

Pennsylvania Legislative Reference Bureau Diversity Goals

§ 1141.32. Diversity goals.

(a) In accordance with section 615 of the act (35 P.S. § 10231.615), this section establishes the procedures for promoting and ensuring the involvement of diverse participants and diverse groups in the activities permitted by the act and this part.

(b) In furtherance of the policy in section 615 of the act, the Department will:

(1) Allocate appropriate staff of the Department to assist medical marijuana organizations in fostering the involvement of diverse participants and diverse groups in their operations.

(2) Provide enhanced publicity of permitting opportunities and information to assist diverse participants and diverse groups in learning how to apply for permits to be issued under the act and this part.

(3) Compile, maintain and make available to medical marijuana organizations lists of diverse participants and diverse groups for the purpose of encouraging medical marijuana organizations to provide employment and contracting opportunities consistent with the act.

(c) Each medical marijuana organization shall include in its permit application a diversity plan that establishes a goal of equal opportunity and access in employment and contracting by the medical marijuana organization. The Department will determine whether the stated goals in the diversity plan are reasonable and represent a good faith effort to meet the diversity goals of section 615(a) of the act.

(d) A medical marijuana organization may demonstrate achievement of its diversity goals by employing diverse participants or transacting business with diverse groups.

(e) The list of diverse groups that are verified by the Department of General Services, Bureau of Diversity, Inclusion and Small Business Opportunities may be used by a medical marijuana organization to establish the eligibility of a diverse group for purposes of this section.

(1) As part of each application to renew a permit submitted to the Department, a medical marijuana organization shall include information of its efforts to meet the diversity goals of the act and the effectiveness of its diversity plan. The report must include information regarding the following, as applicable:

(1) Representation of diverse participants in the medical marijuana organization's workforce.

(2) Efforts to reach out to and recruit diverse participants for employment, including for executive and managerial positions.

(3) Employee retention efforts.

(4) A list of all contracts entered into or transactions conducted by the medical marijuana organization for goods or services with diverse groups.

(g) A medical marijuana organization may request that any proprietary information submitted to the Department under this section be treated as confidential information and shall clearly mark this information as confidential.

(h) The Department will review the diversity plan and provide the medical marijuana organization with advice regarding activities that should be undertaken by the medical marijuana organization to improve its efforts to encourage and promote participation by diverse participants and diverse groups to comply with the diversity goals of the act. The Department may consult with the Department of

General Services, Bureau of Diversity, Inclusion and Small Business Opportunities in the review of diversity plans and the reports submitted by medical marijuana organizations under this section.

San Francisco Equity Report

Equity Analysis

- San Francisco has always been on the forefront of cannabis legalization.
- African Americans in San Francisco have endured disproportionately higher felony drug arrests and crackdowns.
- More recent decriminalization efforts helped to narrow those gaps, but people of color still interact with the justice system at a rate far higher than white San Franciscans.
- Significant social hurdles result from disproportionate arrest and incarceration rates.
- Although local data is incomplete at best and misleading at worst, it reveals a strong correlation between poverty and cannabis arrests.
- Taken together, this paints a troubling picture of the War on Drugs' impact on communities of color, even in a progressive city like San Francisco.
- Data suggests that San Francisco's cannabis industry (and the national industry) skews disproportionately white and male.

Barriers to Entry

- Financial and real estate barriers present major equity hurdles to individuals seeking to enter the regulated cannabis industry.
- Other barriers include the soft skills of entrepreneurship, compliance, and legal complexity.
- While Prop. 64 clears the way for people convicted of cannabis crimes to enter the industry, a past criminal history can still present significant challenges, like accessing financing or signing a lease.
- Where the City allows cannabis businesses to operate will have important impacts on whether we can grow the industry equitably.

Cannabis Equity Programs Analysis

- Oakland and Los Angeles both have real or proposed equity programs that may serve as a good model for San Francisco.
- Both cities aim to help people either arrested for cannabis or residents of high-enforcement neighborhoods, and offer a suite of fee waivers, technical assistance, and subsidized loans to equity applicants.
- Other cities and states also put in place policies to try to correct for historical imbalances.
- San Francisco should select the policy components that make the most sense for our city.

Findings & Recommendations

The Office of Cannabis and supporting agencies chose to present a series of findings and recommendations to guide the Mayor and Board of Supervisors as they legislate an equity program. The following policy areas of focus represent this report's core recommendations:

1. **Eligibility:** inform eligibility criteria with data, set tiered eligibility criteria to allow most affected groups to receive higher-value benefits, while extending some benefits to a wider range of applicants impacted by the War on Drugs.

2. **Permitting:** prioritize and assist Equity Applicants during the permitting process, and establish an incubator program to incentivize partnerships between Equity Applicants and other cannabis operators.
3. **Community Reinvestment:** direct new potential funding from local cannabis taxes or the state toward programming for communities impacted by the War on Drugs. Businesses should also be required to describe how their business will provide community benefits.
4. **Workforce Development:** promote equitable employment opportunities at all cannabis businesses, especially for formerly-incarcerated individuals and those living in neighborhoods impacted by the War on Drugs. Expand First Source and Local Hire to cover the cannabis industry.
5. **Financial & Capital Access:** take an active advocacy role to open up banking services, particularly through state and local credit unions, for the cannabis industry.
6. **Technical Assistance:** direct Equity Operators to existing technical assistance resources in the City, and create new technical resources within the Office of Cannabis. Facilitate partnerships with other existing Operators and non-profits to help overcome technical barriers.
7. **Criminal History:** hold streamlined expungement events for citizens convicted of eligible cannabis offenses.
8. **Stakeholder Engagement:** create culturally sensitive and district-specific outreach, and extend Task Force membership to include representatives from communities with high concentrations of individuals eligible for Equity status.
9. **Public Awareness & Education:** deploy an outreach campaign for the Equity Program.
10. **Data Collection & Accountability:** gather data on General and Equity Applicants on a regular basis to analyze the outcomes of the Equity Program, and use this data to refine the program. Enforce compliance of commitments made by applicants.
11. **Modification & Course Correction:** permitting in phases and communicating with stakeholder groups will allow for steady improvement of the regulatory structure.
12. **Land Use & Zoning:** create land use controls that mitigate overconcentration in disenfranchised neighborhoods.

Los Angeles Social Equity Program Outline

While the report acknowledges that social equity and diversity aren't the same thing, the only recommendation the report provides is that they should develop a diversity program. Below are the elements of the Los Angeles social equity program.

Streamlining Development Standards—the Cannabis Commission should adopt development standards for commercial cannabis applicants and defer a limited number of social equity applicants from the Commission to a Director-level decision.

Individual Business License Limit—city should determine the appropriate limit for the number of cannabis activity licenses per business

Provisional Licensing-Temporary/conditional approval given to equity applicants that do not yet have real estate. Provisional license or limited immunity given to cannabis businesses that are not eligible for Proposition M Priority Processing that both offer qualifying support to the Program and demonstrate compliance with proposed Commercial Cannabis Activity Regulation and Commercial Cannabis Activity Location Restriction Ordinances.

Equity Applicant Participation Ratio-Once Window 2 opens, licenses should be given to 1 social equity applicant for every 1 general applicant who receives a license

Education and Outreach-Develop and implement an outreach program, help implement the educational programs that are part of the Community Reinvestment Program, direct social equity applicants to existing City resources, host trainings and workshops for potential employees, host informational workshops about the Program, host networking events for potential incubators and property seeking social equity applicants as well as employers and potential employees. They will also provide educational workshops regarding how to plan and operate a cannabis business in the City, how to comply with existing regulations, and how to apply for state and City licenses

Monitoring and Adaptive Management-Based on program-specific information, monitoring staff should determine how to adjust Program components to ensure the Program's success. They will also be responsible for engaging community members in the development and implementation of new cannabis policies, assessing cannabis social equity, assessing and adapting development standards, and updating low-income thresholds annually.

Third Party Consultants-Assist Department of Cannabis Regulation staff with Program implementation and licensure when needed.

Technical Assistance Program-Provide technical assistance to social equity applicants to help them complete applications, achieve compliance with City regulations, as well as partner with other City departments and programs to aid with business planning, financing, and employee training.

Community Reinvestment Program-This program should be centered on providing resources for community beautification, youth prevention, drug treatment, education, housing, re-entry and other social services. Education programs related to cannabis should be conducted in coordination with educational efforts at the State and County level.

Expungement of Cannabis-Related Criminal Records-Assist community members previously convicted of cannabis-related offenses to expunge these records. Expungement events should be conducted in accordance with Proposition 64 and other applicable laws

Social Equity Program Industry Ownership Investment Program and Fund-A City-managed fund to provide zero (or low) interest business loans for social equity applicants seeking to start new cannabis businesses within the City.

Waived Fees for Social Equity Applicants- Permitting and inspection fees required by various City agencies to set up and begin a cannabis-related business should be waived (Tier 1 & Tier 2) or deferred (Tier 3) for social equity applicants

Workforce Requirement- All cannabis related businesses, permitted outside of Window 1, will be required to submit a signed affidavit committing to ensure that their employees are paid a living wage and that 50% of their workforce is composed of residents of defined social equity communities, individuals who have been arrested and convicted of a cannabis crime in the City and their immediate family members, and individuals who are classified as low income in the City. Failure to meet this requirement within 2 years of starting their cannabis business will result in their license being revoked. In addition, all cannabis related businesses should be required to submit a diversity plan. All businesses that employ 20 or more people must have a labor peace agreement. The Division of Labor Standards and Cal OSHA will enforce labor laws and protect worker safety. Businesses that fail to meet these requirements will risk losing their license.

Incubator/Pilot or Industry Partner Program- Industry partner agreement initially lasts at minimum 3 years during which the incubator (general applicant) provides, at minimum, 1,000 square feet or 10% of space to social equity applicant in which to conduct business if the incubator has enough space available OR provides business mentoring, technical assistance, hard capital (e.g., equipment), an enhanced

community benefits agreement, and sponsor Department of Cannabis Regulation workshops if the incubator does not have enough space available. Incentive: both parties are eligible for tax rebate program from City at conclusion of initial partnership period (3 years). If social equity partner goes out of business, the incubator must identify new social equity partner in order to receive the tax rebate. Additionally, landlords that currently host unlicensed cannabis businesses on their property will be notified that the City' will waive the fees they would incur for the illegal operation if they allow their property to be used by social equity applicants.