

# Vermont Cannabis Control Board

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**Report to the General Assembly  
Pursuant to 7 V.S.A. § 989**

January 15, 2025



# Report Overview

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- *Background on Social Equity Program*
- *Data on Social Equity Program in Vermont*
- *Barriers to Accessing the Cannabis Industry*
- *Act 166 (2024), Sec. 15a Recommendations*
- *Community Reinvestment*

# Background on Social Equity Program

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- *History of the Social Equity Program*
- *Social Equity Applicant Definition*
- *Social Equity Status Benefits*
- *Social Equity Program Reporting*

# History of the Social Equity Program

In passing Act 164 (2020), the General Assembly endeavored to create an equitable and accessible cannabis marketplace with a priority for legacy operators and small farmers

## **7 V.S.A. § 843. Cannabis Control Board; duties; members**

(a) Creation. There is created within the Executive Branch an independent commission named the Cannabis Control Board for the purpose of safely, equitably, and effectively implementing and administering the laws enabling access to adult-use cannabis in Vermont.

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## **7 V.S.A. § 904a. SMALL CULTIVATORS**

It is the intent of the General Assembly to move as much of the illegal cannabis market as possible into the regulated market for the purposes of consumer protection and public safety. It is also the intent of the General Assembly to encourage participation in the regulated cannabis market by small, local farmers. In furtherance of these goals, the Board shall consider policies to promote small cultivators as defined in section 861 of this title.

# History of the Social Equity Program (cont'd)

In Act 62 (2021), the General Assembly created the “Social Equity Program” to encourage participation in the cannabis industry by individuals and communities most impacted by cannabis prohibition. *See* Title 7, Ch 39

To support this goal, Act 62 (2021):

1. Authorized the CCB to reduce or waive fees for social equity applicants (7 VSA § 911);
2. Established the Cannabis Business Development Fund to be used for the following purposes:
  - a) to provide low-interest rate loans and grants;
  - b) to pay for outreach that may be provided or targeted to attract and support social equity applicants; and
  - c) to assist with job training and technical assistance for social equity applicants (7 VSA § 987);
3. Required biennial reports to the General Assembly regarding administration of the Program and on-going barriers to accessing the industry (7 VSA § 989)

# Social Equity Applicant Definition

## CCB Rule 1.1.3

(n) “Social equity individual applicant” means an individual who is a resident of Vermont and who meets one or more of the following criteria:

- i they are a socially disadvantaged individual, as defined below,
- ii they have been incarcerated in a jail or prison facility subsequent to sentencing for a cannabis-related offense, or
- iii they have a family member who has been incarcerated in a jail or prison facility subsequent to sentencing for a cannabis-related offense.

(p) “Socially disadvantaged individual” is an individual who meets at least one of the following criteria:

- i. They meet the criteria for social disadvantage as set forth in the following federal regulations regarding DBEs: 49 C.F.R. § 26.67(a)(1) and (b)(2)-(3)... For the purposes of this rule, the rebuttable presumption in 49 C.F.R. § 26.67(a)(1) shall be applied only to Black Americans and Hispanic Americans.
- ii. They are (1) from a community that has historically been disproportionately impacted by cannabis prohibition and (2) able to demonstrate to the Board that they were personally harmed by the disproportionate impact. In assessing this personal harm, the Board may consider factors indicative of long-term consequences such as lost educational or employment opportunities, or housing insecurity.

# Social Equity Status Benefits

## Social Equity Applicant Fee Waiver / Reduction Schedule

### [CCB GUIDANCE ON LICENSING AND APPLICATION FEES](#)

The Board will waive the application fee and the license fee for the first year that a social equity applicant is licensed.

In subsequent years, licensing fees for social equity licensees shall be paid on the following schedule:

- Year 2: Licensee pays 25% of license fee
- Year 3: Licensee pays 50% of license fee
- Year 4: Licensee pays 75% of license fee
- Year 5, and all subsequent years: Licensee pays full license fee

## Social Equity Status Benefits (cont'd)

### The Cannabis Business Development Fund

#### **7 V.S.A. § 988. Social equity loans and grants**

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 outreach to social equity applicants. The Agency may procure by contract all or part of the necessary underwriting, execution, and administration services required for loans and grants to be made from the Cannabis Business Development Fund to eligible social equity applicants as allowed under this chapter. Should the Agency be unable to do so, the program shall not move forward until the General Assembly appropriates the operational resources necessary for the Agency to make loans and provide financial assistance to social equity applicants.



# Social Equity Program Reporting

## 7 V.S.A. § 989 Reporting

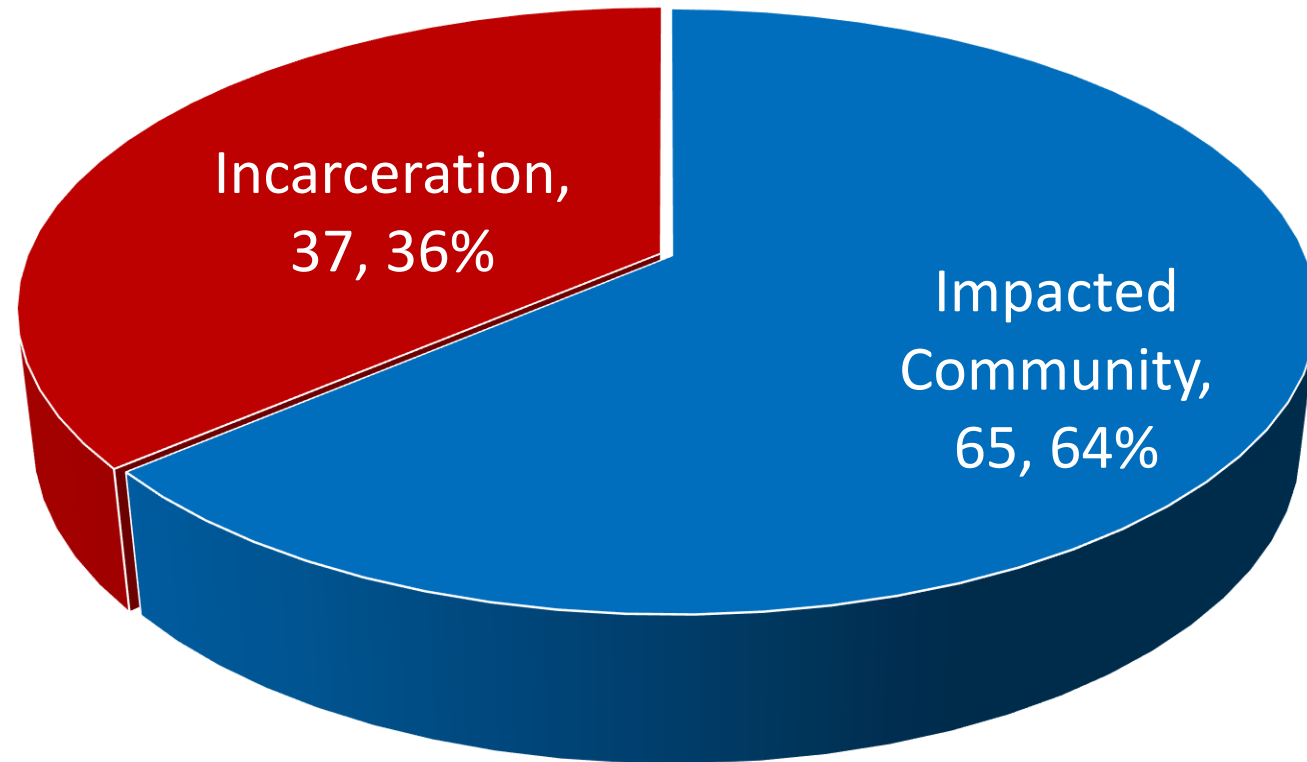
The Cannabis Control Board, in consultation with the Advisory Committee, the Agency of Commerce and Community Development, and the Executive Director of Racial Equity, shall report to the General Assembly on or before January 15, 2023 and biennially thereafter regarding the implementation and application of this chapter, including data on the number of applicants, the number of recipients, the number and amounts of loans and grants, and the identification of continuing barriers to accessing the cannabis market for social equity applicants. This information shall be presented in a manner that can be quantified and tracked over time.

# Data on Social Equity Program in Vermont

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## Social Equity Approvals for Active Licenses



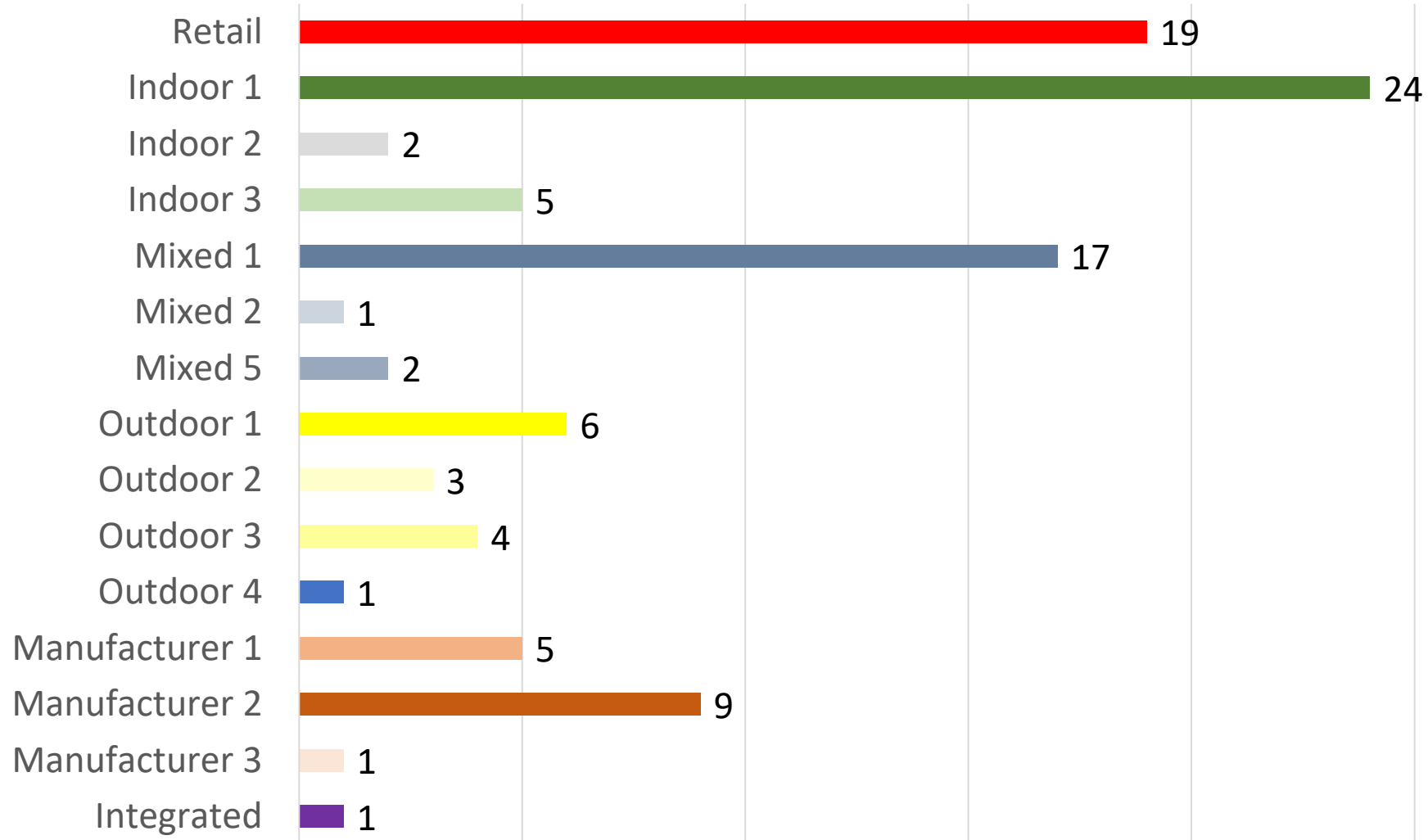


# Active Licenses (601) with Social Equity (102) by License Type



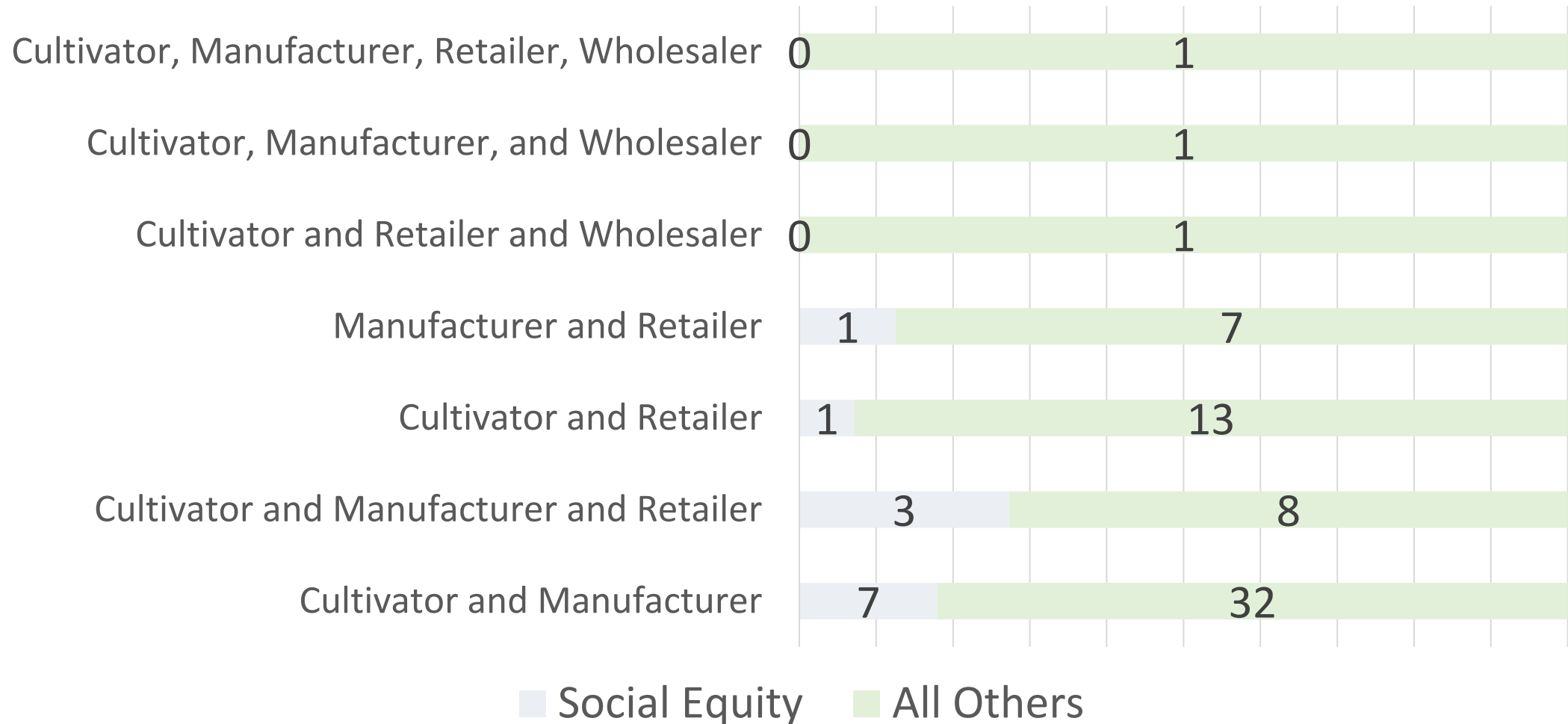


# Social Equity Licenses (102) by License Type & Tier

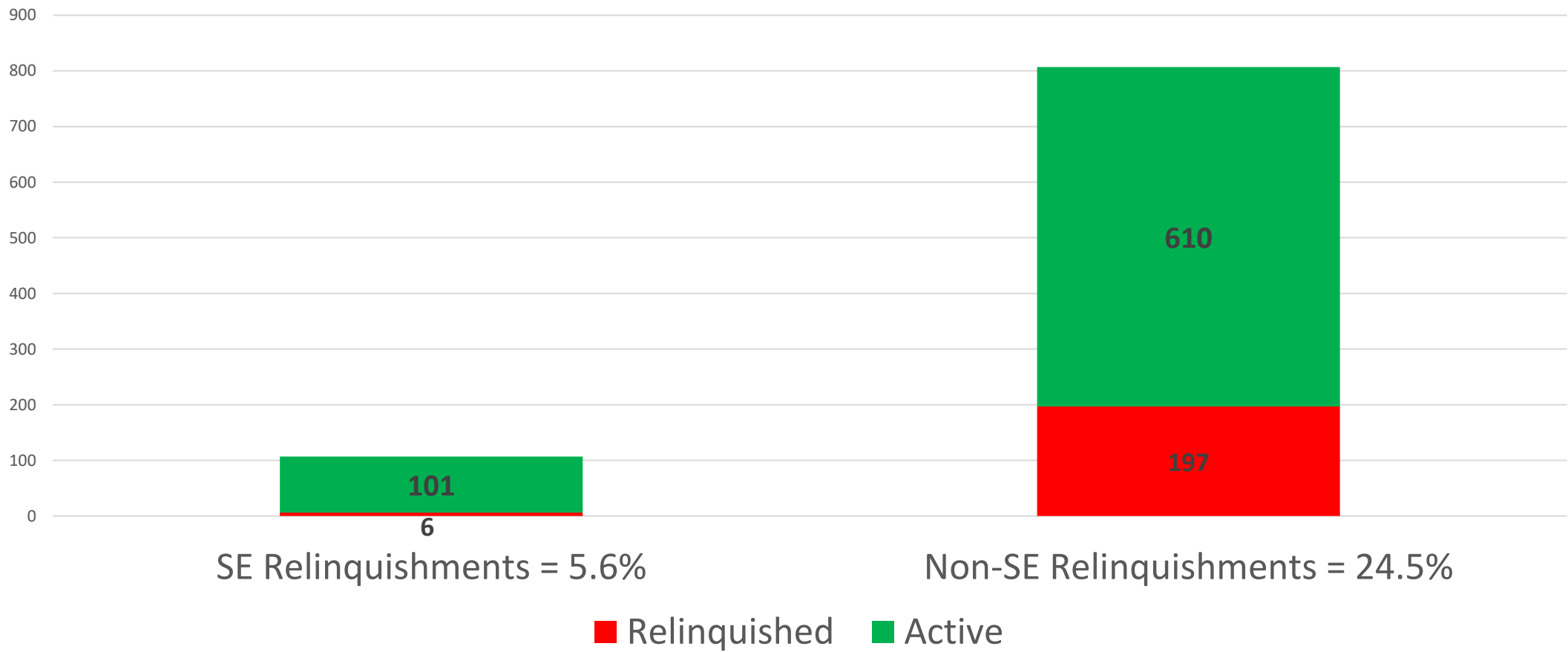




# Multiple License Holders



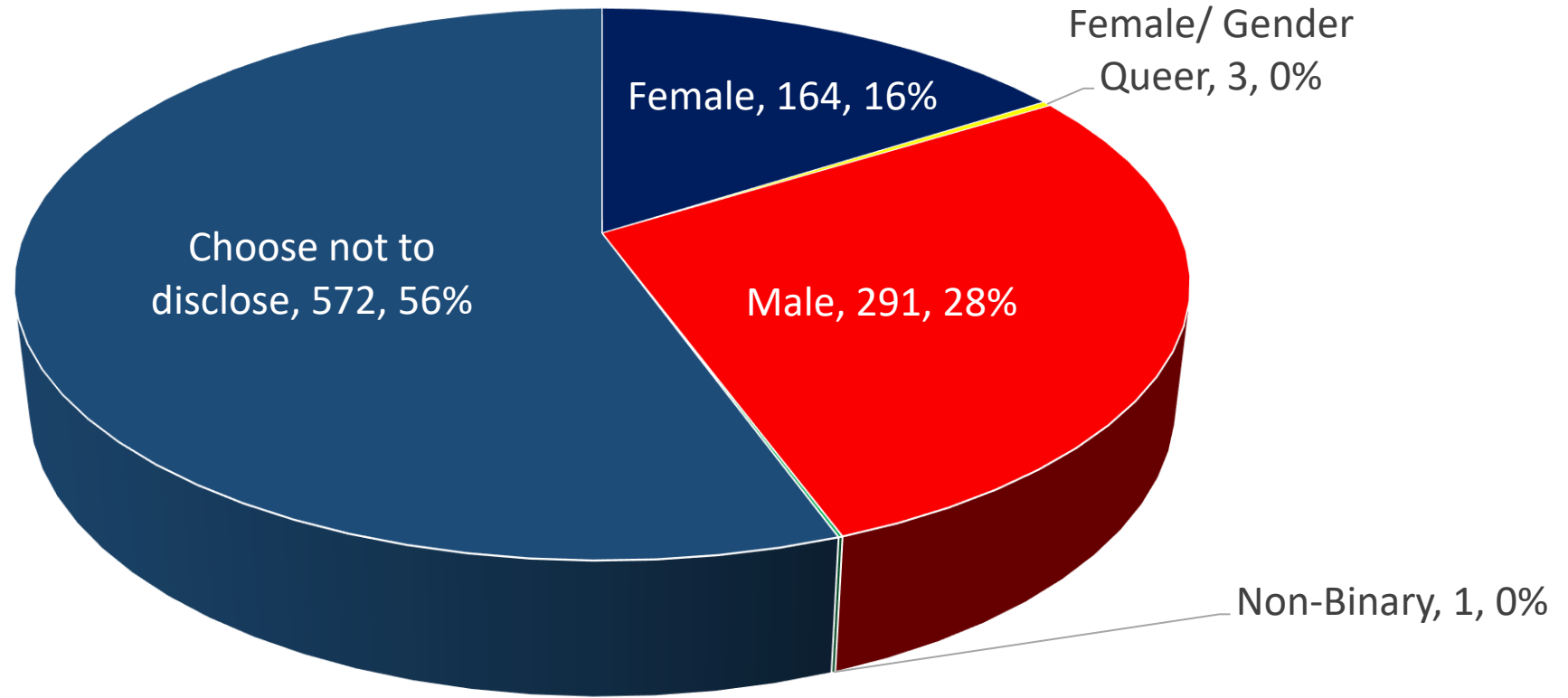
# License Relinquishment Comparison\*



\*Relinquishments include changes to cultivation tiers and type



# Cannabis Establishment Licensees - Gender

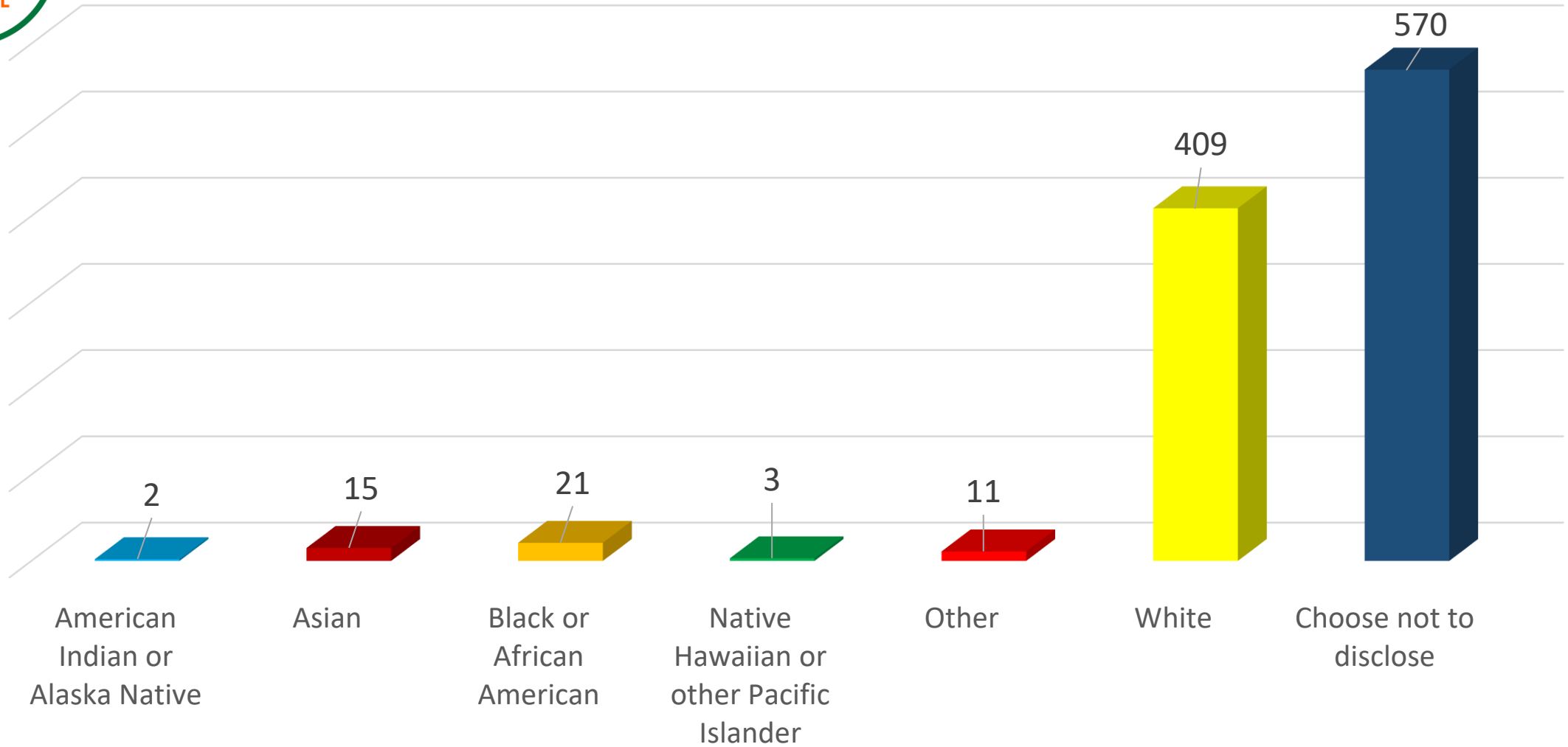


■ Female   ■ Female/ Gender Queer   ■ Male   ■ Non-Binary   ■ Choose not to disclose





# Cannabis Establishment Licensees - Race



# Cannabis Business Development Fund

## 7 V.S.A. § 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 comprise:
  - (1) a one-time contribution of \$50,000.00 per integrated license to be made on or before October 15, 2022; and
  - (2) monies allocated to the fund by the General Assembly.
- (c) The Fund shall be 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 pay for outreach that may be provided or targeted to attract and support social equity applicants;
  - (3) to assist with job training and technical assistance for social equity applicants; and
  - (4) to pay for necessary costs incurred in administering the Fund.
- (d) Amounts from loans that are repaid shall provide additional funding through the Fund.



# Cannabis Business Development Funding

## General Fund Contributions

- Act 62 (2021), Sec. 14 - \$500,000
- Act 65 (2023), Sec. 24 - \$500,000
- Act 166 (2024), Sec. 15 - \$500,000

## Non-general fund contributions

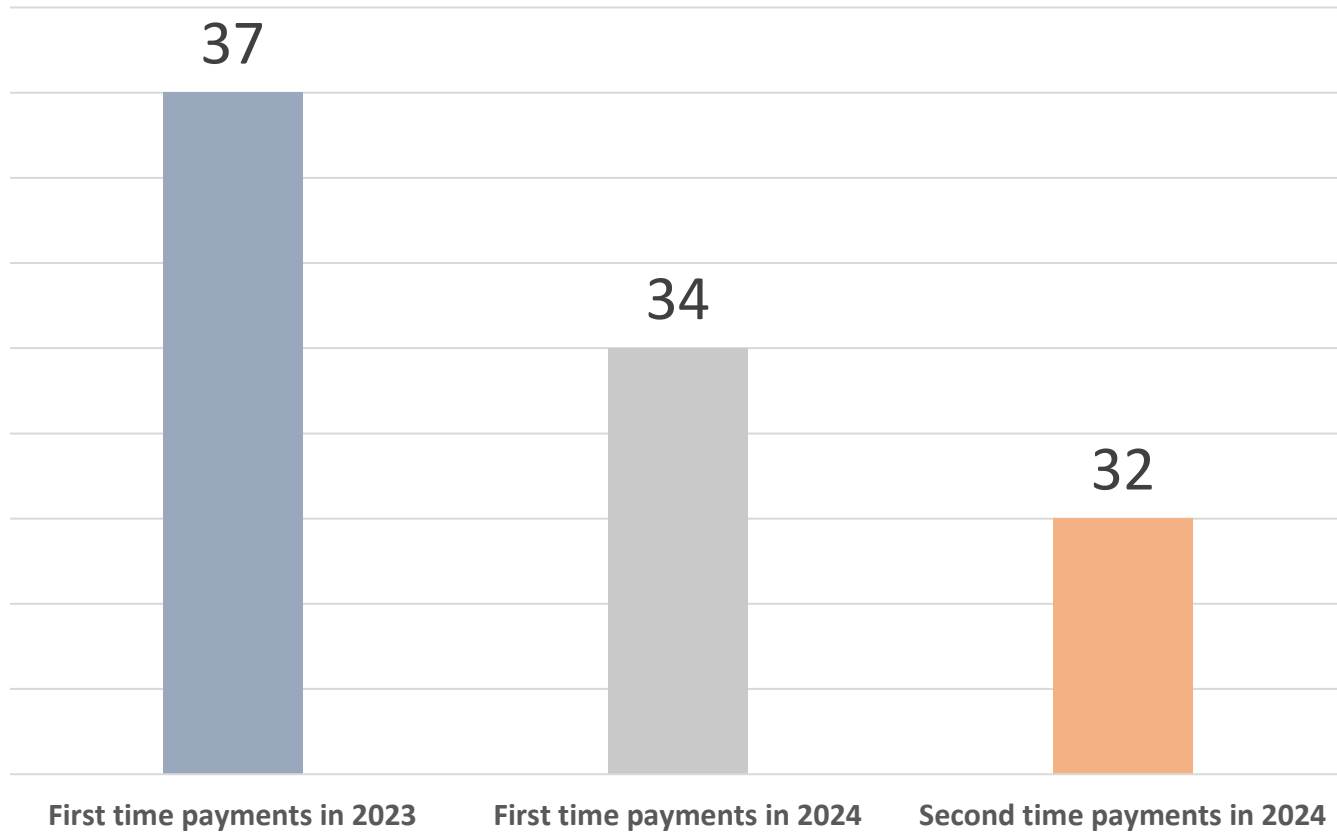
\$57,500

### Total Money Distributed/Donated

| PERFORMANCE MEASURES                            | QUANTITY        | Percentages (If Applicable) | NOTES  |
|---|-----------------|-----------------------------|--|
| How much total money distributed for payments   | \$ 513,000.00   | 33%                         |  |
| How much total money distributed for consulting | \$ 216,125.00   | 14%                         | Invoice to date (12/1/24) from Roads \$225,000 1st Contract   \$75,000 2nd |
| How much total money allocated for consulting   | \$ 300,000.00   | 19%                         | Contract   |
| Non-general fund contributions                  | \$ 57,500.00    | 4%                          |  |
| Total money distributed 12/31/2024              | \$ 813,000.00   | 52%                         |  |
| Total funds allocated/donated                   | \$ 1,557,500.00 |                             |  |
| Remaining funds                                 | \$ 744,500.00   | 48%                         |  |



# ACCD Performance Measures



74 applicants have received beneficiary payments

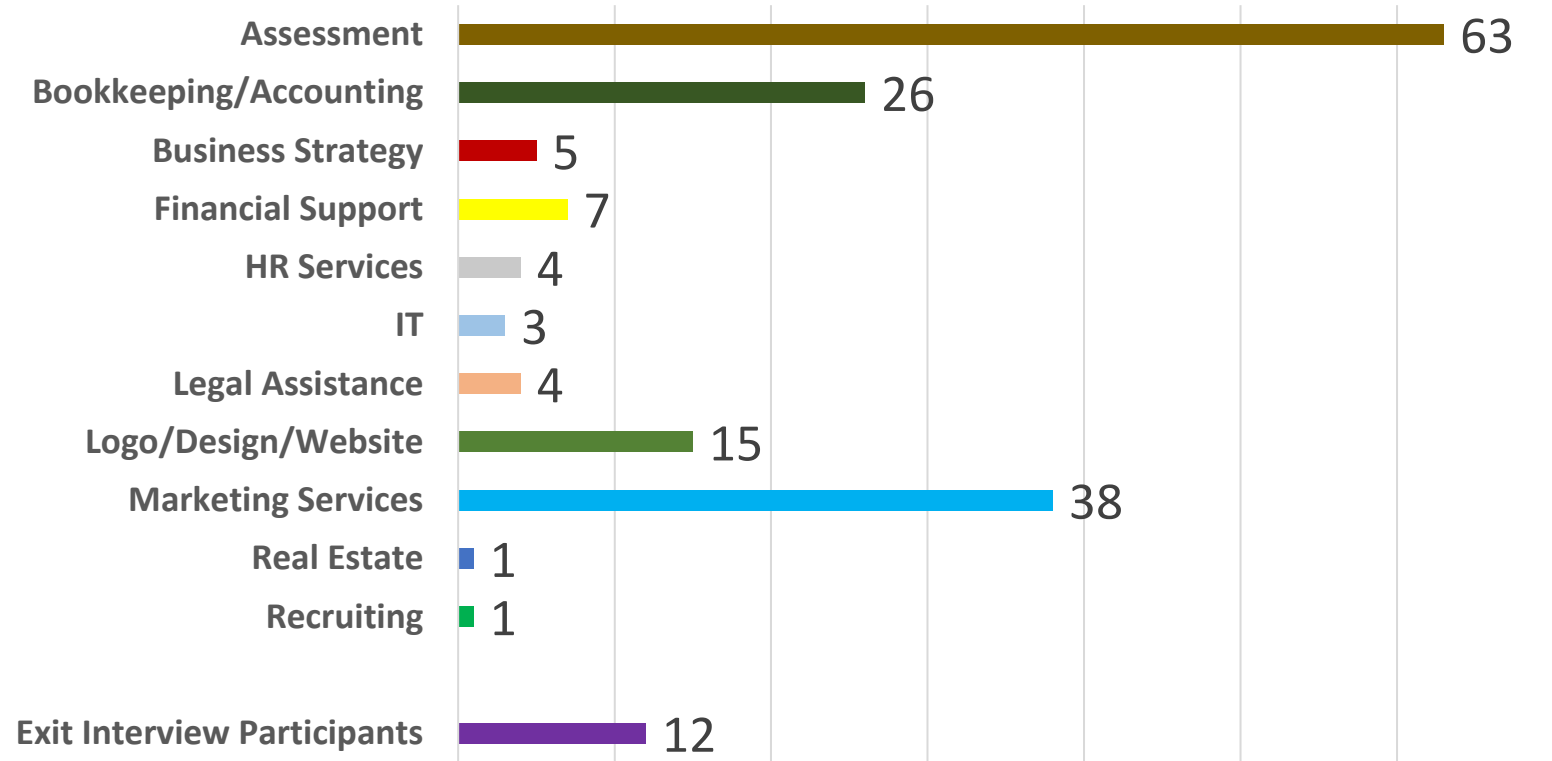
103 payment instances



# ROADS Consulting Services Recipients

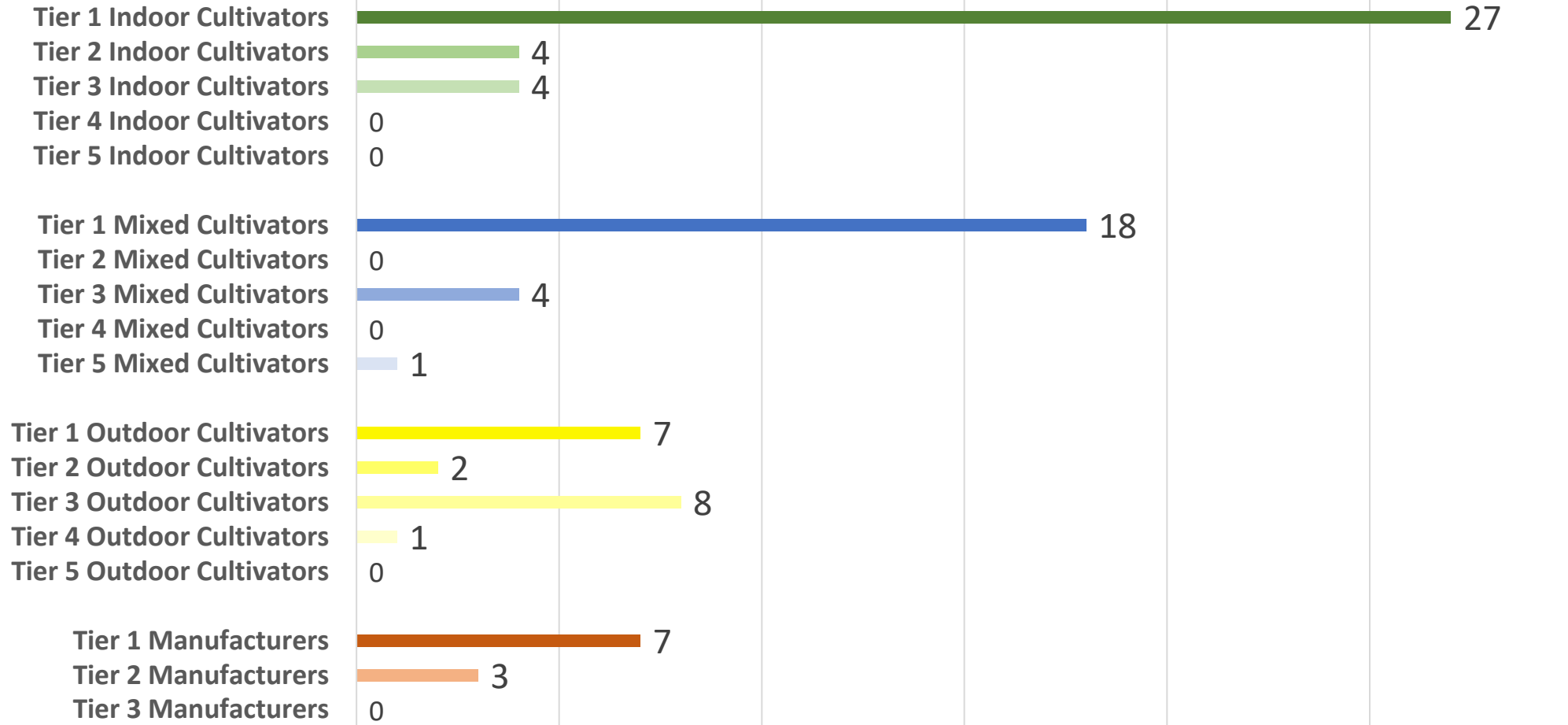
**89 applicants have received ROADS consulting services over 1202.5 hours**

**Average hours per recipient = 13.51**



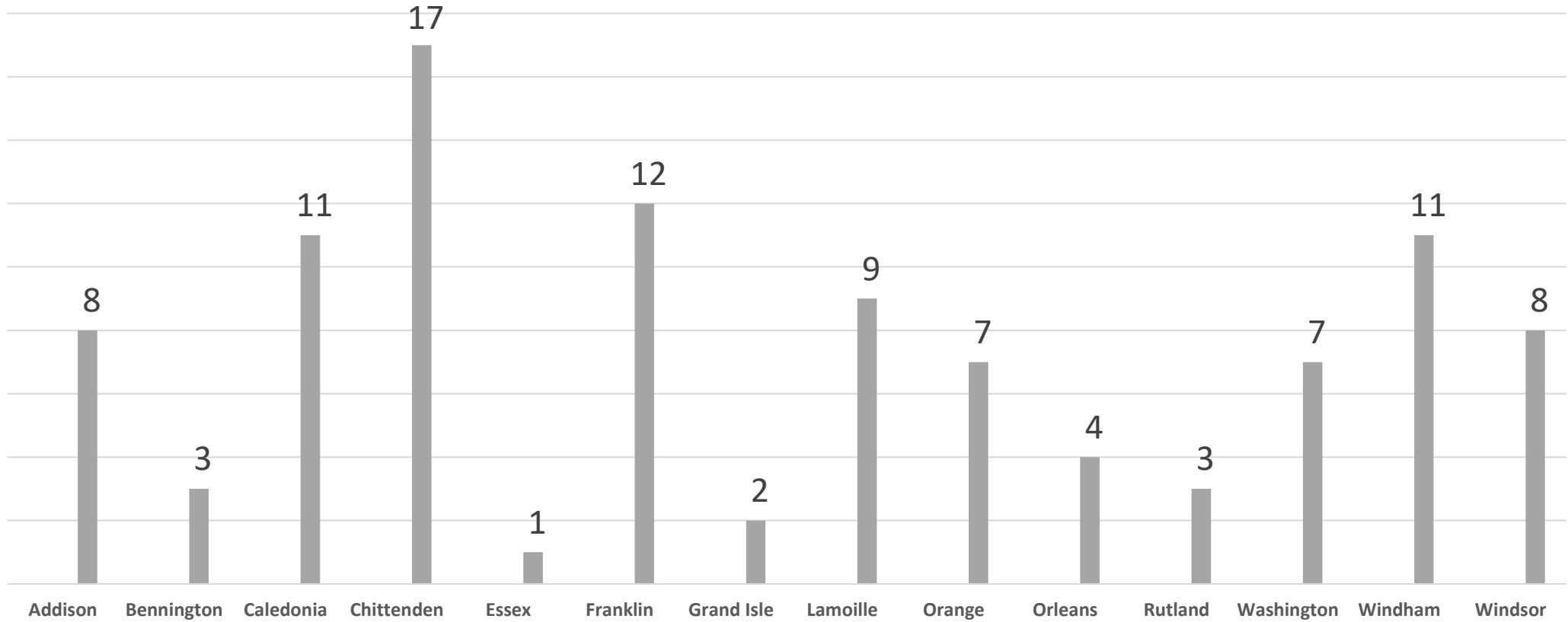


# Beneficiary Payments by License type





# Beneficiaries by County



# Barriers to Accessing and Succeeding in the Cannabis Industry

- *Access to Capital*
- *Access to Land*
- *Challenges to Sustainable Success*



# Access to Capital

The fundamental barrier to participating in the regulated cannabis industry is access to capital

- The manufacture, distribution, and sale of “marijuana” remains illegal under the Controlled Substances Act
- Given this legal status, the American Bankers Association takes the position that serving marijuana-related businesses (MRBs) expose a bank to significant legal, operational and regulatory risk (<https://www.aba.com/advocacy/our-issues/cannabis>)
- While some banks and state-chartered credit unions will provide basic depository services to MRBs, very few will offer lending services
- Access to capital can be a particular concern to Vermont’s Social Equity applicants who may be viewed as higher-risk borrowers
- Federal funding through SBA or USDA is unavailable
- Cannabis licensees generally are subject to increased cost for basic services (banking fees, insurance, rent, tax preparation, etc.) as a result of the federal status

# Access to Land

Relatedly, access to land remains a fundamental barrier to participating in the cannabis industry

- CCB Rule 1.4.6(b) requires applicants provide proof that the applicant has a right to occupy the physical site of operations
- As the General Assembly has acknowledged, this requirement can be particularly challenging for “Vermonters from historically marginalized or disadvantaged communities who continue to face barriers to land and home ownership.” ([Act 182 \(2022\)](#) at p.35)
- Property with federal entanglements (USDA loans, certain easements, Section 8 housing, etc.) is generally ineligible to host a cannabis establishment
- Predatory lease arraignments for cannabis businesses, local zoning, and other ordinances can further restrict land access

# Challenges to Sustainable Success

Once licensed, cannabis businesses face significant challenges to achieving sustainable success, including (non-exhaustive):

- Seasonal post-harvest oversupply
- Environmental conditions – extreme weather; flooding; molds; disease; pests
- High start-up and operating costs for Controlled Environment Agriculture
- Limited opportunities for technical assistance
- Lack of direct market access for cultivators
- Impact of tourism and border state consumers on cannabis demand
- Cost of regulatory compliance
- Disproportionate tax burden compared to non-cannabis businesses
- Competition with illicit and intoxicating hemp markets
- Prohibitions on product types; advertising

# **Act 166 (2024), Sec. 15a Recommendations**

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- *Section 15a*
- *Working Group Meetings*
- *Recommendations*

## Section 15a

### Act 166 (2024), Sec. 15a. CANNABIS BUSINESS DEVELOPMENT FUND; CANNABIS SOCIAL EQUITY WORKING GROUP

The Cannabis Control Board shall work in consultation with the Vermont Housing and Conservation Board, the Vermont Land Access and Opportunity Board, the Vermont Racial Justice Alliance, the Office of Racial Equity, and the Agency of Commerce and Community Development for purpose of making recommendations to the General Assembly regarding a percentage of cannabis excise tax monies that should be appropriated to the Cannabis Business Development Fund for uses as provided pursuant to 7 V.S.A. § 987. The Cannabis Control Board shall incorporate the recommendations into the Cannabis Social Equity Programs report required pursuant to 7 V.S.A. § 989.

# Working Group Meetings

## [Meeting 1](#) – August 21, 2024

Witnesses: James Pepper, Chair, Cannabis Control Board; Tim Tierney, Director of Business Recruitment and International Trade, ACCD; Tiffany North-Reid, MPH, Manager, Division of Racial Justice Statistics (ORE), Laura Carter, Data Analyst, Division of Racial Justice Statistics (ORE); Ellen Kahler Executive Director, Vermont Sustainable Jobs Fund

## [Meeting 2](#) – September 23, 2024

Witnesses: Joseph Gilmore, Fund Administrator, Massachusetts Cannabis Social Equity Trust Fund; Collen McQuade, Chair, Cannabis Retailers Association; Mark Hughes, Executive Director, Vermont Racial Justice Alliance, Geoffrey Pizzutillo, Executive Director, Vermont Growers Association, Graham Unangst-Rufenacht, Policy Director, Rural Vermont; Andrea Perez, Senior Business Consultant, Roads Consulting Group

## [Meeting 3](#) – October 24, 2024

Witnesses: Phillip Lamy, Ph.D., Professor, VSU; Tim Egan, Professor, VSU; Liz Gleason, Program Director Vermont Farm & Forest Viability Program; Jean Hamilton, Program Development Director, Land Access and Opportunity Board; Ornella Matta-Figueroa, Advocacy and Engagement Director, Land Access and Opportunity Board

## [Meeting 4](#) – December 18, 2024

Witnesses: Full working group discussion of draft report

## **Recommendation 1: Expand scope of Cannabis Business Development Fund to include Tier 1 outdoor cultivators and Tier 1 manufacturers with priority for Social Equity applicants**

As of December 31, 2024, the Vermont cannabis industry is comprised of:

- 601 total licenses of which 102 maintain Social Equity status
- 94 Tier 1 outdoor cultivators of which 6 maintain Social Equity status
- 14 Tier 1 manufacturers of which 5 maintain Social Equity status

Expanding the scope to include Tier 1 outdoor cultivators and manufacturers would increase the number of potential beneficiaries by 97 licensees

# Recommendations

## Recommendation 2: Appropriate \$1M\* of cannabis excise tax revenue annually to the CBDF to be used for the following purposes:

- Providing direct funding to social equity businesses through beneficiary payments (\$450,000)
- Contracting with a CBDF Services Coordinator to identify business needs, improve financial viability, and match licensees with service providers (\$100,000)
- Establishing a network of advisors at partner organizations that can provide technical support and assistance tailored to individual need, including:
  - Business planning, supply chain logistics, regulatory and tax compliance, HR management, land access and transfer
  - On-farm workshops, biosecurity; post-harvest handling, sanitation and food safety
  - Value chain facilitation, professional development, sustainability, business expansion (\$450,000)

\*\$1M would represent 4.5% of the FY25 cannabis excise tax projection according to the [JFO Consensus Revenue Forecast \(July 2024\)](#)



## **Recommendation 3: Develop a strategic action plan for the Vermont cannabis industry, including goals, objectives, strategies, and necessary funding (\$25,000 one-time)**

- Engage in scenario planning for future market conditions
  - Federal legalization
  - Interstate commerce
  - Continued expansion of intoxicating hemp products market
- Develop stabilization strategies for annual post-harvest supply shocks
  - Support regional hubs for processing, packaging, marketing, and distribution
  - Support on-farm post harvest handling and storage
- Reduce operational costs for small, local farmers
  - Subsidize testing for Tier 1 cultivators and manufacturers
  - Provide matching grants for capital improvements
- Enable opportunities for direct-to-consumer sales

# Community Reinvestment

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- *Background*
- *Community Reinvestment Programs*
- *Recommendation*

# Background

“There is widespread agreement that the War on Drugs has disproportionately impacted the poor and communities of color. Disproportionate arrest rates and convictions for possession offenses have a negative effect on access to work, housing, and education, as well as decrease participation in civic life.”

[The Social Equity Paradigm: The Quest for Justice in Cannabis Legalization](#)

See additional studies regarding the disproportionate impact of drug arrests and sentencing on minority communities in Vermont and the economic impact of these convictions: [Incarceration Rates of People of Color](#); [Justice Reinvestment II Racial Equity Sentencing Analysis](#); [A Tale of Two Countries: Racially Targeted Arrests in the Era of Marijuana Reform](#); [Cannabis Legalization And Social Equity: Some Opportunities, Puzzles, And Trade-offs](#); [Conviction, Imprisonment, and Lost Earnings: How Involvement with the Criminal Justice System Deepens Inequality](#); [The Long-Term Economic Impact of Criminalization in American Childhoods](#)

## Background (cont'd)

There is an enduring legacy of economic insecurity that stem from disproportionate enforcement of drug laws in Vermont and nationally which compound other discriminatory policies and practices (e.g., redlining, exclusionary zoning, chattel slavery, etc.). This legacy is exemplified by:

- [Home ownership among black Vermonters is 27%](#)
- [Only 0.006% of farmland in Vermont is owned by black people](#)
- [The national median wealth of a black family in the U.S. is 1/10th that of the median wealth of a white family](#)
- [16% of Vermont's homeless population is BIPOC, despite making up only 5% of the total VT population](#)
- [BIPOC Vermonters are 3x more likely to experience food insecurity than white neighbors](#)
- [Black Vermonters per capita income is half that of white Vermonters](#)

# Background (cont'd)

**Given the inherent barriers to accessing the industry and the on-going challenges to achieving sustainable success, the CCB and the Cannabis Advisory Committee concluded that the Social Equity Program alone is inadequate to mitigate the harm caused by historic drug policies and has called for the creation of a community reinvestment fund in prior legislative reports**

## [Cannabis Control Board Report - January 15, 2022](#)

### Economic Opportunities & Social Equity – Legislative recommendations

**Beyond the work of the Board to foster an equitable cannabis marketplace, the General Assembly can create far-reaching policies to mitigate the long-standing social and economic inequities fueled by cannabis prohibition. The Board encourages the legislature to adopt these policies.**

- The Cannabis Business Development Fund is not adequately funded to provide meaningful economic opportunities to social equity applicants and businesses on an ongoing basis. The Board recommends that the legislature allocate a portion of the cannabis excise tax revenue annually to the Cannabis Business Development Fund. The Control Board's Advisory Committee recommended that 5-10% of the cannabis excise tax revenue be dedicated to the Business Development Fund.
- The Board recommends that the legislature create a Cannabis Community Reinvestment Fund to funnel cannabis revenue to communities disproportionately impacted by cannabis prohibition and allocate a percentage of cannabis tax revenue to the fund annually. Not all individuals from communities harmed by prohibition want to participate in the adult-use industry. Reinvesting cannabis revenue into these communities is a more comprehensive approach to mitigating the harms caused by disproportionate criminal legal enforcement. The Control Board's Advisory Committee recommended that 20% of the cannabis excise tax revenue be dedicated to a Reinvestment Fund.

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## [7 V.S.A. § 989 Social Equity Report - January 15, 2023](#)

### Recommendations: community reinvestment

- The General Assembly can also create policies to mitigate the long-standing social and economic inequities fueled by the drug war.
- Not all individuals harmed by prohibition want to participate in the cannabis industry.
- The Board recommends that the legislature create a Cannabis Community Reinvestment Fund to funnel cannabis revenue to communities disproportionately impacted by cannabis prohibition and allocate a percentage of cannabis tax revenue to the fund each year. Reinvesting cannabis revenue into these communities is far-reaching approach to mitigating the harms caused by disproportionate criminal legal enforcement of cannabis laws.

# Community Reinvestment Programs

**Currently 8 states have enacted Community Reinvestment Programs that direct cannabis revenue into communities disproportionately impacted by state and federal drug policies:**

**Arizona** (10% of cannabis revenue)

**Purpose:** Support public and behavioral health; restorative justice, jail diversion, workforce development; and addressing the underlying causes of crime

**Administration:** The Arizona Department of Health Services - Office of Health Equity

**California** (\$50M annually)

**Purpose:** Award grants to Local Health Departments and qualified Community-based Nonprofit Organizations to support job placement, mental health treatment, substance use disorder treatment, system navigation services, legal services to address barriers to reentry, and linkages to medical care for communities disproportionately affected by past federal and state drug policies.

**Administration:** The Governor's Office of Business and Economic Development

# Community Reinvestment Programs (cont'd)

## Connecticut (60% of cannabis revenue)

**Purpose:** Provide financial assistance to enhance programs and services for communities disproportionately harmed by cannabis prohibition and enforcement; support broad-based economic development in disproportionately impacted areas; increase the quality of life, vibrancy, accessibility, and equity in communities disproportionately harmed by cannabis prohibition and enforcement.

**Administration:** Social Equity Council

## Delaware (7% of cannabis revenue)

**Purpose:** Provide grants, contracts, services, or initiatives that focus on restorative justice, jail diversion, workforce development, industry-specific technical assistance or mentoring services for economically-disadvantaged persons in disproportionately-impacted areas; addressing the underlying causes of crime, reducing drug-related arrests, and reducing the prison population in this State; creating or developing technology to assist with the restoration of civil rights and expungement of criminal records; supporting social equity applicants with select business-related expenses; supporting or providing reentry services for justice-involved individuals.

**Administration:** Criminal Justice Council

## Illinois (25% of cannabis revenue)

**Purpose:** Address the impacts of economic disinvestment, violence, and the historical overuse of criminal justice responses in communities with resources to support local design and control of community-based responses; substantially reduce gun violence and concentrated poverty in the state; protect communities from gun violence through targeted investments and intervention programs; Promote employment infrastructure.

**Administration:** Recover, Reinvest, and Renew (3R) Program Board

# Community Reinvestment Programs (cont'd)

## Maryland (35% of cannabis revenue)

**Purpose:** Provide funding to local jurisdictions to support community-based initiatives that benefit low-income communities and communities that have been disproportionately impacted by the enforcement of cannabis prohibition

**Administration:** Community Reinvestment and Repair Commission allocates funds to counties that further distribute the funds for allowed purposes

## New Jersey (70% of cannabis revenue; Social Equity Excise Fee)

**Purpose:** Provide investment, including through grants, loans, reimbursements of expenses, and other financial assistance, in municipalities defined as “impact zones” and for direct financial assistance to qualifying persons residing therein.

**Administration:** Funds appropriated by the legislature as recommended by the Cannabis Regulatory Commission

## New York (40% of cannabis revenue)

**Purpose:** Provide grants for qualified community-based nonprofit organizations and approved local government entities for the purpose of reinvesting in communities disproportionately affected by past federal and state drug policies, with an initial focus on mental health, workforce development, or housing for people 0-24 years old.

**Administration:** Cannabis Advisory Board



# Recommendation

## **Recommendation 4: Dedicate a portion of the cannabis excise tax\* to the Land Access and Opportunity Board (“LAOB”)\*\* for community reinvestment in the following initiatives:**

- 1. Down payment assistance grants to support homeownership and land access for disadvantaged Vermonters.**
  - a. Work in partnership to expand and complement existing downpayment assistance programs, e.g., VHFA First Gen Homebuyer, CHT Homeownership Equity Program, FHL Bank of Boston LIFT UP Program.
  - b. Develop Vermont’s first downpayment assistance grant to support farmland access for disadvantaged communities
- 2. Financing and technical advising support for BIPOC and other emerging developers**
  - a. BIPOC Developer technical assistance program in partnership with VHFA
- 3. Seed and implementation grants for community-led affordable housing and community development projects including land trusts, landbanks, etc.**
- 4. Strengthen community leadership of disadvantaged communities through advisory powers and community engagement.**
  - a. Allocating resources to strengthen and sustain community-led initiatives.
  - b. Supporting underrepresented community members’ participation in public policy processes with stipends, childcare, travel costs, and language access.
  - c. Advising public policies and programming on how to dismantle ongoing barriers that prevent the participation and benefit of disadvantaged communities.

\*The LAOB indicated that 25% of the cannabis excise tax annually will allow it to effectively implement its priority initiatives. Based on the cannabis excise tax projections contained in the [JFO Consensus Revenue Forecast \(July 2024\)](#), 25% of the cannabis excise tax would equate to \$5.6M in FY25 and \$6M in FY26

\*\* For more information on the LAOB, please visit: <https://vhcb.org/our-programs/land-access-and-opportunity-board>