

NYMCIA Equity Framework

Equitable Adult-Use Cannabis in New York State

March 2021

HR&A

EXECUTIVE SUMMARY:
EQUITY IN NEW YORK'S CANNABIS INDUSTRY

New York can set a new standard for equity in adult-use cannabis, specifically addressing weaknesses that have emerged in other states.

Broadly, existing efforts at development of an “equitable” cannabis industry have failed because they rest on inadequate definitions of “equity”. For New York, equity should be defined as a cannabis industry that has, in every aspect, a primary focus to benefit and support the communities that have been disproportionately damaged by drug criminalization.

Black and Latinx communities are underrepresented and face significant hurdles in the cannabis industry. According to industry surveys, **only 4.3% of cannabis business founders are Black, and only 6.7% are Latinx**. Of the estimated 3,000 – 3,600 dispensaries, **only about one percent have Black owners**. The average cost to start-up a new dispensary is at least \$250,000, and federal prohibitions lock out Black and Latinx owners from traditional small business financing. Several states have regulated sale of cannabis and devoted significant time and resources to implementing programs addressing equity, yet efforts have failed to create a truly representative industry that benefits Black and Latinx communities.

Specific Failures of Current Equity Programs

Structural economic and regulatory barriers for Black and Latinx entrepreneurs. Local and state regulations require significant time and capital that discourage equity applicants, and do not address historical barriers in access to capital and resources.

Corporate interests can take advantage of Black and Latinx entrepreneurs’ hardships without sharing ownership of wealth. High upfront costs and burdensome regulations often compel Black and Latinx entrepreneurs into predatory partnerships with outside interests that undermine equity goals.

State programs are both underfunded and unaccountable. New programs are hampered by delays in funding and implementation. Even these inadequate definitions of equity translate to meager advancement with little transparency or accountability. Equity objectives are underfunded due to lack of fiscal revenue.

Illinois: Several social equity applicants sued the state in 2021 for not getting the chance to fix application errors after only 21 qualified for 75 retail permits under lottery.

California: San Francisco’s equity program allows applicants to bring in outside investors as partners. Larger operators often coax equity applicants into unbalanced partnerships.

Massachusetts: Lack of oversight on local controls has resulted in corruption and blocks applicants from the licensing process. Many cities and towns violated state law in the process.

The NYMCIA Equity Framework

NYMCIA supports an expansive vision of an equitable cannabis industry in New York state. Our implementation framework directly addresses the legacies of harm to marginalized people, as well as areas open to exploitation by corporate interest and local controls. This framework prioritizes restorative justice and reinvestment for adversely affected communities, economic justice through support and funding for every stage of business development, and inclusive governance for efficient, transparent, and accountable regulation and budgeting.

Restorative Justice

- Automatic expungements
- Release of current prisoners and parolees
- Reduction and elimination of sentencing regulations
- Reduce/eliminate risk of future re-criminalization of BIPOC
- Community directed community re-investment

Economic Justice

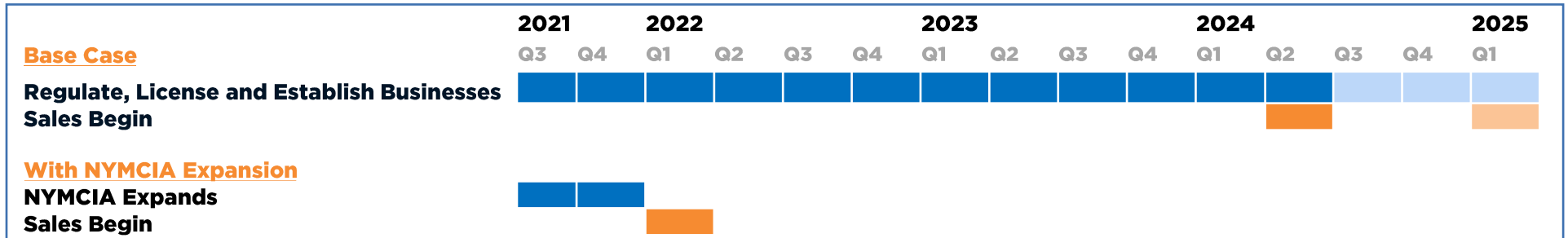
- License reservations
- Launch and operating support
- Employment and ownership pathways, with particular attention to participants in existing (unlicensed) cannabis businesses.

Inclusive Governance

- Representative governance
- Accountable regulation
- Community-driven and transparent budgeting
- Balance of state and local control

Direct Benefits from Early NYMCIA Participation

As the State considers new legislation, there is a unique opportunity to leverage the existing ROs to provide both tax revenues and infrastructure through which a new, and more equitable cannabis industry can be built in New York.



Early Revenue → Leverage Resources → Sustainable Equity

Immediate controlled expansion of ROs provides:

\$780M-\$1B in incremental tax revenue by 2027.

Immediate reinvestment funds to communities.

Existing RO operators offer:

Tax revenues to support a \$100M loan pool & provide needed capital.

Technical support to incubate new entrepreneurs.

Equity is sustained through:

Limited, managed growth of ROs.

High target for social equity participation.

Equitable and transparent administration.

THE ROLE NYMCIA CAN PLAY

Legalization in New York State must begin with a focus on equity.

Black and Latinx New Yorkers have suffered too long under unjust policies that have criminalized the possession and sale of cannabis.

The state's existing systems have severely policed and harmed these communities. Decades of detrimental policies through the War of Drugs at all levels of government have pushed punitive policies that target Black and Latinx people, limiting their economic opportunities, and breaking social ties through the criminal justice system.

There is strong political will for equity to harmed communities through legalization.

Support for legalization continues to increase in the State legislature despite past failed efforts, and leadership in both houses support not only legalization but also provisions for dedicated revenues to adversely affected communities. One day after the legislature pre-filed their legalization bill, Governor Cuomo's introduced his own proposal with broad provisions for licensing opportunities and entrepreneurs of color impacted by criminalization. The electorate also supports legalization, with 60% of eligible voters in agreement.

Cannabis can and should be part of the state's economic transition into COVID-19 recovery.

State leaders, current registered organizations (ROs), and advocacy groups understand the economic realities around legalization. Based on the Governor's proposal, the new adult-use market could realize tax revenues of more than \$300 million. Moreover, MPG reports the industry is expected to generate \$5.7 billion in total revenues and create 21,000 jobs by 2023. This should be welcome space to Black and Latinx New Yorkers, still reeling from economic crisis of the pandemic, suffering higher unemployment and debt than whites. A regulated cannabis market that supports Black and Latinx entrepreneurs as owners and dedicates tax revenue to harmed communities provides additional routes to economic recovery.

New York state will join a growing trend at both the federal and state level to both legalize cannabis and push social equity outcomes for affected communities

The federal MORE Act – though symbolic – passed the House in 2020 and could continue momentum in the Biden administration.

When it comes to responsibly regulating marijuana it's critical that we don't just get it done, but we get it done right. Equity must be the guiding force."

MELISSA MOORE, NY STATE DRUG POLICY ALLIANCE, JANUARY 2021

Nine years ago, only 18 states had medical cannabis programs, today 47 allow some type of legal sale, and 15 have authorized legal recreational use. New Jersey voters have already passed a referendum in support of adult recreational use, and Connecticut is moving in the same direction. New York can also look to Massachusetts and Illinois for recent experience in recreational use legalization.

NYMCIA understands the State must seize the moment and build out a new adult-use market rooted in equity.

The growing support among residents, legislators and the Governor's proposal signals that 2021 is the time to make it happen. There are specific and compelling reasons for the state to legalize now in a way that Black and Latinx New Yorkers have a meaningful share in this singular economic and social opportunity. RO's in the NYMCIA have the infrastructure, the experience, and the will to help New York have the most equitable cannabis industry in the country.

NYMCIA is uniquely positioned to help the State address the gaps exposed by efforts to date.

If New York State decides to legalize this new industry without first providing and fully funding solutions to access to capital for equity applicants, and structures to ensure that they are supported, New York is on the path to fall to traps seen in other states. Instead, NYMCIA proposes the following steps to avoid these pitfalls, create true opportunity for harmed communities, and create an environment for effective development of policies and regulations.

- 1. Immediately, New York should allow ROs to expand into the adult-use market under existing licenses. Tax revenues produced during this period should be dedicated to establishing funding mechanisms to open the market to equity applicants.** NYMCIA members can rapidly set up new locations and meet initial demand. In the initial ramp-up period, these new locations can generate an initial tranche of tax revenues, from which the state can build a stable base for social equity applicants to build.
- 2. As the market establishes, ROs provide substantive support in a 1:1 incubator model for equity applicants to develop successful operations.** NYMCIA members are experienced in every aspect of industry (vertical integration) and can support equity applicants with technical assistance and incubation. In the ramp-up period, existing RO's can directly incubate and provide technical assistance to initial social equity applicants across every aspect of the industry.
- 3. After the market establishes, RO licenses can be capped so that equity applicants make up the majority of total licenses (70% or more), and agree to limits on investments, loans, and franchise agreements for other licensees. ROs continue to be a partner in providing infrastructure and industry knowledge.** After the transition, NYMCIA members will continue to work with applicants through a nonprofit organization devoted to providing start-up funds, reducing time to market, and navigating licensing and regulatory hurdles.

Launch Phase

- ROs expand operations
 - ROs incubate equity applicants
 - Existing medical regulations apply
-
- NYS establishes industry and equity regulations

Regulated Market

- Equity businesses make up majority of market
- RO licenses are capped
- New adult-use regulations in place

An early market with NYMCIA involvement has several benefits for the development of an equitable industry.

NYMCIA members are the state's best partner in opening the market to equity applicants and ensuring long-term and sustainable participation in the cannabis industry from adversely affected communities. NYMCIA members are already active in the New York market, and are the most practical tool for seeding the new adult-use market and generating revenue for the state.

NYMCIA support will allow New York to 1) realize early tax revenue gains, 2) leverage existing infrastructure and industry knowledge, and 3) allow time for the State to develop thoughtful and protective regulations and inclusive governance structures without the need for hasty design and launch.

Early tax & license revenues

Ability to launch operations immediately to generate revenue.



Restorative Justice

Immediate reinvestments into communities harmed by criminalization and quick time to sales to destigmatize history of cannabis.

Existing infrastructure

In-depth industry knowledge, developed supply chains, and investment.



Economic Justice

Immediate pool of funds for equity applicants, and substantive support and mentorship to equity businesses and employment pathways for those transitioning from the unregulated market.

Phased progress

Opportunity to seed the market while developing framework for sustainable equity.



Inclusive Governance

Time for systematic development of regulations and governance structures while still capturing early market opportunities and preventing leakages to other states of unregulated markets.

Early tax revenues | NYMCI offers immediate fiscal revenues for reinvestment into communities and initial funding to seed equity businesses.

With the participation of ROs in the first phases of adult-use cannabis in New York, the state will benefit in two significant ways:

- 1) A rapid timeline, generating legal sales as early as 2022
- 2) Earlier legal sales lead to a higher rate of capture of the existing (unregulated) market over time.

This early market capture has profound impacts, as projected in a market analysis conducted by MPG Consulting, **resulting in as much as \$1 Billion in incremental tax revenue by 2027.**

Early fiscal revenues allow for immediate flow of money into communities harmed by criminalization of cannabis.

An equitable adult-use industry will ensure that tax revenues generated benefit those communities directly harmed. Assuming 50% of total revenues are reinvested back into communities, this would equal at least an additional

\$390M in funding for these communities, attributed to RO participation.

This community reinvestment fund should be dedicated by legislation to avoid redirection for other priorities, and distributed through a transparent, open process including participatory involvement.

Early fiscal revenues allow for the development of loan funds for equity applicants to enter the market.

In addition to committing funds to restorative measures, early revenues can provide critical support for equity applicants to quickly enter the market and capture market share

Early tax revenues can be dedicated to 1) **create a pool to offer low-cost or interest-free loans or grants** to equity applicants, who often face barriers to accessing capital, and 2) **develop shared facilities and equipment** to lower barriers to entry for applicants who are not well-capitalized.

**\$780M-
\$1B**

**ADDITIONAL
TAX REVENUE
(2022-2027)**

\$390M+

**COMMUNITY
REINVESTMENT FUND
AT 50% OF REVENUE
(2022-2027)**

Source: MPG Consultants

In the following pages, NYMCI details several examples of the types of programs that New York State can and should fund with this early revenue. In some cases, NYMCI members would be direct participants in these programs, and looks forward to being a productive partner in expanding an equitable cannabis industry in New York.

Early tax revenues | With immediate revenue, NYS can provide **access to capital** and shared facilities to lower barriers of entry for entrepreneurs of color. *These obstacles have been among the most significant obstacles for social equity applicants in other states.*

With early fiscal revenues, NYS can create a \$100M loan fund:

\$100 Million Loan Fund:

- **100 * \$1 million dispensary loans**
- **20 * \$5 million growing/manufacturing facility loans**

Example Programs: Oakland's Incubator Network

In Oakland, several nonprofits have emerged to tackle the barriers that prevent Black and brown communities from reaping the gains from the legalized adult-use cannabis industry in California. Recognizing that people of color faced discriminatory access to capital and lack of training that prevented them from successfully obtaining licenses and operationalizing businesses, nonprofits like Hood Incubator, EquityWorks! Incubator, and Oakland Cannabis Kitchen provide programs and facilities to lower these barriers.

Hood Incubator, a Black-led business accelerator, provides mentorship for entrepreneurs of color and apprenticeship programs that match participants with existing companies. EquityWorks! Incubator and Oakland Cannabis Kitchen, understanding the need to subsidize startup costs for equity applicants, launched share facilities to lower expenses, offer technical assistance, and secured retail shelfspace for participants. With \$250,000 and \$200,000 in city-funding respectively, the organizations demonstrate that public support is critical to engaging early applicants. Nevertheless, with space for only a fraction of equity applicants in the city and time-limited funding, the experience in Oakland also shows that more funds are required at the outset.

Photo: Hood Incubator

Access to existing infrastructure | NYMCIA's infrastructure and industry knowledge can be leveraged as substantive support for new equity businesses and employment pathways.

ROs have developed extensive infrastructure, pipeline, and industry knowledge to operate in the medical cannabis industry. New York State can leverage this existing infrastructure to provide substantive support structures to equity applicants.

Existing companies can provide meaningful support for equity applicants, including incubation, mentorship, and technical assistance.

As experienced operators, ROs have both the existing experience and the resources to support new applicants. ROs can commit to a **1:1 incubation scheme for equity applicants**. For each location ROs establish, operators can provide low-cost loans, mentorship, technical assistance, facilities space and equipment, to successfully launch an equity applicant in a matching program.

Existing companies allow earlier employment opportunities for communities harmed by criminalization. An earlier market will lead to earlier employment opportunities within (and adjacent to) the adult-use cannabis industry. The quicker timeframe to market with RO participation will mean 8,000 additional new jobs created from 2022 to 2027.

Moreover, ROs and new operators can commit to hiring, training, and meaningful employment pathways for employees, including those transitioning out of the informal industry. **Living-wage standards, workforce development and paid apprenticeship programs** tied to existing re-entry programs can be stipulated as part of operations for licensed businesses in an equitable industry.

1:1

EQUITY APPLICANTS
INCUBATED

8,000

ADDITIONAL NEW FTE
JOBS W/RO
PARTICIPATION
(2022-2027)

Source:: MPG Consultants

Access to existing infrastructure | NYMCIA can commit to an extensive 1:1 incubation promise, offering deep support to set up equity businesses for success.

NYMCIA Incubation Commitment

ROs can play a pivotal role in supporting equity applicants through a 1:1 incubation program. For every license or storefront an RO establishes, it commits to successfully launching a business by an equity applicant partner. ROs will commit start-up assistance for entrepreneurs from directly harmed communities. This includes:

- **Zero-cost loan** fund capitalized by RO tax revenues to remove barriers in access to capital
- **Technical assistance** in creating business plans, fulfilling regulatory requirements, and securing supply chain
- **Real Estate tax abatements and shared space arrangements**, as well as access to manufacturing or other production facilities
- **Reserved shelf space** in RO storefront
- **Ongoing mentorship** to ensure successful operations

Photo: Cresco Labs

Access to existing infrastructure | With earlier job creation through existing infrastructure, NYS can match individuals through targeted workforce development pipelines.



Example Programs: Workforce Development Pipeline in Illinois

Recognizing the opportunity to create meaningful employment pathways in the adult-use cannabis industry, Illinois has several programs that support a pipeline of workers. The Illinois Community College Vocational Pilot Program, overseen by the Illinois Department of Agriculture, offers certificate programs for individuals to learn about managing cannabis businesses. Using community college systems (beginning with eight as a pilot), the state prioritized making training accessible to all communities. Four-year public universities have followed suit in exploring cannabis courses.

Private efforts, such as Illinois Equity Staffing, also center improving the workforce pipeline. A Black- and women-led firm, Illinois Equity Staffing is specifically dedicated to recruiting and training individuals from disproportionately impacted communities for opportunities in the adult-use cannabis industry.

Photo: Katie McGee/WBEZ

Phased progress | NYMCIA allows the State to implement an adult-use industry that prevents pitfalls from other states, where equity applicants have been crowded out.

With a steady early revenue flow and market size that caps the involvement of non-equity applicants:

1. A phased approach offers the State leeway to thoughtfully structure governance and regulation without pressure for hastily designing legislation to immediately jumpstart the market for the sake of fiscal revenue.
2. Caps on participation prevent equity businesses from being crowded out of the market by large multi-state operators.

With ample time, a public legislative process can design measures to limit predatory tactics and protect equity applicants. Outside interests looking to game the equity process can capitalize on burdensome regulations and equity applicants dismayed by lack of support. Phasing the process allows for a robust and transparent public process to guide input and ideas for rules and regulations. The State create stronger protections by assessing how

non-equity applicants find loopholes and subvert the process in other states. These regulations can be crafted during the launch phase when revenues are being generated, instead of beforehand, which may set too short a timeframe

New York can dedicate time to establishing and resourcing organizational entities with representation and transparency.

With positions on regulatory bodies reserved for those with direct experience of harm from criminalization, independent regulatory bodies should be given authority and mandate to meet equity objectives. Regular disparity studies should establish and collect metrics that provide accountability for the equity framework. Operators should present their own plans for addressing equity goals in their business operations, in addition to those stipulated by the State government.

Launch Phase

- ROs expand operations
- ROs incubate equity applicants
- NYS establishes industry and equity regulations; existing medical regulations apply

Regulated Market Phase

- RO licenses are capped
- Equity businesses make up majority of market
- New adult-use regulations in place

Phased progress | In designing an equitable regulatory system, New York State can learn from the equity failings learned from other states.

Experiences in other states have shown that there are critical regulatory questions that require thoughtful consideration and, in most cases, public input. These include:

1. Who is a qualified equity applicant?

Illinois's legislation has been criticized for being too broad in its definition of an equity applicant, allowing well-financed operators to qualify by hiring employees with convictions, without sharing wealth.

2. How does a qualified applicant successfully enter the market?

In Massachusetts, one of the first states to explicitly include "social justice" in its legislation, not a single store has opened that is owned by non-white owners after 14 months.

3. How should revenues generated by the industry be spent?

In California, cannabis fiscal revenues are dedicated towards general funds that contribute to policing, which has drawn criticism from communities.

These are decisions with immense implications on whether an adult-use industry will be equitable or fall prey to the same dynamics in other states. Elsewhere, pressure to legalize and reap fiscal revenues has led to underdeveloped answers and too-narrow regulations. Plagued by lawsuits and red tape, the original equity imperative has been lost.

In New York, a phased approach and market caps allows the State to explore measures that address the three gaps and limit predatory tactics. These include ideas like:

- Establishing an Equity Applicant Bill of Rights.
- Exploring community ownership models, such as co-ops.
- Requiring transparency around management and franchise agreements.
- Mandating non-profit status for non-equity applicants.

Phased progress | Examples from effective entities create a template of how NYS can govern reinvestment funding with a community-driven focus.



Example Programs: NYS Health Foundation

New York State has existing examples of entities created out of a valuable fiscal opportunity, which has a positive track record of community engagement and investment.

New York State Health Foundation is a statewide foundation established in 2006. When Empire Blue Cross Blue Shield converted from nonprofit to for-profit status, the State recognized an opportunity to utilize the value – a statute captured 5% of market value – to reinvest back into communities to improve health outcomes. NYS Health Foundation was created as the independent entity to deliver on these investments. With now over \$300 million in endowments, NYS Health Foundation has become a well-regarded entity that has invested close to \$150 million into programs across the state. Flagship programs include deep investments with six communities across the state, including Clinton County, Brownsville, NYC, and Near Westside, Syracuse to promote nutritious eating and build healthier communities in conjunction with local partners. The independent nature of the foundation, as well as its centering of community driven decisions, offer lessons for the distribution of wealth from the legalization of the adult-use industry.

Photo: NYS Health Foundation

With NYMCIA support, social equity businesses can operate in an environment that is unique among states that have legalized adult use cannabis.

NYMCIA involvement can deliver real impacts for social equity applicants to enter and successfully compete in the adult-use cannabis industry. With industry knowledge, existing infrastructure, and commitment towards equity, NYMCIA can help create an industry that provides equity businesses with the ability to:

1. Compete on a level playing field for a real chunk of the market.

By devoting so much of the market to social equity applicants, and having them part of early rounds of licensing, social equity applicants will compete with their peers, not with heavily capitalized out-of-state applicants.

2. Access to the capital needed to establish that business.

With early streams of revenue from NYMCIA adult-use sales, the state can establish non-predatory grants, loans, and other financing to allow businesses to capitalize without sacrificing long-term wealth creation.

3. Opportunity to participate in an industry that supports reinvestment – and not extraction - of wealth from marginalized communities.

With a community-driven regulatory framework in place, businesses can be part of a cycle of reinvestment in harmed communities.

4. Develop the knowledge to sustain a successful regulated business.

With a structured technical assistance/skill development/ workforce development system in place, social equity applicants will enter the marketplace with sustainable business plans.

Some of the early costs of business establishment can be reduced through incubation partnerships with NYMCIA members.

OTHER POTENTIAL IDEAS

Potential Tools

The previous sections have laid out a framework to 1) define a comprehensive approach to equity in the cannabis industry, and 2) the role that NYMCIA can play in ensuring the State effectively delivers on its equity objectives. In addition to these proposals, there are several other components and tools that the State might consider in shaping an equitable adult-use cannabis industry:

1. Restorative Justice

Category	Potential Components	NYMCIA Role
Criminal Justice Reform	<ul style="list-style-type: none"> ▪ Automatic Expungements: Automatically expunge criminal records for cannabis-related convictions. ▪ Release Prisoners/Parolees: Release those detained for cannabis-related convictions. ▪ Reduce Sentencing Regulations: Reduce sentencing for violations of cannabis regulations and provide legal support. 	NYMCIA can play a supporting, advocacy role for criminal justice reform measures.
Community Reinvestment	<ul style="list-style-type: none"> ▪ Ring-fenced tax revenues. Dedicated fund not “subject to appropriation” reserved for communities disproportionately harmed by drug criminalization. Ensure there is no bureaucratic application process to deter communities from application. ▪ Participatory budgeting. Allow local communities to self-determine where tax revenues related to legalized cannabis will go towards. 	Early tax revenue gains from RO involvement can fund community reinvestments.

2. Economic Justice

Category	Potential Components	NYMCIA Role
License Restrictions	<ul style="list-style-type: none"> ▪ Bold definition. A clear and legally-vetted definition of “social equity” businesses that is reflective of historic inequality and closes loopholes for outside MSOs to capture significant shares of the market. ▪ Community-ownership. Licenses reserved for cooperatives where membership can be brought in at low cost; general applicants commit to transitioning X% to community ownership. 	<p>“But for” the ability of NYMCIA members to establish a tax revenue stream to quickly seed these efforts (e.g. loan funds for low-cost access to capital), they will stall. For the adult-use cannabis industry to establish itself as a fundamentally equitable sector of the New York economy, it will need to be established in way that is different from any existing template. Specifically, the balance will be to allow existing RO’s to establish enough of a business to generate an immediate tax revenue stream, while not allowing existing players or MSOs to capture a significant share of the market. While equity policies (and other regulations) are developed, RO’s can expand into the adult use market to generate tax revenues. This expansion can and should be limited to ensure that ROs are not consolidating market control, and the remainder of the market can be dedicated to equity-focused business generation.</p> <p>Emerging entrepreneurs will need technical assistance, mentorship, and use of capital, space, and facilities in order to scale up businesses. Established ROs are well-positioned to guide new businesses and collective-ownership models through mentorship opportunities, incubation and sharing of facilities, and providing best practices.</p>
Operating Support	<ul style="list-style-type: none"> ▪ Access to capital. Low-cost or interest-free loans or grants to equity businesses through revolving loan fund. ▪ Shared facilities & equipment. Manufacturing and processing facilities operating on a low-cost membership model to lower barriers of entry. ▪ Incubation & technical assistance. Legally mandated incubation and mentorship for larger license-holders to bring qualifying businesses into the industry. ▪ Farming & processing in upstate and under-resourced communities. Distribution chain for businesses sourcing from family farms and/or urban agriculture. 	
Employment Pathways	<ul style="list-style-type: none"> ▪ Hiring & promotion commitments. Minimum standards for all applicants to hire those harmed by drug criminalization, paying a living wage and creating pathways to advancement. ▪ Apprenticeship programs. Training programs that prioritize employment for those who were formerly incarcerated, potentially through re-entry programs. ▪ Community college partnerships. Programs created in conjunction with local community colleges or public higher education systems to create vocational training programs. ▪ Collective bargaining. Strengthen labor and collective bargaining for employees throughout distribution and retail sectors of the industry. 	

3. Inclusive Governance

Category	Potential Components	NYMCIA Role
Representative Governance	<ul style="list-style-type: none"> ▪ Representative regulatory body. Require certain positions on regulatory bodies (and any bodies heading distribution of tax revenues) to have significant representation from communities directly harmed. ▪ Representative boards. Require business applicants to have representation from communities directly harmed on their Board of Directors, and present plans for how they are addressing equity goals in their business operations. 	<p>The development of appropriate policies and regulations (and indeed, of the appropriate boards to develop and implement these policies and regulations) is always a complicated and fraught task. Without the ROs, this task will be undertaken under an intense pressure to complete the work quickly so that consumer access can begin. In the alternative case, the existing ROs can be licensed quickly to begin offering adult-use products, consumer preferences can be studied, and tax revenues can be generated. This “but for” opportunity will change the political dynamic dramatically away from working quickly, to working with a focus on ensuring that the near- and long-term industry regulations live up to the social equity goals that can drive this industry in New York State. Existing ROs can also play a role in contributing data and sharing market studies, as well as advocating for community reinvestment.</p>
Accountable Regulations	<ul style="list-style-type: none"> ▪ Public legislative process. Inclusive and transparent public process for the development of initial rules and regulations. ▪ Data collection. Track and report on harm indicators (individuals): income, interactions with criminal justice system, housing instability, small business owner, and (areas): income, arrests rates by set geography, school districts, etc. ▪ Disparity studies. Conduct regularly updated racial disparity studies to evaluate conditions in the legalized cannabis industry. ▪ Equity Applicant Bill of Rights. A bill of rights articulating protections for equity applicants from private and public actors. 	

APPENDIX

Appendix | Detailed base case versus impact case (with NYMCIA participation)

Base Case (Governor’s Proposal)

In the base case, as described in the Governor’s current legislation, there is a multi-step pathway from passing the legislation, to the commencement of legal sale of adult-use cannabis in New York. Broadly, the legislation requires the creation of the Office of Cannabis Management, which is in turn responsible for the establishment of regulations (including basic industry regulation, defining “social equity” applicants and designing a process for their approval, and designing and implementing licensing and permit processes).

Further, the legislation suggest that operating licenses would be subject to a competitive RFP/auction process, and that such a process would not be open to existing medical operators in the State. As such, all new

licensees would have to set up operations in New York (including location selection, staffing, and establishing operations and product pipelines) from scratch.

As detailed in the table below, even with some overlap of processes, this suggests that initial sales of adult-use cannabis in New York would commence approximately mid-year in 2024 to beginning of 2025. Additionally, this timeline suggests that some process steps may be rushed, and/or that there would be relatively limited time for community input into design and implementation of industry regulations.

Impact Case

In the impact case, the implementation of adult use cannabis in New York State would build on the existing infrastructure that has been built

by ROs and use that as a base on which to create a truly equitable adult-use industry. The basic parameters of this approach are:

- Existing ROs can expand into the adult use industry upon passage of legislation, subject to the same basic regulation they currently work with, but with a set number of adult use business licenses available to them.
- During this interim operation period, ROs continue to operate in an expanded and vertically integrated fashion as the State develops regulations as described in the legislation. ROs generate tax revenues and begin to expand their own industry infrastructure onto which social equity incubation, workforce development, access to capital, and related measures can be built.

Table: Time to First Sale in Base Case Scenario

Optimistic / Pessimistic Timelines

