



The People's Ecosystem's Response to the Cannabis Administration and Opportunity Act (CAOA)

The People's Ecosystem would like to recognize the efforts put into creating this draft legislation and express appreciation for the explicit space given for additional input. We offer the following policy recommendations.

Although the CAOA does not deal directly with the banking issue it is undoubtedly an essential aspect to the repairing of decades worth of harm and trauma. There are, however, a number of mentions of funding opportunities for individual entrepreneurial efforts as well as investment in communities that have been disproportionately affected by the disparate enforcement of war on drugs policies.

Section 301 Opportunity Trust Fund Programs and Small Business Administration Programs, refers to the creation of three grant programs with capital funneled through non-profits, the Small Business Administration (SBA) and the Equitable Licensing Grant Program. These programs are notable but considering that access is only one part of the problem there is a need to ensure that offerings and implementation are as equitable and inclusive as possible. Accountability measures must be married with timelines and a scope that ensures that the intended people and communities are the actual recipients of funds.

- ❖ **Provide an equal voice at the table when bodies write guidelines, regulations and rules for the awarding of cannabis grants and loan programs**
 - Diverse banking and oversight is imperative. Having boards members with decision making power and influence from the communities being serviced will assist with overcoming the well documented and known bias and racism within our financial institutions. Data shows that Black owned businesses are twice as likely to be denied financing and if their loan is approved they are also more likely not to receive the full amount applied for.
 - Expanding support to Black owned banks, community development financial institutions (CDFIs) and Minority Depository Institutions (MDIs) is a great way to positively impact wealth building in BIPOC communities.
 - Access to capital is not enough. Guidance with navigating these processes as well as preparation in order to receive sought after outcomes is essential. Access to experts and industry mentors is necessary to ensure that opportunities are taken advantage of and capitalized off of.



❖ **Debt facility for social equity small business loans**

- Equity applicants and licensees need financial flexibility to meet the changing demands of the cannabis industry. Requirements such as licensing fees, liquid asset minimums, real estate securance and updated compliance mandates are just a few of the needs that must be met. These loans must be zero to low fixed interest rate facilities in order to alleviate an unnecessary financial burden and to allow for more accurate budgeting.

❖ **Debt facility for states to implement social equity programs day one (would uplift best practices and guardrails to push our best practices)**

- States have taken the lead on cannabis decriminalization and regulatory efforts and carried the load of missteps related to addressing harm with social equity applicants and communities impacted by the war on drugs. In order to ensure the success of existing programs and to encourage innovative problem solving states need the flexibility that federal financial support can provide.

❖ **Guardrails on grant programs**

- These include but are not limited to tracking, quarterly/bi-annually data analysis and program adaptation based on said data to address unintended harm.
- Federal guidance around fund releases to thwart unnecessary barriers and arbitrary policing. Funds should be made available in ways conducive to efficient operation and not of a punitive nature. An example would be the creation of strict reimbursement structures.

Section 302 3(b) Authorization of Appropriation refers to funds from the Omnibus Crime Control and Safe Streets Act bill of 1968. Our belief is that these funds which have been allocated and used for decades to criminalize individuals and decimate communities and families should be reallocated for harm repair and the rehabilitation and upliftment of those very groups that are still oppressed.

❖ **Funding Level Security**

- A minimum funding level must be established and allocated for all social equity initiatives at inception. The avoidance of additional harm due to lack of proper



planning and the inability of programs to functionally operate should be prioritized.

❖ **Equity Program Allotments**

- Base capital must be independent of recreation use tax revenue, which requires additional time for generation and release. Time is of the essence and is indeed what most equity applicants are fighting against.

Section 303 AVAILABILITY OF SMALL BUSINESS ADMINISTRATION PROGRAMS AND SERVICES TO CANNABIS-RELATED LEGITIMATE BUSINESSES AND SERVICE PROVIDERS

speaks to the amending of the Small Business Act to include the following:

“The Administrator may not decline to provide a guarantee for a loan under this subsection to an otherwise eligible small business concern solely because that small business concern is a cannabis-related legitimate business or a service provider”.

❖ **Social Equity Cannabis Business Protections**

- Safeguards need to be added to this section. As is, there is too much room for subjectivity. The federal government is already familiar with language that speaks to percentages and "set-asides" in regards to government contracts. The need that created these protections in the contract realm are also needed in the legal cannabis industry.

<https://www.bidnet.com/resources/business-insights/how-to-become-certified-small-minority-woman-veteran-owned-business-en.jsp>

Sec. 201. Societal impact of cannabis legalization study is set to collect data on the impact of legalization over the past fiscal year.

❖ **Protection Against Unintended Harm**

- As state's regulate cannabis, specifically for recreational use, citizens become increasingly comfortable with admitting consumption. This creates the risk of cannabis use admission being falsely attributed to causation.
 - This phenomena was documented in “**Ballot Proposition 207 Smart and Safe Arizona Act Fiscal Analysis**”
<https://www.azleg.gov/jlbc/20nov1-23-2020fn730.pdf>



- Reports of an increase in “random” drug testing after the regulation of recreational use has been reported in many states. These occurrences will undoubtedly create skewed data sets and be used to stoke fearmongering narratives.
 - Data must be critiqued and checked for the inclusion of full context, methods used and questions used in its collection.

PART OO— SEC. 3052 AUTHORIZATION refers to “re-entry” and “job training” services being offered under the Community Reinvestment Grant Program.

- ❖ **Re-establishment of full rights, benefit access and service scope**
 - This section needs to be expanded to account for those who, due to the targeted enforcement of war on drugs policies, lost access to federal benefits, be it housing, education grants and training/apprentice programs.
 - Specifically for housing subsidies, which major urban areas have multi-year waitlists for, access must be restored and placements must be prioritized.
- ❖ **Expand language to include job placement**
 - For accountability and to expand deliverables into a more tangible realm. Criteria used to determine the success of training programs must include the deployment of talent in general and beyond entry level positions.

SEC. 5901. IMPOSITION OF TAX. lists federal tax amounts up to 25% as well as a proposed tax for THC potency.

- ❖ It’s imperative that federal taxes be set in with consideration given to those currently implemented at the state level. Small businesses are already struggling to meet existing requirements. There is language around a small producer 50% reduction through a tax credit; however the federal government must work with states to make this more reasonable.
- ❖ Legacy markets continue to exist and thrive due in large part to cost efficiency.
- ❖ The federal government must recognize that the growth and sustainability of the legal industry is dependent upon the successful transition of legacy operators and this surely serves as an inhibitor.
- ❖ The tax burden felt by operators will surely be that of which is felt by the consumers. And those who feel the brunt of this will be individuals who have already been harmed by the war on drugs. They are the Black, LatinX and Indigenous people who more than



likely are not medical card holders because they can't afford the additional costs to acquire one, or because they do not have quality health coverage, or because making time for doctors visits when you don't have paid time off is a burden they can't bare, or maybe because they have a primary care physician who does not listen to them or believe their pain.

- ❖ To put it plainly, if the purpose of this legislation is to help the communities and people who have been impacted the most by the war on drugs, it is imperative that harm not be repurposed. The bias and racial inequities of our healthcare system have made it more difficult for Black, LatinX and Indigenous communities to be properly diagnosed and to acquire medical cannabis cards. Just as those same bias' make it difficult for BIPOC entrepreneurs to gain entry, raise capital and navigate the legal cannabis industry. Imposing an additional THC content tax would grossly impact those who are already paying a premium as both operator and consumer.

THC Limits

- ❖ **Consumer protections for all use against unintended harm**
 - All cannabis consumption must be viewed as wellness seeking and medicinal. The arbitrary separation of medical from recreational use and the associated implementation of THC limits puts our most vulnerable populations in grave danger.
 - THC limits do not decrease use or what is necessary to reach homeostasis; instead it creates an unnecessary financial burden with increased quantities being required.
 - State regulations implement limits for acceptable amounts to carry for personal consumption. These limits place those who are currently unable (veterans) and have difficulty or trauma interacting with our racist healthcare system at risk of being re-criminalized.



Personal Narrative on THC Limits

There is grave danger in implementing overly strict limits on THC content. To do so in a restrictive and uneducated way would hurt our most vulnerable populations. I am part of one of those populations as an immunocompromised chronically ill person. My story is not unique which is why we must think about THC limits through the lens of medicine rather than through a lens of recreation. After a pulmonary embolism almost took my life in 2009, I spent the next six years in and out of hospitals, with the last three years requiring 11 synthetic pills daily (which included 5 different opioids) plus a monthly, chemo-like infusion at the hospital to treat my varied lupus-related ailments. Even with all that medicine I remained sick and mostly unable to leave my house.

In 2016 I went to a cannabis conference in Denver, CO that changed my life. It was the first time I was given an education on the benefits of CBD and THC specifically on how it relates to illness. Cannabis allowed me to manage my pain and inflammation in a more holistic way. It was my personal experience, leaving pharmaceuticals behind that I knew others could and should benefit from this medicine. My personal regimen after years of experimenting on what works best for me on a daily basis is 20mg of CBD and 50mg of THC.

If strict limits were imposed my already expensive cannabis regimen could cost me five times what it costs me now out of pocket. What does that mean to communities of color, sick people, chronically ill people and others? It creates a reason/need to return to the underground market for affordable medicine, thus a new prison pipeline for those communities.