance
- **Access to Cannabis Business Development Fund**
- **Access to peer-to-peer networks, information about ancillary services, and consolidated, clear, and concise information on the social equity program**

Priority of SE Licensees

Access to benefits shall be prioritized as follows:

1. Candidates meeting both criteria 1 and 2
2. Candidates meeting criteria 1 only
3. Candidates meeting criteria 2 only

Cannabis Business Development Fund

Funding in the Cannabis Business Development Fund is limited

- \$500,000 allocation
- Possible funds but not guaranteed: additional \$50,000 from each Integrated Licensee

Expenditures from the fund:

- low-interest rate loans and grants to social equity applicants to pay for ordinary and necessary expenses to start and operate a licensed cannabis establishment;
- pay for outreach that may be provided or targeted to attract and support social equity applicants;
- assist with job training and technical assistance for social equity applicants
- funding incubator programs with demonstrated success

Social Equity Application

Application should include, but not be limited to:

- a) Proof of residency
- b) Proof or attestation of social equity qualification
- c) Incorporation documents including Articles, Bylaws or Operating Agreement demonstrating ownership and control
- d) Description of SE candidate's role and responsibilities in organization
- e) Explanation of how applicant was impacted by cannabis prohibition

Economic Empowerment Program

- ***Economic Empowerment Applicants***
 - People from communities that have been historically underrepresented in society
- ***Purpose of Program***
 - To encourage historically underrepresented groups to participate and ensure a diverse and inclusive cannabis industry

Economic Empowerment Program

Groups to consider for Economic Empowerment:

- Women
- Veterans
- People with disabilities
- LGBTQ+
- Immigrants and first-generation Americans
- Individuals with annual income under 135% of the federal poverty level

Economic Empowerment Business

Ownership Requirements

- At least fifty-one percent owned by one or more Economic Empowerment candidates (applicant may request waiver from Board for 50/50 split ownership)
- Economic Empowerment candidate must be involved with the daily operations and have the authority to make decisions for the business
- Economic Empowerment candidate must meet state requirements to open a business

Economic Empowerment Benefits

- **Priority licensing review**
- **Application fee is waived**
- **Receive technical assistance in the following areas:**
 - Application assistance
 - Business management
 - Job training
 - Tax and legal guidance

Economic Empowerment Application

Application should include, but not be limited to:

- a) Proof of residency
- b) Proof of economic empowerment qualification
- c) Incorporation documents including Articles, Bylaws or Operating Agreement demonstrating ownership and control
- d) Description of Economic Empowerment candidate's role and responsibilities in company

Creation of a socially equitable cannabis industry

- The CCB should consider requiring the following as a condition of licensure:
 - Livable wages (exclusive of employee samples or vouchers) and other employee benefits
 - Incubator or accelerator programs for SE licensees
 - Grants / Access to capital
 - Access to cultivation, manufacturing, or retail space
 - Management training or other forms of industry-specific technical training
 - Mentorship from experts
 - Inclusive hiring and contracting practices
 - Community reinvestment plans

Creation of a socially equitable cannabis industry

Cannabis Industry Enforcement

- Stress and trauma exist between law enforcement and social equity candidates/disproportionately impacted communities
- If possible, law enforcement should not act as the primary enforcement mechanism for the cannabis industry.
- CCB regulations that may result in violations must be clearly communicated to licensees
- Meet & greet and other outreach will help to create relationship between CCB and licensees

Legislative action that can promote social equity

- Authorize and create exclusivity periods for new license types
 - Co-op; delivery; on-site consumption; special event
- Eliminate THC crop and product (on flower and concentrates) caps
- Expand criminal history record expungement eligibility to include all non-violent offenses
- Create a Cannabis Disproportionately Impacted Communities Fund
- Create a Social Equity Board
- Fund ongoing technical and business assistance and educational programs for SE cannabis license applicants
- Clarification of zoning designation for small outdoor cultivators
- Allocate 5-10% of cannabis excise tax revenue annually to the Cannabis Business Development Fund
- Creation of social equity trust to allow for public donations to fund social equity programming

Legislative action: Co-op License

- SE licensees can pool resources from fund to cooperatively operate a cannabis business
- Licensees may cultivate in different areas of the state and may process and sell cannabis products from one central licensed premise

Legislative action: Recommended Delivery License Types

First Tier

Cannabis transport model

- SE delivery licensee holder that meets specific delivery car requirements can deliver/transport cannabis to all sectors of the industry.

Second Tier

Retailer model

- SE delivery licensee is hired by a retailer as an employee
- Retailer (business) provides vehicles and insurance coverage for driver and car
- Customer can call in or order online from retailer
- SE delivery license holder to deliver order to customer
- Delivery driver **cannot** store cannabis and cannabis products overnight

Third Tier

Delivery Operators

- Allowed to:
 - Purchase cannabis and cannabis products from licensed cannabis cultivators and product manufacturers and
 - Sell and deliver to consumers.
- Cannabis Delivery Operators may securely store on their premises cannabis and cannabis products that have been purchased at wholesale for eventual resale to consumers.

Legislative action: On-site Consumption & Special Events

- **Create a new licensee type for on-site consumption**
 - Consider an exclusivity period for SE applicants
 - Currently prohibited to consume in all places of public accommodation, public spaces, motor vehicles, and federal housing
 - On-site consumption offers consumers a safe place to consume
 - Reduces public consumption and the possibility of fines / arrests
- **Create a new licensee type for special events**
 - Consider an exclusivity period for SE applicants
 - Provides a safer, regulated alternative for people who consume at special events

Legislative action: Eliminate THC Cap

Remove the 30% THC cap for flower and the 60% THC cap for solid concentrates

- High THC products represent 20-30% of the market in other legal states. These caps further perpetuate the illicit market as well as the risk of increased arrests for cannabis offenses. Racial disparities for drug arrests and sentencing persist to this day, and the continued prohibition of high THC products again asks communities of color to bear the burden of the war on drugs.
- If 30% cap for flower remains, ensure remediation options are available for crops that exceeds the THC limit.

Legislative action: Expungement

- Prohibition and the war on drugs have perpetrated intergenerational harm on communities of color
- Disparate arrests and sentencing practices of people of color persist to this day
- Criminal history records often entrap people in a cycle of crime and poverty
- Expanding expungement eligibility to non-violent criminal convictions is an important first step in mitigating some of these harms

Legislative action: Reinvestment of Cannabis funds to Disproportionately Impacted Communities

- Create a Cannabis Disproportionately Impacted Communities Fund
- Allocate at least 20% of cannabis tax revenue annually to the fund
- Fund allocates resources to Cannabis Disproportionately Impacted Communities for:
 - a) Education, including job training and re-entry support
 - b) Legal assistance
 - c) Youth Development
 - d) Violence Prevention (including domestic violence)
 - e) Mental Health
 - f) Grants for Community Development and Needs (which can include land or housing needs)
 - g) Subsidized product testing for SE cannabis cultivators

Legislative action: Social Equity Board & Responsibilities

Create a Social Equity Board to ensure accountability and continued program success

- Aid in the development and deployment of social equity programs
- Administer the Cannabis Disproportionately Impacted Communities fund
- Community outreach and education regarding the Social Equity Program
- Review Social Equity applications; collect and report on racially disaggregated data
- Develop and track performance measures and data on Social Equity Program
- Review Cannabis Business Development Fund disbursements

Legislative action: Representatives for the Cannabis Social Equity Board

Members should be drawn from diverse backgrounds and geographic locations to represent the interest of communities of color and other marginalized groups through out the State of Vermont.

- Representative from Disproportionately Impacted Communities (currently residing in community)
- Representative from Disproportionately Impacted Communities who is experienced in community development (currently residing in community)
- Person who was arrested, convicted or incarcerated for a cannabis-related offense (misdemeanor or felony)
- Family member of someone arrested, convicted or incarcerated for a cannabis-related offense (misdemeanor or felony)
- Social Worker from Disproportionately Impacted Communities (currently serving community)
- Educator from Disproportionately Impacted Communities (currently serving community)
- Business Owner from Disproportionately Impacted Communities (residing or serving)
- Licensed social equity cannabis representative from one of the following sectors: retail, processor or cultivator
- Licensed social equity cannabis representative from one of the exclusive licenses: delivery or cooperative
- Licensed non-social equity cannabis representative
- Social Equity candidate currently working in cannabis industry
- Department of Racial, Equity, Diversity
- Agency of Commerce and Community Development
- Member of the Social Equity Caucus
- Member of the Cannabis Control Board