Cannabis Equity Act Starts Out With $10M in Funding

The fact that cannabis use is legal in California might cause one to forget that the pungent crop didn't have such a golden past in the Golden State. Indeed, it was one of the biggest targets of the DEA's war on drugs. But the previously maligned marijuana is now sanctioned for medical use and adult recreational use in California and several other states, and it's also a substantial source of state tax revenue where it's legal.

In many places, this kind of "weed" is not so maligned any longer. And yet there are thousands of people shut out of the legal industry because of a lack of funds or because of a criminal history involving cannabis.

The California Cannabis Equity Act (or SB 1294), signed into law by Governor Jerry Brown in September, addresses at least one aspect of marijuana's negative impact on minorities possessing the substance prior to legalization. (Data shows that minority populations were disproportionately impacted by cannabis arrests and prosecutions.) When it comes to current legal cannabis operations, the act attempts to level the playing field between hopeful cannapreneurs in underserved communities and those who were not swept up in the law enforcement net of the past. The initial funding for the act is $10 million.

Not a panacea, but "…an important step…"

One of the sponsors of SB 1294 was Rodney Holcombe of the Office of Legal Affairs, Drug Policy Alliance. He had this to say to Leafly: "The California Cannabis Equity Act is an important step toward creating an equitable cannabis industry in California."

Authored by Democratic Senator Steven Bradford (Gardenia), the Equity Act bill received no opposition as it sailed through the state Senate and Legislature. Under the act, which will go into effect in the new year, municipalities with their own cannabis equity programs can apply for grant funding to be used for waivers of licensing fees, for business loans, or for capital improvements on businesses for those who meet the criteria for equity adjustment. Further, grants funded by the act will go toward administrative and technical support for local equity program participants in the process of applying for marijuana licenses and permits.

According to the bill itself: "[The] barrier to traditional funding places individuals without access to capital at a disadvantage. Starting a business is made even more difficult for individuals with a criminal record. Minorities have been disproportionately affected by the nation's War on Drugs."

Some individuals might see old canna-convictions go up in smoke

Equity programs aren't a brand-new thing everywhere in the state, however. Oakland and San Francisco have had their own for the past year. The former's might not be up and running if not for Councilwoman Desley Brooks who worked toward establishing a system for allowing minorities or residents of underserved areas to participate in the legal cannabis industry. Eligible individuals may be offered lower business rent or a reduction in fees or even the expungement of criminal records that pertain to cannabis convictions. Los Angeles and Sacramento are now building equity programs of their own.

In Oakland, investors interested in participating in the equity program may set up a three-year incubator space for an eligible equity candidate, or the investor may directly add funding to an equity member's canna-business.

Equity, from sea to shining sea?

Way over on the opposite coast, the Massachusetts Cannabis Control Commission has announced its first Social Equity Program. And because some form of legal marijuana is increasingly taking root across the country, it's likely more states will follow suit.

Rodney Holcombe also said: "As we know, access to capital and technical assistance are crucial for anyone wanting to create a business in this space. Unfortunately, persons most harmed by cannabis prohibition and generational poverty often lack the support needed to be successful."

This article is provided for educational purposes only and is not offered as, and should not be relied on as, legal advice. Any individual or entity reading this information should consult an attorney for their particular situation. For more information/questions regarding any legal matters, please email info@nelsonhardiman.com or call 310.203.2800.