

As submitted

Introduced by Representative Cina of Burlington

Referred to Committee on

Date:

Subject: Cannabis; social equity programs

Statement of purpose of bill as introduced: This bill proposes to require reduced cannabis establishment license fees for social equity applicants; establish the Cannabis Business Development Fund to provide 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; establish the Community Social Equity Program; and to permit exiting licensed cannabis dispensaries to begin selling cannabis and cannabis products in the Fall of **2022** upon payment of substantial fees to support social equity programs.

An act relating to cannabis social equity programs

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

Sec. 1. FINDINGS

The General Assembly finds that:

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

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

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

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

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

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

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

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

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

CHAPTER 39. CANNABIS SOCIAL EQUITY PROGRAMS

§ 986. DEFINITIONS

As used in this chapter:

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

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

(3) “Disproportionately impacted area” means a census tract or comparable geographic area that satisfies the following criteria as determined by the United States Census Bureau, that meets at least one of the following criteria:

(A) a designated Vermont Opportunity Zone;

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

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

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

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

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

(5) "Program Board" means the Community Social Equity Program Board.

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

(7) "Resided" means an individual's primary residence was located within the relevant geographic area as established by at least two of the following criteria:

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

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

(C) school records;

(D) a voter registration card;

(E) a Vermont driver's license, Identification Card, or a Vermont Person with a Disability Identification Card;

(F) a paycheck stub;

(G) a utility bill; or

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

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

(A) at least 51% ownership and control by one or more individuals who have resided for at least 5 of the preceding 10 years in a disproportionately impacted area;

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

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

(ii) is a member of an impacted family;

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

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

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

§ 987. CANNABIS BUSINESS DEVELOPMENT FUND

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

(b) The Fund shall be comprised of:

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

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

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

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

(1) to provide 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;

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

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

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

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

§ 988. SOCIAL EQUITY LOANS AND GRANTS

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

(b) The Agency shall:

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

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

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

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

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

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

(c) Loans made pursuant to this section:

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

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

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

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

(e) Beginning January 15, 2022 and annually thereafter, the Agency shall report to the Governor and the General Assembly on the outcomes and effectiveness of this section. The report shall include the following:

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

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

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

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

§ 989. COMMUNITY SOCIAL EQUITY PROGRAM

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

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

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

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

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

(b) Community Social Equity Program Board.

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

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

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

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

(D) the Commissioner of health, or his or her designee;

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

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

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

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

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

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

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

(L) a member of the House of Representatives, designated by the Minority Leader of the House of Representatives;

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

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

(B) two community-based providers or community development organization representatives who provide services to treat violence and address the social determinants of health, or promote community investment, including, but not limited to, services such as job placement and training, educational services, workforce development programming, and wealth building in community social equity program areas;

~~(C) two experts in the field of violence reduction;~~

(C) one woman who has been incarcerated and is over the age of 24 at time of appointment;

~~(E) one woman who has previously been incarcerated and is over the age of 24 at the time of appointment; and~~

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

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

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

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

(c) Eligibility of Social Equity Program Areas.

(1) Community-based organizations located in community social equity program areas shall be eligible to apply for funding through the Community Social Equity Program Board. To assist the Program Board in identifying Community Social Equity Program Areas, the Center, in consultation with the Community Justice Network, shall identify disproportionately impacted areas no later than **October 31, 2021**.

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

(3) The Center shall report to the General Assembly and make publicly available its analysis and identification of eligible community social equity program areas and shall recalculate the eligibility data every four years. On an

annual basis, the Center shall analyze data and indicate if data covering any community social equity program area or portion of an area has, for four consecutive years, substantially deviated from the average of statewide data on which the original calculation was made to determine the areas, including disinvestment, violence gun injury, unemployment, child poverty rates, or commitments to or returns from the Department of Corrections.

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

(e) No later than **January 1, 2022**, the Board shall:

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

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

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

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

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

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

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

(f) Community Social Equity Program grants.

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

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

§ 990. FEES

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

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

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

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

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

§ 990. REPORTING

(a) On or before January 1, 2022, and annually thereafter, each licensed cannabis establishment and dispensary shall report to the Executive Director of Racial Equity on a form to be provided by the Executive Director of Racial Equity, information that will allow the Director to assess the extent of diversity in the medical and adult use cannabis industry and methods for reducing or eliminating any identified barriers to entry, including access to capital.

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

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

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

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

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

Sec. 2. INTEGRATED LICENSEES

(a) Notwithstanding provisions in 18 V.S.A. chapter 86 to the contrary, on **May 1, 2022**, a registered dispensary may apply to the Department of Public Safety to sell cannabis and cannabis products to persons who are 21 years of age or older who are not registered patients or caregivers. The Department shall act on the application within 30 days and issue a conditional six-month license to the dispensary to sell cannabis and cannabis products to persons who are 21 years of age or older who are not registered patients or caregivers. Upon receipt of the conditional license, the dispensary does not need to follow the requirements of 18 V.S.A. chapter 86 pertaining to:

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

(2) sales only by appointment.

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

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

(B) A nonrefundable payment equal to 3% of the dispensary's total sales between June 1, 2018 to June 1, 2019, or \$100,000, whichever is less, shall be paid to the Cannabis Control Board and deposited into the Cannabis Business Development Fund.

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

(A) Make a contribution of 3% of the total dispensary's sales from June 1, 2019 to June 1, 2020, or \$100,000, whichever is less, to the Cannabis Business Development Fund.

(B) Make a contribution of 3% of total sales from June 1, 2019 to June 1, 2020, or \$100,000, whichever is less, to a cannabis industry training or education program at a Vermont community college.

(C) Make a donation of \$100,000 or more to a program that provides job training services to persons recently incarcerated or that provides services in a disproportionately impacted area.

(D) Participate as a host in a cannabis business establishment incubator program approved by the Agency of Commerce and Community

Development in which the dispensary agrees to provide a loan of at least \$100,000 and a minimum of one year of mentorship to a cannabis establishment licensee that qualifies as a social equity applicant. The dispensary, nor any of its officers or principals, shall not take an ownership stake of greater than 10% in any business receiving incubation services pursuant to this subdivision.

(E) Participate in a sponsorship program for a minimum of two years approved by the Agency of Commerce and Community Development in which dispensary agrees to provide an interest-free loan of at least \$200,000 to a social equity applicant. The sponsoring dispensary, nor any of its officers or principals, shall not take an ownership stake in any cannabis establishment receiving sponsorship services pursuant to this subdivision.

Sec. 2. 7 V.S.A. § 846 is amended to read:

§ 846. FEES

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

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

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

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

(A) the applicant, including all individuals and entities with 10% or greater ownership and all parent companies, subsidiaries, and affiliates, has less than a total of \$750,000 of income in the previous calendar year; and

(B) the applicant, including all individuals and entities with 10% or greater ownership and all parent companies, subsidiaries, and affiliates, has no more than two other cannabis establishment licenses in Vermont.

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

Sec. 3. EFFECTIVE DATE

This act shall take effect on