

1 H.414

2 Introduced by Representatives Cina of Burlington, Christie of Hartford,  
3 Colston of Winooski, and Vyhovsky of Essex

4 Referred to Committee on

5 Date:

6 Subject: Cannabis; social equity programs

7 Statement of purpose of bill as introduced: This bill proposes to require  
8 reduced cannabis establishment license fees for social equity applicants;  
9 establish the Cannabis Business Development Fund to provide low-interest rate  
10 loans and grants to social equity applicants to pay for ordinary and necessary  
11 expenses to start and operate a licensed cannabis establishment; establish the  
12 Community Social Equity Program; and permit existing licensed cannabis  
13 dispensaries to begin selling cannabis and cannabis products in the fall of 2021  
14 upon payment of substantial fees to support social equity programs.

15 An act relating to cannabis social equity programs

16 It is hereby enacted by the General Assembly of the State of Vermont:

17 Sec. 1. FINDINGS

18 The General Assembly finds that:

19 (1) In the interest of establishing a legal cannabis industry that is  
20 equitable and accessible to those most adversely impacted by the enforcement

1 of drug-related laws in Vermont, including cannabis-related laws, a social  
2 equity program should be established.

3 (2) Individuals who have been arrested or incarcerated due to drug laws  
4 suffer long-lasting negative consequences, including impacts to employment,  
5 business ownership, housing, health, and long-term financial well-being.

6 (3) Family members, especially children, and communities of those who  
7 have been arrested or incarcerated due to drug laws suffer from emotional,  
8 psychological, and financial harms as a result of such arrests or incarcerations.

9 (4) Certain communities have disproportionately suffered the harms of  
10 enforcement of cannabis-related laws. Those communities face greater  
11 difficulties accessing traditional banking systems and capital for establishing  
12 businesses.

13 (5) Individuals who have resided in areas of high poverty suffer negative  
14 consequences, including barriers to entry in employment, business ownership,  
15 housing, health, and long-term financial well-being. Promotion of business  
16 ownership by individuals who have resided in areas of high poverty and high  
17 enforcement of cannabis-related laws furthers an equitable cannabis industry.

18 (6) In the interest of remedying the harms resulting from the  
19 disproportionate enforcement of cannabis-related laws, a social equity program  
20 should offer, among other things, financial assistance and license application  
21 benefits to individuals most directly and adversely impacted by the

1 enforcement of cannabis-related laws who are interested in starting cannabis  
2 business establishments.

3 Sec. 2. 7 V.S.A. chapter 39 is added to read:

4 CHAPTER 39. CANNABIS SOCIAL EQUITY PROGRAMS

5 § 986. DEFINITIONS

6 As used in this chapter:

7 (1) “Agency” means the Agency of Commerce and Community  
8 Development.

9 (2) “Center” means the Vermont Crime Information Center.

10 (3) “Disproportionately impacted area” means a census tract or  
11 comparable geographic area that meets at least one of the following criteria:

12 (A) a designated Vermont Opportunity Zone;

13 (B) the area has a poverty rate of at least 20 percent according to the  
14 latest federal decennial census;

15 (C) 75 percent or more of the children in the area participate in the  
16 federal free lunch program according to reported statistics from the State Board  
17 of Education;

18 (D) at least 20 percent of the households in the area receive  
19 assistance under the Supplemental Nutrition Assistance Program; or

1           (E) the area has high rates of arrest, conviction, and incarceration  
2           related to the sale, possession, use, cultivation, manufacture, or transport of  
3           cannabis.

4           (4) “Member of an impacted family” means an individual who has a  
5           parent, legal guardian, child, spouse, or dependent, or was a dependent of an  
6           individual who, prior to July 1, 2021, was arrested for, convicted of, or  
7           adjudicated delinquent for any cannabis offense that is eligible for  
8           expungement.

9           (5) “Program Board” means the Community Social Equity Program  
10          Board.

11          (6) “Qualified Social Equity Applicant” means a Social Equity  
12          Applicant who has been awarded a conditional license pursuant to this chapter  
13          to operate a cannabis business establishment.

14          (7) “Resided” means an individual’s primary residence was located  
15          within the relevant geographic area as established by at least two of the  
16          following criteria:

17               (A) a signed lease agreement that includes the applicant’s name;

18               (B) a property deed that includes the applicant’s name;

19               (C) school records;

20               (D) a voter registration card;

1           (E) a Vermont driver’s license, Identification Card, or a Vermont

2           Person with a Disability Identification Card;

3           (F) a paycheck stub;

4           (G) a utility bill; or

5           (H) any other proof of residency or other information necessary to  
6           establish residence as provided by rule.

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

9           (A) at least 51 percent ownership and control by one or more  
10          individuals who have resided for at least five of the preceding 10 years in a  
11          disproportionately impacted area;

12          (B) at least 51 percent ownership and control by one or more  
13          individuals who:

14                (i) have been arrested for, convicted of, or adjudicated delinquent  
15                for any cannabis offense that is eligible for expungement; or

16                (ii) are a member of an impacted family;

17          (C) for applicants with a minimum of 10 full-time employees, an  
18          applicant with at least 51 percent of current employees who:

19                (i) currently reside in a disproportionately impacted area; or

1                   (ii) have been arrested for, convicted of, or adjudicated delinquent  
2 for any cannabis offense that is eligible for expungement or are a member of  
3 an impacted family.

4 § 987. CANNABIS BUSINESS DEVELOPMENT FUND

5           (a) There is established the Cannabis Business Development Fund, which  
6 shall be managed in accordance with 32 V.S.A. chapter 7, subchapter 5.

7           (b) The Fund shall comprise:

8                   (1) fees collected from integrated licensees pursuant to section 990 of  
9 this chapter;

10                   (2) \$200,000.00 transferred from the Cannabis Registration Fee Fund  
11 established in 18 V.S.A. § 4474a; and

12                   (3) 10 percent of the revenues raised by the cannabis excise tax imposed  
13 by 32 V.S.A. § 7901, not to exceed \$2,000,000.00 per fiscal year.

14           (c) The Fund shall be exclusively used for the following purposes:

15                   (1) to provide low-interest rate loans and grants to social equity  
16 applicants to pay for ordinary and necessary expenses to start and operate a  
17 licensed cannabis establishment;

18                   (2) to compensate the Cannabis Control Board for any costs related to  
19 the provision of low-interest loans and grants to qualified social equity  
20 applicants;

1           (3) to pay for outreach that may be provided or targeted to attract and  
2           support social equity applicants;

3           (4) to conduct any study or research concerning the participation of  
4           minorities, women, veterans, or people with disabilities in the cannabis  
5           industry, including barriers to such individuals entering the industry as equity  
6           owners of licensed cannabis establishments; and

7           (5) to assist with job training and technical assistance for residents in  
8           disproportionately impacted areas.

9           § 988. SOCIAL EQUITY LOANS AND GRANTS

10          (a) The Agency of Commerce and Community Development  
11          shall establish a program using funds from the Cannabis Business  
12          Development Fund for the purpose of providing financial assistance, loans,  
13          grants, and technical assistance to social equity applicants.

14          (b) The Agency shall:

15               (1) provide cannabis social equity loans and grants to social equity  
16               applicants to assist the applicants in gaining entry to, and successfully  
17               operating in, the State's regulated cannabis market;

18               (2) enter into agreements that set forth terms and conditions of the  
19               financial assistance, accept funds or grants, and engage in cooperation with  
20               private entities and agencies of State or local government to carry out the  
21               purposes of this section;

1           (3) charge and collect any premiums, fees, charges, costs and expenses,  
2           including application fees, commitment fees, program fees, financing charges,  
3           or publication fees in connection with its activities under this section;

4           (4) coordinate assistance under this program with activities of the  
5           Vermont Department of Financial Regulation, the Vermont Agency of  
6           Agriculture, Food and Markets and other agencies as needed to maximize the  
7           effectiveness and efficiency of this section;

8           (5) take whatever actions are necessary or appropriate to protect the  
9           State's interest in the event of bankruptcy, default, foreclosure, or  
10           noncompliance with the terms and conditions of financial assistance provided  
11           under this section, including the ability to recapture funds if the recipient is  
12           found to be noncompliant with the terms and conditions of the financial  
13           assistance agreement; and

14           (6) establish application, notification, contract, and other forms,  
15           procedures, or rules deemed necessary and appropriate.

16           (c) Loans made pursuant to this section:

17           (1) only shall be made if, in the Agency's judgment, the project furthers  
18           the goals set forth in this chapter; and

19           (2) shall be in such principal amount and form and contain such terms  
20           and provisions with respect to security, insurance, reporting, delinquency  
21           charges, default remedies, and other matters as the Agency shall determine



1 appropriate to protect the public interest and to be consistent with the purposes  
2 of this chapter. The terms and provisions may be less than required for similar  
3 loans not covered by this section.

4 (d) Grants made pursuant to this section shall be awarded on a competitive  
5 and annual basis. Grants shall advance the goals of this chapter, including  
6 promotion of social equity applicants, job training and workforce development,  
7 and technical assistance to social equity applicants.

8 (e) On or before September 15, 2022, and annually thereafter, the Agency  
9 shall report to the Governor and the General Assembly on the outcomes and  
10 effectiveness of this section. The report shall include the following:

11 (1) the number of individuals and businesses receiving financial  
12 assistance under this section and the locations of the projects engaged in by  
13 those individuals or businesses;

14 (2) the amount of financial assistance awarded in the aggregate, in  
15 addition to the amount of loans made that are outstanding and the amount of  
16 grants awarded; and

17 (3) if applicable, the number of new jobs and other forms of economic  
18 output created as a result of the financial assistance.

19 (f) The Agency shall include engagement with individuals with limited  
20 English proficiency as part of its outreach provided or targeted to attract and  
21 support social equity applicants.

1     § 989. COMMUNITY SOCIAL EQUITY PROGRAM

2           (a) Establishment. The Community Social Equity Program is created for  
3     the following purposes:

4           (1) to directly address the impact of economic disinvestment, violence,  
5     and the historical overuse of criminal justice responses to community and  
6     individual needs by providing resources to support local design and control of  
7     community-based responses to these impacts;

8           (2) to substantially reduce the total amount of concentrated poverty in  
9     Vermont;

10          (3) to protect communities from domestic violence through targeted  
11     investments and intervention programs, including economic growth and  
12     improving family violence prevention, community trauma treatment rates, gun  
13     injury victim services, and public health prevention activities; and

14          (4) to promote employment infrastructure and capacity building related  
15     to the social determinants of health in the eligible community areas.

16          (b) Community Social Equity Program Board.

17           (1) The Community Social Equity Program Board is created for the  
18     purpose of designating the community social equity program area boundaries  
19     and for the selection and oversight of community social equity program area  
20     grantees. The Program Board shall be composed of the following ex officio  
21     members:

1           (A) the Lieutenant Governor or his or her designee, who shall serve  
2           as Chair;

3           (B) the Attorney General or his or her designee;

4           (C) the Secretary of Commerce and Community Development or his  
5           or her designee;

6           (D) the Commissioner of Health or his or her designee;

7           (E) the Commissioner of Corrections or his or her designee;

8           (F) the Commissioner of Public Safety or his or her designee;

9           (G) the Commissioner of Human Resources or his or her designee;

10          (H) the Secretary of Human Services or his or her designee;

11          (I) a member of the Senate, designated by the Committee on  
12          Committees;

13          (J) a member of the House of Representatives, designated by the  
14          Speaker;

15          (K) a member of the Senate, designated by the Minority Leader of  
16          the Senate; and

17          (L) a member of the House of Representatives, designated by the  
18          Minority Leader of the House of Representatives.

19          (2) The following members shall be appointed to the Program Board by  
20          the Chair and shall reflect the diversity of Vermont, including geographic,  
21          racial, and ethnic diversity:

1           (A) two municipal officials from jurisdictions that include a  
2           community social equity program area;

3           (B) two community-based providers or community development  
4           organization representatives who provide services to address the social  
5           determinants of health, or promote community investment, including services  
6           such as job placement and training, educational services, workforce  
7           development programming, and wealth building in community social equity  
8           program areas;

9           (C) one woman who has been incarcerated and is older than 24 years  
10          of age at time of appointment; and

11          (D) two individuals who have previously been incarcerated and are  
12          between 17 and 24 years of age at the time of appointment.

13          (3) Board members shall serve without compensation but shall receive  
14          reimbursement for expenses in accordance with 2 V.S.A. § 406.

15          (4) Once all members have been appointed, the Board may exercise any  
16          power, perform any function, take any action, or do anything in furtherance of  
17          its purposes and goals upon the appointment of a quorum of its members.

18          (5) The terms of the non-ex-officio and General Assembly Board  
19          members shall terminate four years from the date of appointment.

20          (c) Eligibility of social equity program areas.

1           (1) Community-based organizations located in community social equity  
2           program areas shall be eligible to apply for funding through the Community  
3           Social Equity Program Board. To assist the Program Board in identifying  
4           Community Social Equity Program Areas, the Center, in consultation with the  
5           Community Justice Network, shall identify disproportionately impacted areas  
6           not later than October 31, 2021.

7           (2) The Program Board shall identify community social equity program  
8           areas based on an analysis of data of communities that are high need,  
9           underserved, disproportionately impacted by historical economic  
10           disinvestment, and ravaged by violence as indicated by the highest rates of gun  
11           injury, unemployment, child poverty rates, and commitments to and returns  
12           from the Department of Corrections.

13           (3) The Center shall report to the General Assembly and make publicly  
14           available its analysis and identification of eligible community social equity  
15           program areas and shall recalculate the eligibility data every four years. On an  
16           annual basis, the Center shall analyze data and indicate if data covering any  
17           community social equity program area or portion of an area has, for four  
18           consecutive years, substantially deviated from the average of statewide data on  
19           which the original calculation was made to determine the areas, including  
20           disinvestment, violence gun injury, unemployment, child poverty rates, or  
21           commitments to or returns from the Department of Corrections.

1           (4) The Program Board shall encourage collaborative partnerships  
2           within each community social equity program area to minimize multiple  
3           partnerships per area.

4           (d) Not later than January 1, 2022, the Board shall:

5                 (1) develop a process to solicit applications from eligible community  
6                 social equity program areas;

7                 (2) develop a standard template for planning and implementation  
8                 activities to be submitted by community social equity program areas to the  
9                 Program Board;

10                (3) identify resources sufficient to support the full administration and  
11                evaluation of the Community Social Equity Program, including building and  
12                sustaining core program capacity at the community and State levels;

13                (4) review community social equity program area grant applications and  
14                propose agreements and approve the distribution of resources;

15                (5) develop a performance measurement system that focuses on positive  
16                outcomes;

17                (6) develop a process to support ongoing monitoring and evaluation of  
18                Community Social Equity Program initiatives; and

19                (7) deliver an annual progress report to the General Assembly and to the  
20                Governor.

21           (e) Community Social Equity Program grants.

1           (1) Grant funds shall be awarded by the Program Board in coordination  
2           with the Community Justice Network. The Program Board shall facilitate the  
3           provision of training and technical assistance for capacity building within and  
4           among community social equity program areas.

5           (2) The grants shall be used to address economic development, re-entry  
6           services, youth development, and civil legal aid.

7           § 990. FEES

8           (a) The Agency shall have authority to charge and collect fees to offset the  
9           costs of providing the services in this chapter.

10          (b) If a social equity applicant seeks to transfer or sell a cannabis  
11          establishment license within five years after it was issued to an individual or  
12          entity that does not qualify as a social equity applicant, the new license holder  
13          shall pay the Cannabis Business Development Fund an amount equal to:

14           (1) any fees that were waived by any State agency based on the  
15           applicant's status as a social equity applicant, if applicable;

16           (2) any outstanding amount owed by the qualified social equity  
17           applicant for a loan through the Cannabis Business Development Fund, if  
18           applicable; and

19           (3) the full amount of any grants that the qualified social equity  
20           applicant received from the Agency, if applicable.

1     § 991. REPORTING

2           (a) On or before January 1, 2023, and annually thereafter, each licensed  
3     cannabis establishment and dispensary shall report to the Executive Director of  
4     Racial Equity, on a form to be provided by the Executive Director of Racial  
5     Equity, information that will allow the Director to assess the extent of diversity  
6     in the medical and adult use cannabis industry and methods for reducing or  
7     eliminating any identified barriers to entry, including access to capital.

8           (b) The information collected shall be designed to identify the following:

9           (1) the number and percentage of licenses provided to social equity  
10     applicants and to businesses owned by minorities, women, veterans, and  
11     persons with disabilities;

12           (2) the total number and percentage of employees in the cannabis  
13     industry who qualify as social equity applicants or who are minorities, women,  
14     veterans, or persons with disabilities;

15           (3) the total number and percentage of contractors and subcontractors in  
16     the cannabis industry who qualify as social equity applicants or who are  
17     minorities, women, veterans, or persons with disabilities, if known; and

18           (4) recommendations on reducing or eliminating any identified barriers  
19     to entry, including access to capital, in the cannabis industry.



1       Sec. 3. INTEGRATED LICENSEES

2           (a) Notwithstanding provisions in 18 V.S.A. chapter 86 to the contrary, on  
3           August 1, 2021, a registered dispensary may apply to the Department of Public  
4           Safety to sell cannabis and cannabis products to individuals who are 21 years  
5           of age or older who are not registered patients or caregivers. The Department  
6           shall act on the application within 30 days and issue a conditional six-month  
7           license to the dispensary to sell cannabis and cannabis products to individuals  
8           who are 21 years of age or older who are not registered patients or caregivers.  
9           Upon receipt of the conditional license, the dispensary does not need to follow  
10          the requirements of 18 V.S.A. chapter 86 pertaining to:

11           (1) cannabis plant, cannabis product, and useable cannabis possession  
12          limits; and

13           (2) sales only by appointment.

14          (b)(1) At the time of receipt of the conditional license, the dispensary shall  
15          be subject to the following fees:

16           (A) A \$30,000.00 nonrefundable fee shall be paid to the Cannabis  
17          Control Board and deposited in the Cannabis Regulation Fund.

18           (B) A nonrefundable payment equal to three percent of the  
19          dispensary's total sales between June 1, 2018 to June 1, 2019 or \$100,000.00,  
20          whichever is less, shall be paid to the Cannabis Control Board and deposited  
21          into the Cannabis Business Development Fund.

1           (2) In addition to the requirements of subdivision (b)(1) of this section,  
2           at the time of receipt of the conditional license, the dispensary shall commit to  
3           complete one of the following within a year of issuance of the conditional  
4           license:

5           (A) Make a contribution of three percent of the total dispensary's  
6           sales from June 1, 2019 to June 1, 2020 or \$100,000.00, whichever is less, to  
7           the Cannabis Business Development Fund.

8           (B) Make a contribution of three percent of total sales from June 1,  
9           2019 to June 1, 2020 or \$100,000.00, whichever is less, to a cannabis industry  
10           training or education program at a Vermont community college.

11           (C) Make a donation of \$100,000.00 or more to a program that  
12           provides job training services to persons recently incarcerated or that provides  
13           services in a disproportionately impacted area.

14           (D) Participate as a host in a cannabis business establishment  
15           incubator program approved by the Agency of Commerce and Community  
16           Development in which the dispensary agrees to provide a loan of at least  
17           \$100,000.00 and a minimum of one year of mentorship to a cannabis  
18           establishment licensee that qualifies as a social equity applicant. The  
19           dispensary, nor any of its officers or principals, shall not take an ownership  
20           stake of greater than 10 percent in any business receiving incubation services  
21           pursuant to this subdivision.

1           (E) Participate in a sponsorship program for a minimum of two years  
2           approved by the Agency of Commerce and Community Development in which  
3           the dispensary agrees to provide an interest-free loan of at least \$200,000.00 to  
4           a social equity applicant. The sponsoring dispensary, nor any of its officers or  
5           principals, shall not take an ownership stake in any cannabis establishment  
6           receiving sponsorship services pursuant to this subdivision.

7           Sec. 4. 7 V.S.A. § 846 is amended to read:

8           § 846. FEES

9           (a) The Board shall have the authority to charge and collect State and local  
10           license fees as provided under this chapter and chapter 33 of this title. State  
11           and local license fees shall be due and payable at the time of application or  
12           renewal.

13           (b) The Board shall deposit State fees into the Cannabis Regulation Fund.

14           (c) After reduction for costs of administration and collection, the Board  
15           shall pay local license fees on a quarterly basis to the municipality in which the  
16           fees were collected.

17           (d)(1) The Cannabis Control Board shall waive fifty percent of application  
18           fees, annual license fees, and renewal fees for a social equity applicant as  
19           defined in 7 V.S.A. § 986, provided the applicant meets the following  
20           qualifications:

1           (A) the applicant, including all individuals and entities with  
2           10 percent or greater ownership and all parent companies, subsidiaries, and  
3           affiliates, had less than a total of \$750,000.00 of income in the previous  
4           calendar year; and

5           (B) the applicant, including all individuals and entities with  
6           10 percent or greater ownership and all parent companies, subsidiaries, and  
7           affiliates, has not more than two other cannabis establishment licenses in  
8           Vermont.

9           (2) If the Board determines that an applicant who applied as a social  
10          equity applicant is not eligible for such status, the applicant shall be provided  
11          an additional 10 days to provide alternative evidence that he or she qualifies as  
12          a social equity applicant. Alternatively, the applicant may pay the remainder  
13          of the waived fee and be considered as a non-social equity applicant. If the  
14          applicant cannot do either, the Board may keep the initial application fee.

15          Sec. 5. EFFECTIVE DATE

16          This act shall take effect on passage.