

Leafly.

Seeds of Change:

Strategies to create an
equitable cannabis industry

By Janessa Bailey



Cannabis legalization continues to revolutionize the United States.



Over the past decade, cannabis legalization has offered new economic opportunities to hundreds of thousands of people across the United States.

But those opportunities have not been extended to all Americans.

In the nine years since Colorado and Washington first legalized marijuana for all adults, we've learned that past inequities and current barriers aren't erased by simply declaring cannabis legal.

The systems of discrimination built into 80 years of prohibition won't be erased by hope and wishful thinking. Their dismantling requires proactive steps on the part of state and municipal policymakers.

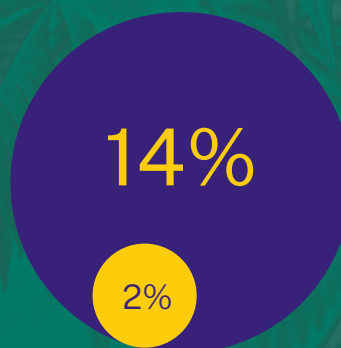
Cannabis is the nation's fastest-growing industry. As of June 2021, 38 states have some form of legalized cannabis, with 19 states and Washington, DC, allowing legal use for all adults. The \$18.3 billion dollar industry now supports 321,000 full-time American jobs, and cannabis entrepreneurship and employment have exploded over the past five years.

But as legalization and the growing cannabis industry have expanded, it has become increasingly clear that opportunities in cannabis are not fairly accessible to all Americans.

The most glaring example



Black people make up 14% of our population, yet only 2% of America's estimated 30,000 cannabis companies are Black-owned.



Seeds of Change offers eight strategies to create a fair and equitable cannabis industry, assesses each legal adult-use state on its implementation of those strategies, and illuminates the often-hidden barriers that contribute to the current disparities in cannabis.

In other words: Here's what's needed, here's how legal states are doing, and here's why these strategies are necessary.

What does **social equity** mean in the cannabis industry?

Social equity is a tool for providing excluded communities the rights and opportunities afforded to them as equal members of society. It is both a social and political term — ultimately defined by a specific culture's social norms and politics.

In cannabis, equity can refer to a share of resources, access to opportunity, or the removal of unfair barriers. State and municipal policymakers have the obligation and opportunity to build social equity into cannabis legalization laws and establish a foundation of fairness in an industry previously ridden with notoriously unjust laws and race-based disparities in treatment.



What is the Leafly Equity Score?

The Leafly Equity Score assesses the progress of individual states in building social equity into their cannabis industries. Each adult-use state (and Washington, DC) has been evaluated based on its incorporation of eight social equity strategies:

- 1 Mandate automatic expungement of cannabis records.**
- 2 Establish equitable cannabis licensing systems.**
- 3 Safeguard the rights and access of medical patients.**
- 4 Allow home growing and regulate it reasonably.**
- 5 Dedicate cannabis tax revenue to healing, not harm.**
- 6 Gather robust data and share it widely.**
- 7 Reduce stigma through proactive programs.**
- 8 Support cannabis career development opportunities.**

A deeper explanation of these eight social equity principles starts further below.

Cannabis equity score by state

			Expungement (+4)	Licensing (+4)	Medical access (+3)	Equity investing (+3)	Yes to homegrow (+2)	Quality data (+2)	Proactive education (+1)	Career pipeline (+1)	Total (of 20)	Equity score
1	Colorado	CO	4	4	3	3	2	1	1	1	19	95
2	California	CA	4	4	3	3	2	1	1	0	18	90
3	Illinois	IL	4	4	3	3	2	0	0	1	17	85
4	New York	NY	4	4	3	3	2	1	0	0	17	85
5	New Jersey	NJ	4	4	3	3	0	0	0	0	14	75
6	New Mexico	NM	4	4	3	0	2	0	0	1	14	75
7	Washington	WA	2	4	3	3	0	1	0	0	13	65
8	Massachusetts	MA	1	4	3	0	2	2	0	0	12	60
9	Virginia	VA	0	4	3	1	2	1	0	0	11	55
10	Arizona	AZ	2	3	3	0	1	1	0	0	10	50
11	Vermont	VT	4	0	3	0	2	0	0	0	9	45
12	Oregon	OR	2	0	3	0	2	1	0	0	8	40
13	District of Columbia	DC	2	0	3	0	2	1	0	0	8	40
14	Michigan	MI	1	0	3	0	2	1	0	1	8	40
15	Nevada	NV	1	0	3	0	2	1	0	0	7	35
16	Alaska	AK	0	0	3	0	2	1	0	0	6	30
17	Maine	ME	0	0	3	0	2	1	0	0	6	30
18	Montana	MT	0	0	3	0	2	1	0	0	6	30
19	South Dakota	SD	0	0	3	0	2	1	0	0	6	30

Correction: New Jersey's score has been adjusted to reflect its lack of a legal homegrow option.

Today's social equity landscape

Colorado 95

Colorado receives this year's highest Leafly Equity Score. America's original adult-use state is employing all eight equity strategies in some form. Colorado's data collection and transparency could improve, but the 2021 passage of the state's Program to Support Marijuana Entrepreneurs shows real promise. The state also stands out by offering public health resources that destigmatize cannabis.

California 90

California comes in second as a long-established market that has been struggling with equity for several years. California can do more to implement some of the great local strategies that are happening throughout the state (in cities like Oakland), and there are still large gaps in data. California only reports sales quarterly, for instance. To its credit, California is the only state besides Colorado to offer destigmatizing public health resources at the state level.

Illinois 85

As a market with innovative ideas, the state of Illinois has yet to get its data collection to a place that makes it easy to track growth or trends in the cannabis industry. The upside is that the state shows real strength in expungement efforts, funding for community reinvestment, equity programming, and cannabis career development.

New York 85

New York only recently passed its adult-use legalization law — in the midst of a pandemic, no less — but that didn't stop it from making a strong showing. The state can do more to encourage cannabis careers, educate the public, and collect and publish good data, but advocates in New York did a great job at making sure equity was included in their legalization bill.

New Jersey 75

New Jersey's legalization bill went through several rounds of debate, but ultimately delivered a program that reinvests money into communities and encourages equitable licensing. There's plenty of room for New Jersey to improve with their (nearly nonexistent) data, consumer education resources, and career development. The state's prohibition of home growing is a glaring mistake that should be fixed immediately.

New Mexico 75

New Mexico enacted adult-use legislation in April, along with several equity measures that the state plans to include from day one. The new law authorizes expungements of low-level cannabis convictions, and requires the Department of Health to provide annual reporting involving cannabis.

Washington 65

Washington's adult-use program has been around since 2013, but it lags behind several newer states in equity measures. Washington needs more effective expungement policies and to legalize adult-use home growing, and it must improve the opportunities for cannabis career development. The state's cannabis data has been notoriously terrible for years. It still ranks in the top 50% of adult-use states due to its attempts to find effective equity solutions in three heavily emphasized areas of the Leafly Equity Score: licensing, medical cannabis, and state social equity investment.

Massachusetts 60

Massachusetts is one of the few states that keeps and publishes a significant amount of high-quality cannabis data. That helped with the state's Leafly Equity Score, but there's a lot of room for Massachusetts to build more equity into the industry. The state's decision to designate delivery licenses exclusively to minority applicants, however, was a significant step forward.

Virginia 55

Virginia lost points due to its decision to dedicate cannabis tax revenue to law enforcement, and a woefully insufficient process to clear records of past cannabis "crimes." As the first Southern state to join the adult-use market, there are plenty of modifications that Virginia can make to help introduce equity, like more emphasis on cannabis career development, improved community investment, and significantly better expungement measures.

Arizona 50

Arizona has a lot of room for improvement in a range of equity measures. The state's program offers a limited number of its social equity licenses, making applicants incredibly vulnerable to predatory moves by big-budget companies down the line. It may take a few different configurations of programming to find what best suits Arizona's communities. There's also still room for improvement in its relief measures, community reinvestment, stigmatization of the plant, and jobs.

Vermont 45

Vermont is trying to introduce equity with expungement measures, but can do more with its licensing program. The state also lost points in community reinvestment and data collection.

Oregon 40

Oregon led some of the country's earliest legalization measures but has failed to keep up in the equity arena. The state's expungement process is cumbersome, and disenfranchised applicants could use more effective programming to sustain their businesses. State public health resources do not focus on any positive cannabis outcomes.

District of Columbia 40

Washington, D.C. can do much more to help bring equity into its cannabis landscape. From automatically clearing records and establishing career pipelines, to creating a system that allows communities to benefit from cannabis taxes or revenues, the District needs creative new solutions that introduce more opportunity.

Michigan 40

Michigan's cannabis initiatives are still in flux, leaving a lot of equity in the industry still up for grabs. The state could do more to ease the process of expungement and find a better way to support marginalized communities and legacy markets.

Nevada 35

Nevada's market is still plagued by expensive fees and minimal access. The state failed to write social equity into its legalization measures in 2017, and it shows. Nevada needs dramatic improvement in four out of eight equity areas.

Alaska, Maine, Montana, South Dakota 30

There was a four-way tie between Alaska, Maine, Montana, and South Dakota for last place. Full points were awarded in only two categories (medical marijuana and homegrow), and their attempts at data collection and publication were fair at best. All three states must take steps to improve in expungement relief measures, licensing initiatives, equity investments, education resources, and their cannabis career pipelines.

Editor's note: Connecticut's new adult-use legalization law passed too late to be considered in the 2021 Leafly Equity Score assessments. Drafts of the state's legalization bill contained leading-edge equity licensing provisions, social equity investment, and medical program protection, but lacked automatic expungement and data collection provisions.

What separates the highest scores from the lowest?

There is a deep chasm of equity between Colorado and the bottom three states. Colorado's latest equity bill came many years after the state approved adult-use, and it is true that the state did not build equity into their system from the beginning. However, policymakers' willingness to create something new in Colorado is a positive sign for equity in the cannabis industry.

The states with the lowest scores need to make better attempts at delivering true equity, remember the people who are at the center of the politics, and find impactful ways to serve them with their cannabis policy.



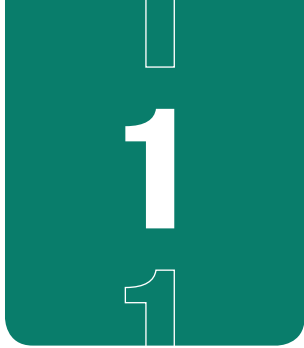
Eight social equity strategies for cannabis legalization

The 18 states that have legalized cannabis for adult use, plus Washington, DC, were assessed on their implementation of eight strategies to create a fair and equitable cannabis industry and move the positive impacts of legalization into local communities.

Many of these policies have already been implemented in some legal states. Others are rooted in cannabis social equity research and testimony from industry experts.

Here are the eight strategies.





Mandate automatic expungement of cannabis records

Expungement refers to the process by which people formerly arrested or convicted of marijuana-related actions — which are no longer crimes because the state has legalized cannabis — have marijuana-related records completely excised from the criminal justice system.

Automatic expungement refers to a process in which the review of past records, and their expungement, is performed automatically by officials in state or local jurisdictions. In other words, expungement happens without each individual needing to apply for it.

Without automatic expungement, thousands of people will continue to suffer the consequences of prohibition after cannabis has been legalized in their state.

Criminal record relief comes in many forms (see sidebar). Expungement is the most just solution for people arrested and/or convicted of a marijuana infraction during the pre-legalization era.

Forms of criminal record relief

Expungement
destroying a record of criminal conviction, including physically

Record sealing
hiding criminal records from the public

Re-sentencing
reducing a felony to a misdemeanor, under new drug laws for example

Vacating
turning a conviction into a not guilty verdict

Pardon
granted by a state governor or US president

In recent years, the nonprofit organization [Code for America](#) has created custom software that allows state agencies to perform thousands of expungements without draining budgets or tying up limited human resources. Their [Clear My Record](#) team stands ready to help state and local agencies implement a secure process of record clearance.

The American Bar Association estimates there are [48,000 ways](#) a person can be affected by a criminal record in the US.

Automatic expungement is not an onerous task. California, New Mexico, New Jersey, and New York all have incorporated automatic expungement into their legalization laws. In 2018, the [San Francisco District Attorney](#) expunged more than 3,000 misdemeanor marijuana convictions and began processing nearly 5,000 past felony convictions. In 2020, [Los Angeles County](#) expunged 66,000 cannabis records in a single day.

State and municipal governments must take on automatic expungement as an administrative function with strict guidelines and deadlines for adherence.

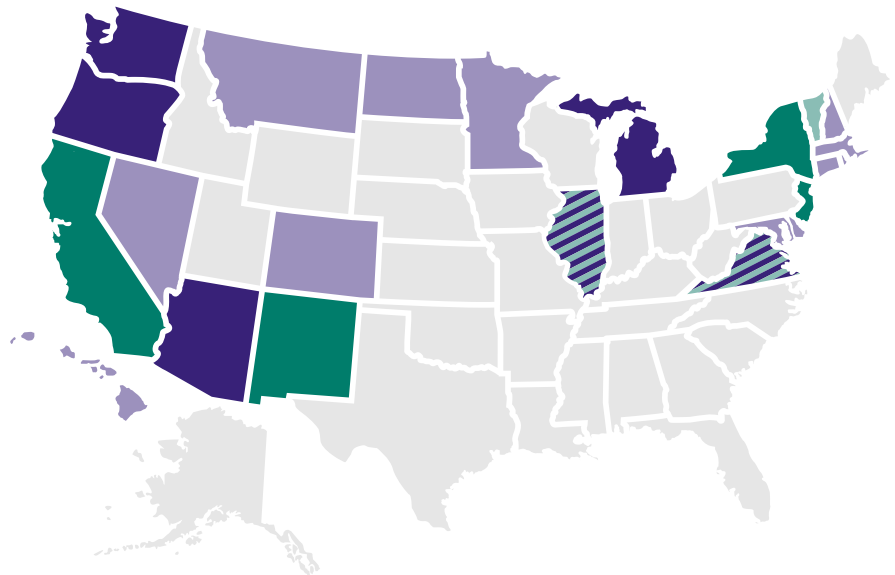


Photo courtesy of Cannaculture

Marijuana record relief laws

State laws specifically authorizing expungement or sealing of marijuana convictions

- Broader automatic relief
- Limited automatic relief
- Broader relief by petition
- Limited relief by petition



Source: Marijuana legalization and expungement in early 2021

Establish equitable cannabis licensing systems

In the past, many newly legal states set exorbitant cannabis license application fees. Needless leasing requirements can require an applicant to burn **\$50,000 or more** on an empty storefront while waiting for license approval.

Additionally, prior marijuana convictions have prohibited many applicants with hard-earned cannabis skills from even entering the business.

These unnecessary barriers effectively shut out people of color.

Some states have tried to make amends by offering equity licenses, but without providing any way for equity applicants to find and obtain the necessary startup funding.

State licensing systems must be established on a foundation of equitable opportunity, which may include a number of components:



Tie your goals together to each other in terms of timing rather than putting together a timeline. So, in other words, until these businesses that we want to support — the farmers, the people of color, the legacy owners and operators — until they open, then no one else can open, and that way everybody's incentives are aligned."

Shaleen Title, former Massachusetts Cannabis Control Commissioner



Components of an equitable state licensing system

- Establish low barriers to entry, including low application and license fees, for all applicants

- Offer equity licenses for people from areas with high rates of cannabis arrests and incarceration and with above-average poverty and unemployment rates

- Establish 1:1 license approval ratios: Issue non-equity licenses only when an equal number of equity licenses are issued

- Do not require license applicants to lease real estate prior to license approval

- Do not include capital-on-hand requirements

- Eliminate license caps, or allow licenses commensurate with liquor license caps

- Create exclusive license categories based on residency eligibility standards ("Live local, license local")

- Offer non-storefront cannabis retail licenses

- Offer licenses for small local microbusinesses

- Create protections for cannabis co-ops

- Provide licensing incentives for local public school graduates

Safeguard rights and accessibility for medical patients

State expansion of cannabis legalization, from medical-only to full adult-use, has sometimes stripped medical patients of their access to reasonably priced medical marijuana.

As the federal government expands scientific research opportunities, the health benefits of cannabis are becoming more widely known to both patients and medical professionals. This is especially true for patients struggling with pain care, where cannabis can be an alternative to dangerous opioids.

Separate studies in 2020 reveal how cannabis can help opioid consumers. [One review](#) of nine studies on cannabis, opioids, and chronic pain found that opioid users who also used medical cannabis for non-cancer-related chronic pain reduced their opioid dosages by 64% to 75%. Another looking specifically at back pain reported that medical cannabis was able to help 48% of participants mitigate their total opioid use, while 50.8% of participants were able to manage their pain without any opioid use at all.

Patients with conditions treatable with cannabis must have both financial and physical access to legal products. State and local policymakers can do this by implementing these policies:

Exempt registered medical marijuana patients from cannabis excise taxes

Allow cannabis stores to keep special hours for medical patients, and encourage special entry access for medical patients

Decouple medical marijuana registration from eligibility or access to rights as an American citizen

Offer special cannabis license categories for medical-only patient providers and/or co-ops

Allow higher cannabis homegrowing limits for registered medical patients and their caregivers





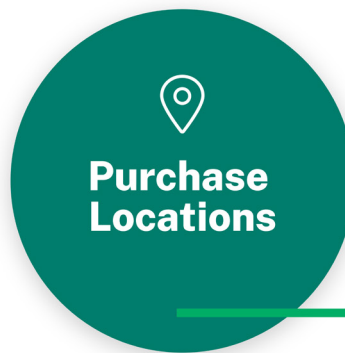
Allow homegrowing and regulate it reasonably

Gardening is not a crime. Newly legal states often overregulate or outlaw cannabis homegrowing on the mistaken assumption that homegrowing bolsters the illicit market.

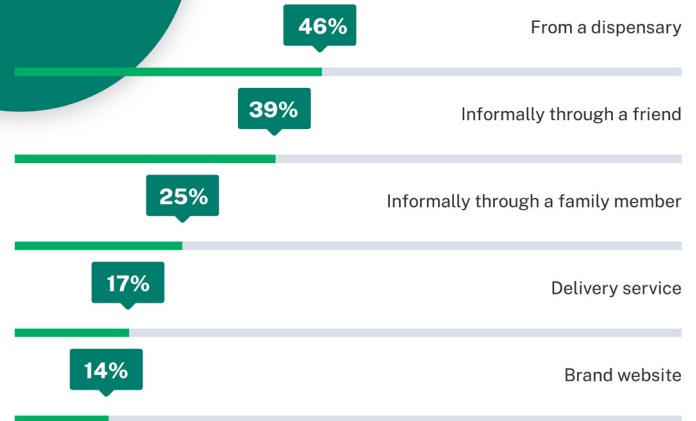
Current federal law and most state laws [allow](#) home brewers to brew up to 100 gallons of homebrew annually per adult, with a maximum of 200 gallons allowed per household. That household limit is equivalent to 2,133 bottles of beer, roughly a six-pack produced every day. And yet homebrew hobbyists pose no threat to the licensed beer industry, nor do they feed an illicit market.

While growing cannabis may be new to many policymakers, tens of thousands of Americans grow weed like they do tomatoes, roses, and prize pumpkins. Some homegrowers raise and cure it for themselves, much like homebrewers and winemakers. Others give away their garden-raised cannabis to friends, relatives, or neighbors who use it medically.

Homegrowing is deeply tied to caregiving, compassionate care, and the legacy market. Many people cannot afford legal cannabis prices or still choose to get their medicine “informally” from homegrowers.



Where do people get their weed?



[Source](#)



Yoko Furukawa for Leafly

At the same time, we're not naive: As long as prohibition remains the law of the land in many states, there will be a demand for illicit cannabis. Some homegrowers will sell to meet that demand. Federal legalization, when it arrives, will do much to wipe out the demand for illicit cannabis. Until then, reasonable regulation of marijuana homegrowing is consistent with the establishment of a **fair and regulated cannabis industry**.

Policies designed to reasonably regulate cannabis homegrowing include:

Allow homegrowers to cultivate multiple plants; 6 plants per adult at a minimum

Allow outdoor growing in home gardens, which offers easy visual inspection of plant numbers and encourages homeowners to keep within legal limits

Exceeding the homegrown plant limit should be a civil infraction, much like a speeding ticket, not a crime

Designate enforcement of homegrowing limits to municipal code enforcement officers (also known as bylaw officers), not armed police officers



Allowing individuals to grow cannabis inside their homes will tremendously help those who have financial struggles and need to fill their prescription. In most cases, individuals are paying an exorbitant amount of money at dispensaries, and what they buy does not even fill their prescription. Allowing individuals to grow up to 10 plants for medical use will greatly benefit the individuals who are in pain both physically and financially.

New Jersey Assemblywoman Joann Downey





Dedicate cannabis tax revenue to healing, not harm

As we build the cannabis industry, states should be proactive about budgeting for equity by using effective tax rates to reinvest in local communities.

In 2020, medical and adult-use retailers sold \$18.3 billion worth of cannabis products.

Using a rough average cannabis tax rate of 10% — a very conservative estimate — that means states realized nearly \$2 billion in tax revenue from cannabis last year. This revenue offers an opportunity to reinvest in communities and support their growth.

Early efforts at adult-use legalization earmarked a portion of cannabis tax revenue to law enforcement. That proved to be a mistaken policy. **Today, marijuana legalization results in nearly zero additional budgeted work for police departments, with massive savings in labor and budget dollars.**

A [recent Boise State University study](#) estimated that the 608,000 arrests made for marijuana possession nationwide in 2018 cost between \$600 million and \$3 billion in law enforcement and court costs. Every state that legalizes eliminates those costs.

Moreover, budgeting for social equity starts with an equitable tax and regulation environment that allows small, minority-owned businesses to survive.



Cannabis business tax rates

In the city of Oakland, CA, cannabis business tax rates are 417 times higher than gun store taxes. In Los Angeles, the cannabis business tax rate is 2,808 times higher than the rate for payday lenders.

In addition, cannabis tax revenue should not bolster the budget of police departments or any other government agencies that perpetuate the War on Drugs. Until the police can protect and serve Black and brown communities without disproportionately harming them and criminalizing them for cannabis, it does not benefit those communities to fund police activity with cannabis revenues.

Instead, governments should use the money for public health programs, economic development, and education programs — with a focus on those communities most harmed historically by over-policing and the War on Drugs.

A portion of cannabis tax revenue should also be used to create funds to help cannabis entrepreneurs via small business loans, grants, or incubator programs. Some tax revenue should support cannabis career development programs — see strategy 7, below.

There is an unmistakable continuation in disenfranchisement that began with the beginning of American slavery and persists through unjust drug policy and the War on Drugs. Because of this, states should consider dedicating a portion of cannabis tax revenue to [reparations for Black Americans](#).

Another practical example in Illinois offers one illustration of an innovative approach to the use of cannabis tax revenue. The [Illinois Cannabis Business Development Fund](#) uses money from cannabis taxes and licensing fees to provide low-interest loans to social equity cannabis licensees just getting their start in the legal industry.

By funding cannabis social equity programs and the people needed to run them successfully, we can improve economic stability with more diverse and successful cannabis businesses.

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The Illinois Cannabis Business Development Fund is the most innovative approach to creating broad-based industry access that I have seen to date. It is used to help those who would not otherwise have fair access to capital. It's a game-changer.

Seke Ballard, CEO, Good Tree Capital

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Gather robust data and share it widely

For the past five years, Leafly has published its annual Cannabis Jobs Report. Research for the report has led us to a concerning conclusion: Most states do a terrible job at compiling and sharing high-quality data.

How many cannabis companies are owned by Black entrepreneurs in California, the world's largest single cannabis market?

The state doesn't know, because state cannabis regulators don't track that data. California can be barely bothered to publish its total cannabis sales revenue on a quarterly basis, and even that number is often subject to revision.

How many women own equity in cannabis companies in Oregon? In Washington? In Nevada?

Unknown. Those states don't track the data.

Nearly all businesses today maintain a set of key performance indicators (KPIs) that they monitor to assess improvements and setbacks. Good managers know you can't improve what you can't measure. Currently, only [Massachusetts](#) maintains a cannabis data program worth emulating — it publishes high-quality revenue data weekly.

From analyzing rates of minority ownership to defining “disproportionately affected” as it relates to trends in a specific location, states must start keeping and publishing better data. High-quality data sets are a critically important tool for expanding fairness and equity, creating effective harm reduction strategies, and making wise decisions about the use of community resources.

Lawmakers should task cannabis regulatory agencies with compiling and publishing, in a timely manner, data sets that track:

Cannabis product revenue, weekly and monthly — product tracking software already allows this data to be compiled

Medical marijuana patient totals, including new registrations, weekly and monthly

Cannabis tax revenue, monthly

Cannabis tax revenue disbursements, quarterly or annually

Cannabis product sales distribution, weekly and monthly; this breaks down total sales into product categories (flower, edibles, vape products, etc.)

Cannabis license ownership, including partial participation, tracked by race and gender

License ownership categories (equity, non-equity, microbusiness, etc.), and the portion of revenue claimed by each category

Geographic location of retail cannabis stores, manufacturing facilities, and farms; this data can help identify gaps in access, overconcentration, and other issues before they become problematic



Support cannabis career development

There are currently **more than 321,000 legal cannabis jobs** in the United States. But too few people, especially people of color, are aware of those jobs. Fewer still know how to train for and find cannabis employment that might suit them.

If the cannabis industry weren't hindered by 80 years of government-funded stigmatization, state colleges and technical schools would be awash with programs to educate and train workers for the nation's fastest-growing field.

Sadly, such programs remain the exception rather than the rule. Schools in [Michigan](#) and [North Dakota](#) offer four-year cannabis degrees in Medicinal Plant Chemistry; the University of [Maryland](#) School of Pharmacy offers a Master of Science in Medical Cannabis Science; [St. Louis](#) University in Missouri provides a Cannabis Science and Operations certificate program in its school for Professional Studies.

Cannabis in some form is legal in 38 states, and may soon be legal nationwide. State-supported schools must step up their game to meet the demands of students eager to enter America's fastest-growing industry. Medical school training must include a scientific understanding of the body's endocannabinoid system. Students everywhere should have the opportunity to study cannabis and the cannabis industry just as they're able to investigate other plants, medicine, and business opportunities.

Policymakers in legislatures, state agencies, and higher education can make a difference.

Cannabis vocational programs



Internship or mentorship programs
in state cannabis offices



Cannabis vocation programs in state
schools and community colleges

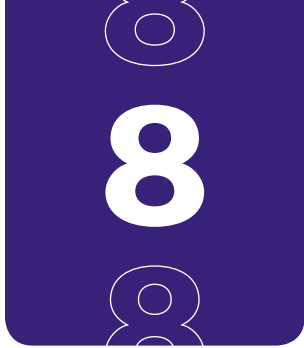


Scholarship programs for students
interested in cannabis business,
agriculture, law, or research



Integration of cannabinoid
science into medical
school curricula

By supporting legal cannabis career development, enrollment in higher education and employment can increase.



Reduce stigma through proactive programs

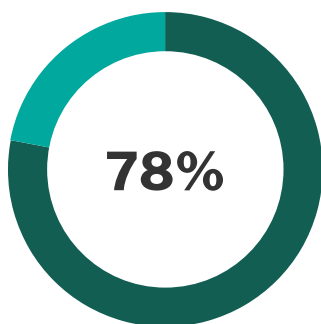
It's time to start informing people of the benefits of cannabis and to stop treating it like a harmful gateway drug.

Cannabis has helped countless people recover from life-altering conditions and circumstances. In 2013, [a survey of medical marijuana patients](#) found that 92% of respondents reported alleviated symptoms of their serious medical conditions, including chronic pain, arthritis, migraine, and cancer. Data like this equates to positive health outcomes and deserves to be treated as such. Creating educational campaigns about the [endocannabinoid system](#) will help communities better understand cannabis and use it safely.

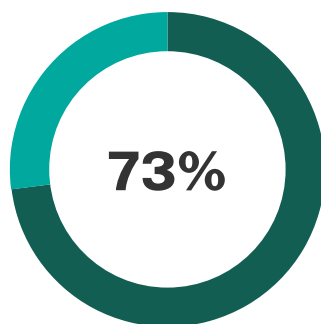
Counteracting decades of anti-marijuana propaganda will go a long way toward improving society's understanding of cannabis. Improving language literacy and access to health information will positively impact the health of entire communities.

These materials should be used in doctors' offices and as part of a consumer health education campaign.

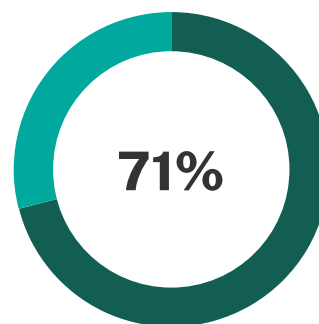
% of cannabis consumers unfamiliar with cannabis education topics



Entourage effect




Endocannabinoid system



Terpenes

[Source](#)



Why cannabis, why now: History compels us to get this right

Several years ago a successful cannabis entrepreneur asked a pointed question: “Inequality exists in every industry — why does the cannabis industry bear a special responsibility to solve it?”

The answer is simple: Cannabis has a special responsibility because cannabis has a special history.

For more than 80 years, [cannabis prohibition](#) functioned as a powerful tool of racial discrimination, police repression, and white supremacy. Prohibition originated in the 1930s as a way to target Black and Latinx people for arrest and incarceration. Harry Anslinger, the mastermind of America's anti-cannabis campaign, instilled fear in the minds of millions of white people by conjuring up visions of cannabis-fueled race mixing, miscegenation, and violent crime. More recently, white politicians used marijuana arrests to carry out the War on Drugs, a campaign that led to the **mass incarceration and disenfranchisement of millions of Americans of color**.

Many white people went to jail for cannabis, too — but not anywhere near the numbers of their Black and Latinx neighbors. Even today, **Black people are nearly [four times more likely](#) to be arrested for marijuana as white people**, despite similar consumption rates. It is disturbingly clear that to be a Black person in the presence of cannabis and the police is to be in danger of not just arrest, but possibly death.

It is disingenuous to legalize cannabis and pretend that people of all races enjoy equal access to the opportunity offered by this new industry. In the past, eight decades of prohibition have burdened people of color with targeted policing, arrests, and criminal records. In the present, venture capitalists and other investors, who are overwhelmingly white, often ignore, shun, or dismiss pitches from entrepreneurs of color. To make progress in the future, we'll have to examine where and how we can do better.

Below, we examine three areas that represent barriers to people of color entering the legal cannabis industry: the criminal justice system, past economic persecution, and current impediments to healthcare access and community prosperity.



Yoko Furukawa for Leafly

Barriers posed by the criminal justice system

Cannabis is a justice issue. Legalization cannot happen without addressing criminal, social, and restorative justice needs upfront.

Different members of society suffered disproportionate degrees of harm during the eight decades of cannabis prohibition. Nationwide, Black people are nearly four times more likely than white people to be arrested for marijuana possession, despite comparable usage rates. In many local jurisdictions the disparities are far worse. A [2021 study](#) of New York Police Department arrests across all five boroughs revealed that **people of color made up 94% of marijuana-related arrests.**

Marijuana arrests have needlessly ensnared millions of Americans in the criminal justice system. According to the [ACLU](#), marijuana arrests made up 43% of all drug arrests in 2018. As recently as 2020, more than 450,000 people nationwide were arrested on marijuana charges. **That's far more than any other illegal substance, even though marijuana causes less harm than all other federally illicit drugs combined — even legal substances like alcohol and cigarettes.**

Ending arrests alone isn't enough

A cannabis arrest and conviction, even for low-level possession, brings with it a lifetime of penalties and denied opportunities. Law-abiding adults suffer the denial of public housing benefits, educational grants and scholarships, and an [average 30% drop](#) in lifetime wages. Many lose their right to vote or possess a firearm. Crossing international borders becomes problematic and sometimes impossible. Job applicants are 50% less likely to receive a callback or a second look.

The thousands of people still in jail for weed are Americans who could be raising families, attending school, working fair-wage jobs, and contributing to their local communities. Instead, they've been unfairly caught up in a system that continues to punish them for acts that are no longer criminal — acts that put millions of dollars into the pockets of non-incarcerated individuals and the state itself.



Residual effects can last a lifetime

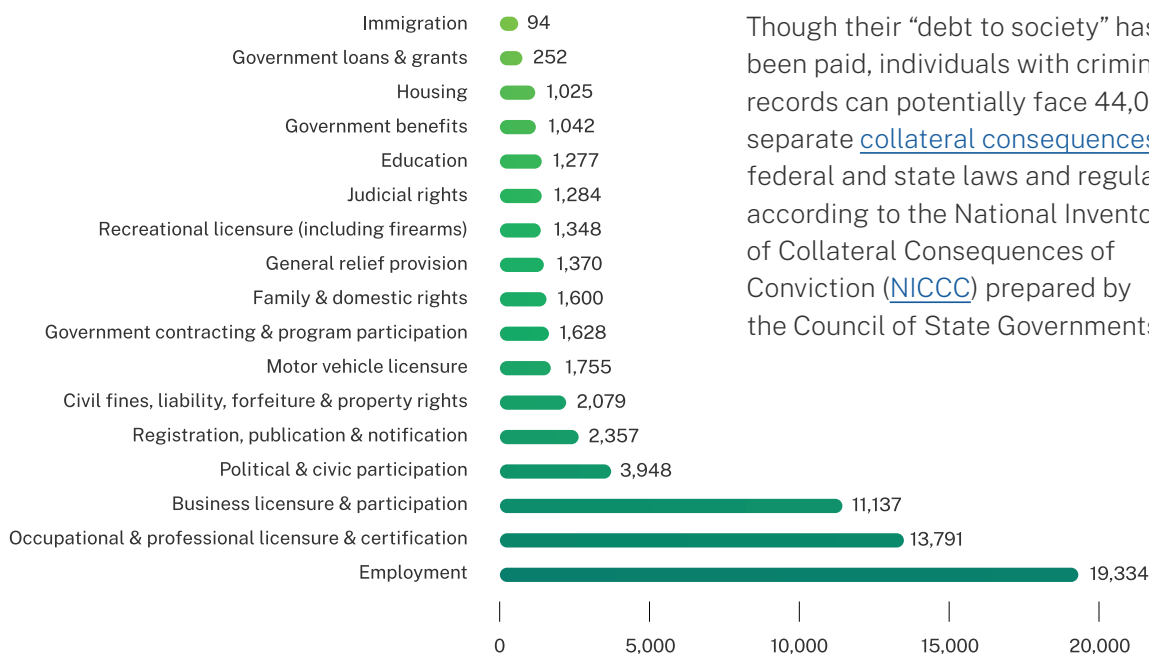
That legacy of racial targeting and unequal justice, directly and indirectly, results in lost opportunities:

Incarcerated people are physically denied fundamental freedoms like personal liberty, paid fair wage employment, communing with family, and engaging in everyday civic activities

For the formerly incarcerated, a prior cannabis conviction can hinder a cannabis license application, prevent workers from being hired, and significantly decrease the availability of investment capital to start a cannabis business

State violence — ranging from harassment to imprisonment to death — presents a danger to the well-being of any person of color who possesses cannabis

Collateral consequences by category



Though their “debt to society” has been paid, individuals with criminal records can potentially face 44,000 separate [collateral consequences](#) via federal and state laws and regulations, according to the National Inventory of Collateral Consequences of Conviction ([NICCC](#)) prepared by the Council of State Governments.

Barriers posed by past economic persecution

For a Black American, investing one's life savings and future prospects in a business based on growing, manufacturing, or selling cannabis requires overcoming a burden of psychological and physical risk that white competitors and colleagues do not face.



Yoko Furukawa for Leafly

1 in 20

Roughly 5% of Black Americans hold business equity in any industry.

1 in 50

Only 2% of cannabis companies are owned or co-owned by Black Americans.

4x

Black Americans nationwide are almost four times **more likely to be arrested for cannabis** than white Americans, despite equal usage rates. *(Adjusted for population)*

4x

White Americans hold four times **more business equity** than Black Americans. *(Adjusted for population)*

Sources: [McKinsey & Company](#), [Cannaclusive](#), [Whitney Economics](#), [ACLU](#), Leafly.

The opportunities in America's emerging cannabis industry are tremendous. But it takes money to make money, and nowhere is that more true than in the cannabis business.

Starting a cannabis business [requires capital](#) that can range from \$100,000 to \$500,000.

New York's medical marijuana program initially required license applicants to submit a \$200,000 [registration fee](#). Pennsylvania required a [permit fee](#) of \$30,000 and proof of \$150,000 in working capital. In most states, retail applicants spend tens of thousands of dollars to lease empty storefronts simply to meet real estate eligibility and apply for a state license.

Item	Low	Medium	High
Application fee (non-refundable)	\$2,500	\$30,000	\$100,000
License fee	\$25,000	\$200,000	\$500,000
Annual registration/renewal fee	\$5,000	\$60,000	\$100,000
Real estate	\$128/sq ft	\$240/sq ft	\$393/sq ft
Utilities	\$1.75/sq ft	\$2.10/sq ft	\$2.50/sq ft
Renovations	\$57/sq ft	\$60/sq ft	\$77/sq ft
Security installation	\$75,000	\$100,000	\$135,000
Marketing	3% of sales revenue	5% of sales revenue	9% of sales revenue
Staffing	\$13/hr	\$15/hr	\$20/hr
Inventory (\$/lb)	\$400/lb	\$2,200/lb	\$4,000/lb

Due to federal prohibition, traditional sources of financing are unavailable to cannabis entrepreneurs.

Avenues off-limits to cannabis companies include:



Federal SBA microloans, 7(a) loans, and 504 loans



Small business loans from banks or credit unions



Lines of credit from banks or credit unions



Use of a Visa, Mastercard, or other credit cards

As a result, most cannabis startup capital comes from personal, private sources of wealth

Available sources include:



An owner/applicant's own personal wealth



Family members



A second mortgage on an applicant's house

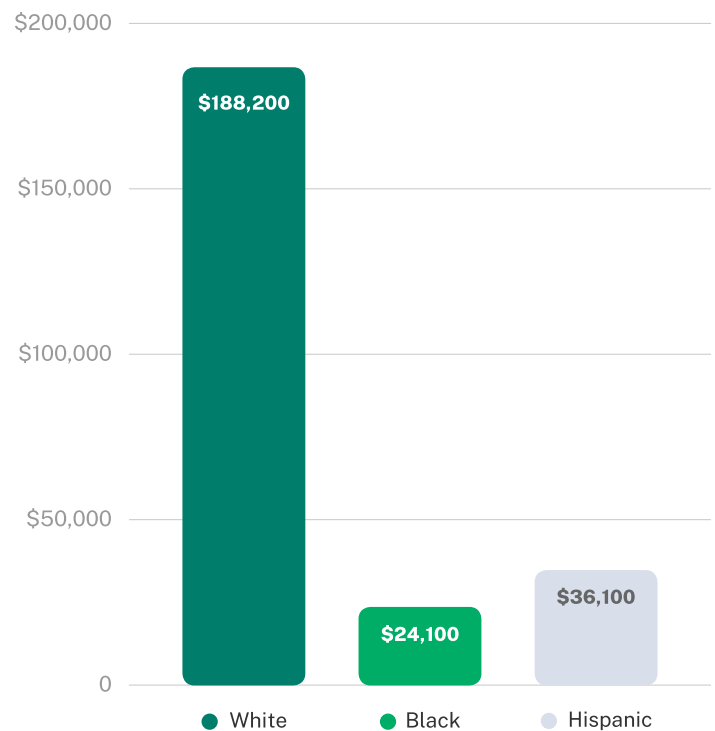


Venture capital firms or individual startup-stage "angel" investors

Those private personal sources of startup capital are far more available to white entrepreneurs than Black and Hispanic entrepreneurs. As an example, Black-owned companies received \$1 billion in venture funding during 2020 and Latinx-owned US companies received \$2.7 billion.

Respectively, this is only 0.6% and 1.7% of a total pool of \$161.4 billion.

In 2019, the US Federal Reserve reported that the median net worth of a white family was \$188,200, while the median net worth of a Black family was \$24,100. Hispanic families' median net worth was \$36,100.



As the [Brookings Institution](#) reported in 2020:



Gaps in wealth between Black and white households reveal the effects of accumulated inequality and discrimination, as well as differences in power and opportunity that trace back to this nation's inception. **The Black-white wealth gap reflects a society that has not and does not afford equal opportunity to all its citizens.**

As white Americans have enjoyed the freedom to build wealth and pass it on to future generations, Black Americans have seen those same opportunities denied or destroyed:



In 1921, when Black entrepreneurs established thriving banks in Tulsa, Oklahoma's Greenwood district, also known as "[Black Wall Street](#)," the city's white residents destroyed the banks, burned the district, and murdered its Black citizens.

Benefits of the 1944 postwar GI Bill, which helped create America's booming white middle class, were [denied](#) to most Black veterans. Additionally, Black farmers were [denied the critically important federal farm loans](#) available to their white neighbors.

Home mortgages have allowed millions of white families to accumulate generational wealth — an opportunity denied to Black families locked out of the housing market by the real estate and banking system of discriminatory collusion known as [redlining](#).

These past injustices, coupled with the current absence of governmental and institutional funding sources, have shaped the uneven playing field in today's cannabis industry.

For many entrepreneurs of color, cannabis license applications that require hundreds of thousands in startup capital, proclaimed "open to all," appear to be nothing more than veiled discrimination.



The Black-white wealth gap will cost the United States' economy \$1-1.5 trillion by 2028.

McKinsey & Company, 2018



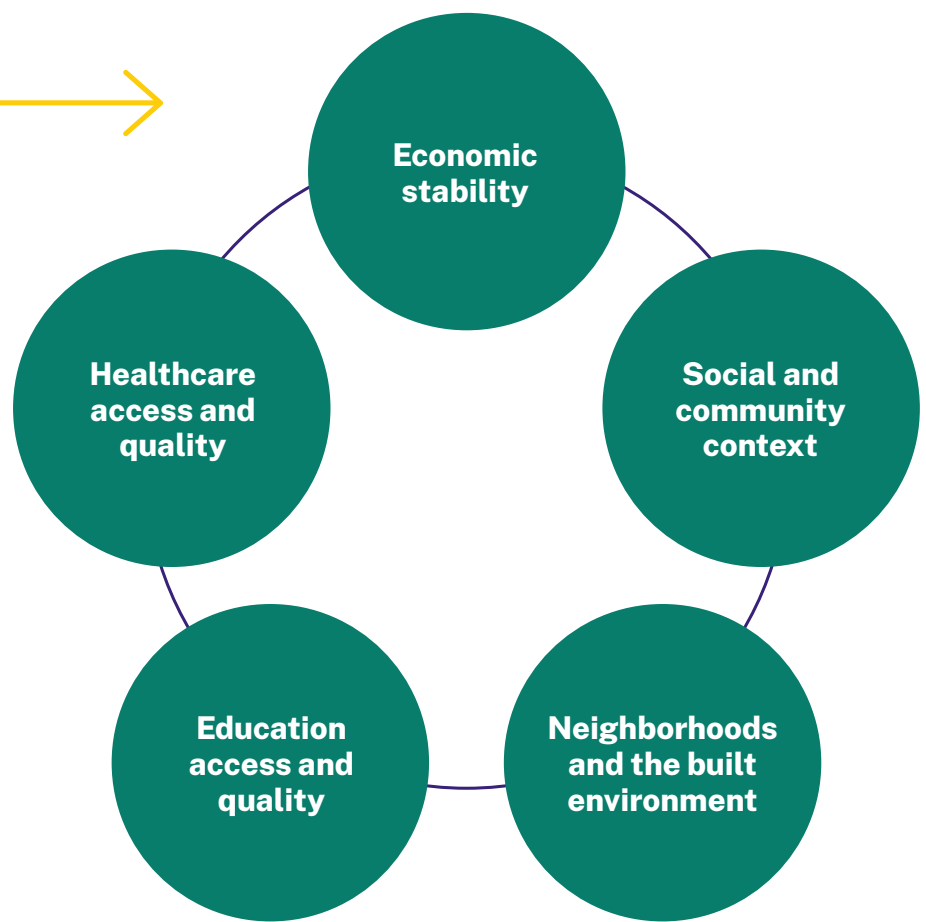
Barriers to public health and community prosperity

In the summer of 2020, the US Department of Health and Human Services (HHS) [released](#) its [Healthy People 2030](#) program, a 10-year plan for addressing America's most critical public health priorities and challenges. Included in that plan were, for the first time, goals related to what HHS called **“the social determinants of health.”**

That phrase — social determinants of health — acknowledged that human health and happiness don't begin and end in a medical clinic. Instead, they derive from a dynamic interaction of factors including:

The American Public Health Association recently found that [more than 30%](#) of direct medical costs faced by Black, Hispanic, and Asian American people in the United States are **due to health inequities.**

Because they face more barriers to care and enjoy fewer health-promoting resources, these populations are often sicker when they find care and incur higher costs. That's effectively a fee of more than \$1,825 per person paid over four years — **an invisible and insidious tax not levied on white Americans.**



The legal cannabis industry touches every single social determinant of health.

Here's how.

Economic stability

Cannabis jobs are well-paying, with benefits and career development opportunities. They pay bills and put food on tables. Legalizing and licensing an appropriate number of cannabis companies in a community **increases employment, reduces housing insecurity, and diminishes food insecurity and hunger.**

Neighborhoods and the built environment

By ending cannabis prohibition and expunging past arrests, we eliminate future harms and disparities caused by cannabis criminalization. Reducing crime and violence is key to the mental and physical health of a community. Studies have found that cannabis businesses have real **positive impacts on neighborhoods**, including [increased home values and a flattening or decrease of teen cannabis use.](#)

Healthcare access and quality

As a relevant source of healthcare for [over 4 million](#) medical marijuana patients and countless other people, cannabis businesses remained open at the peak of the country's COVID-19 outbreak. [The decision](#) to declare these businesses as essential was a sign of the prominent place cannabis occupies in the **health and wellness of millions of Americans** as a source of natural healthcare.

Social and community context

Discrimination associated with cannabis use directly contributes to the social and political context of cannabis within that community. By minimizing cannabis discrimination and incarceration, we can **increase community acceptance** of the plant and associated businesses and promote healthy interactions.

Education access and quality

A functional knowledge of the cannabis plant is at the basis of many successful cannabis careers. Expanded cannabis education efforts prepare the next generation of cannabis professionals with the foundation for their careers in STEM, business, and agriculture. By doing so, we can try to **increase enrollment in higher education** and improve the language and literacy surrounding topics like the endocannabinoid system, cannabis vs. hemp, and more.

Resources for policymakers

National and local organizations have recently created guidance documents for states and cities considering cannabis legalization measures. The most helpful resources are listed below.

The [Federal Cannabis Regulations Working Group](#), facilitated by the Drug Policy Alliance, outlined principles for federal cannabis regulations and reform, including dignity, equity, racial justice, state programs, and more. The 15 principles they identify serve as a foundational framework for federal cannabis regulations and offer strategies that state and local governments can use to make their cannabis programs equitable and inclusive.

The Minority Cannabis Business Association curates a template of [Ten Model Municipal Social Equity Ordinances](#) to help state and local governments implement real-world cannabis equity programs. Their list includes a general overview of each ordinance's strategies and tools and the actual language of the implemented laws.

[Catalyst Conversations](#) is a digital webinar series held by the National Cannabis Industry Association that features members of Cannabis Regulators of Color Coalition.

[The Initiative](#), a business accelerator and funding resource for female-founded cannabis companies, published [Social Equity Legislation in Cannabis: A National Study of State and Local Programming](#). This special report dives into existing American social equity legislation and identifies best practice programming techniques.

The [Collateral Consequences Resource Center](#), a program sponsored by Ohio State University's Moritz College of Law, produced a report and an accompanying infographic summarizing the groundbreaking criminal reforms enacted this year. That report, [Marijuana legalization and expungement in early 2021](#), examines social equity reform in New Jersey, New Mexico, New York, and Virginia, and expungement efforts across the country.

The US Department of Health and Human Services created the [Healthy People 2030](#) campaign to improve the health and well-being of all Americans by 2030. The federal initiative widens the scope of health to include non-clinical factors like economic security and the built environment.

Methodology

The Seeds of Change report and the Leafly Equity Score are based upon research into existing state cannabis equity policies, national public health objectives, cannabis industry data, and the history of racial disparities in the United States. The report also drew upon interviews with local and national experts in government policy, the cannabis business, and the field of cannabis equity.

An individual state's Equity Score is based on its performance within the eight noted categories, including clemency and expungement measures, medical marijuana access, homegrow laws, data collection and publication, and the unique makeup of individual state social equity cannabis programs.

Some categories, such as expungement and licensing equity, were given more weight than others, such as data collection. High-impact strategies were given a weighted advantage over strategies that would have a low impact on communities disproportionately harmed by systemic barriers. Select states received partial points for inequitable attempts at one or more strategies.

About the author

Janessa Bailey is Leafly's culture editor and the creator of Lumen, Leafly's digital space highlighting Black entrepreneurs, creators, and growers in the cannabis industry.





Seeds of Change 2021

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