Sec. 1. Findings.

(a) The General Assembly finds that the establishment of the medical cannabis industry has shown that additional efforts are needed to reduce barriers to ownership.

(b) In the interest of establishing a legal cannabis industry that is equitable and accessible to those most adversely impacted by the enforcement of drug-related laws in this State, including cannabis-related laws, the General Assembly finds and declares that a social equity program should be established.

(c) The General Assembly also finds and declares that individuals who have been arrested or incarcerated due to drug laws suffer long-lasting negative consequences, including impacts to employment, business ownership, housing, health, and long-term financial well-being.

(d) The General Assembly also finds and declares that family members, especially children, and communities of those who have been arrested or incarcerated due to drug laws, suffer from emotional, psychological, and financial harms as a result of such arrests or incarcerations.

(e) Furthermore, the General Assembly finds and declares that certain communities have disproportionately suffered the harms of enforcement of cannabis-related laws. Those communities face greater difficulties accessing traditional banking systems and capital for establishing businesses.

(f) The General Assembly also finds that individuals who have resided in areas of high poverty suffer negative consequences, including barriers to entry in employment, business ownership, housing, health, and long-term financial well-being.

(g) The General Assembly also finds and declares that promotion of business ownership by individuals who have resided in areas of high poverty and high enforcement of cannabis-related laws furthers an equitable cannabis industry.

(h) Therefore, in the interest of remedying the harms resulting from the disproportionate enforcement of cannabis-related laws, the General Assembly finds and declares that a social equity program should offer, among other things, financial
assistance and license application benefits to individuals most directly and adversely impacted by the enforcement of cannabis-related laws who are interested in starting cannabis business establishments.

Sec. 2. Definitions

"Disproportionately Impacted Area" means a census tract or comparable geographic area that satisfies the following criteria as determined by the United States Census Bureau, that:

(1) meets at least one of the following criteria:

(A) Opportunity Zone (25 census tracts in 17 Vermont communities)?

(B) the area has a poverty rate of at least 20% according to the latest federal decennial census; or

(C) 75% or more of the children in the area participate in the federal free lunch program according to reported statistics from the State Board of Education; or

(D) at least 20% of the households in the area receive assistance under the Supplemental Nutrition Assistance Program; or

(E) has high rates of arrest, conviction, and incarceration related to the sale, possession, use, cultivation, manufacture, or transport of cannabis.

"Member of an impacted family" means an individual who has a parent, legal guardian, child, spouse, or dependent, or was a dependent of an individual who, prior to the effective date of this Act, was arrested for, convicted of, or adjudicated delinquent for any offense that is eligible for expungement under this Act.

"Qualified Social Equity Applicant" means a Social Equity Applicant who has been awarded a conditional license under this Act to operate a cannabis business establishment.

"Resided" means an individual's primary residence was located within the relevant geographic area as established by 2 of the following:

(1) a signed lease agreement that includes the applicant's name;

(2) a property deed that includes the applicant's name;

(3) school records;
(4) a voter registration card;

(5) a Vermont driver’s license, Identification Card, or a Vermont Person with a Disability Identification Card;

(6) a paycheck stub;

(7) a utility bill; or

(8) any other proof of residency or other information necessary to establish residence as provided by rule.

"Social Equity Applicant" means an applicant that is a Vermont resident that meets one of the following criteria:

(1) an applicant with at least 51% ownership and control by one or more individuals who have resided for at least 5 of the preceding 10 years in a Disproportionately Impacted Area;

(2) an applicant with at least 51% ownership and control by one or more individuals who:

   (i) have been arrested for, convicted of, or adjudicated delinquent for any offense that is eligible for expungement under this Act; or

   (ii) is a member of an impacted family;

(3) for applicants with a minimum of 10 full-time employees, an applicant with at least 51% of current employees who:

   (i) currently reside in a Disproportionately Impacted Area; or

   (ii) have been arrested for, convicted of, or adjudicated delinquent for any offense that is eligible for expungement under this Act or member of an impacted family.

Nothing in this Act shall be construed to preempt or limit the duties of any employer to properly screen applicants under applicable law. Nothing in this Act shall permit an employer to require an employee to disclose sealed or expunged offenses, unless otherwise required by law.

"Minor Cannabis Offense" means a violation concerning not more than 30 grams of any substance containing cannabis, provided the violation did not include a penalty
enhancement under and is not associated with an arrest, conviction or other disposition for a violent crime as defined in subsection.

Sec. 3 Cannabis Business Development Fund

(a) There is created in the State treasury a special fund, which shall be held separate and apart from all other State moneys, to be known as the Cannabis Business Development Fund. The Cannabis Business Development Fund shall be exclusively used for the following purposes:

(1) to provide low-interest rate loans to Social Equity Applicants to pay for ordinary and necessary expenses to start and operate a cannabis business establishment permitted by this Act;

(2) to provide grants to Qualified Social Equity Applicants to pay for ordinary and necessary expenses to start and operate a cannabis business establishment permitted by this Act;

(3) to compensate the Cannabis Control Board for any costs related to the provision of low-interest loans and grants to Qualified Social Equity Applicants;

(4) to pay for outreach that may be provided or targeted to attract and support Social Equity Applicants;

(5) to conduct any study or research concerning the participation of minorities, women, veterans, or people with disabilities in the cannabis industry, including, without limitation, barriers to such individuals entering the industry as equity owners of cannabis business establishments;

(6) to assist with job training and technical assistance for residents in Disproportionately Impacted Areas.

(b) All moneys collected under Section 5 of this Act for Integrated Licenses issued before January 1, 2023 and remunerations made as a result of transfers of permits awarded to Qualified Social Equity Applicants shall be deposited into the Cannabis Business Development Fund.

(c) As soon as practical after July 1, 2020, the Comptroller shall order and the Treasurer shall transfer $1,200,000 from Medical Cannabis revenue to the Cannabis Business Development Fund.

(d) The Treasurer shall divert 10% of tax revenue for Cannabis regulation fund to a cap of $2,000,000 to the Cannabis Business Development Fund.
Notwithstanding any other law to the contrary, the Cannabis Business Development Fund is not subject to sweeps, administrative charge-backs, or any other fiscal or budgetary maneuver that would in any way transfer any amounts from the Cannabis Business Development Fund into any other fund of the State.

Sec 3.1. Loans and grants to Social Equity Applicants

(a) **Agency of Commerce and Community Development** shall establish grant and loan programs, subject to appropriations from the Cannabis Business Development Fund, for the purposes of providing financial assistance, loans, grants, and technical assistance to Social Equity Applicants.

(b) **Agency of Commerce and Community Development** has the power to:

1. provide Cannabis Social Equity loans and grants from appropriations from the Cannabis Business Development Fund to assist Social Equity Applicants in gaining entry to, and successfully operating in, the State’s regulated cannabis marketplace;

2. enter into agreements that set forth terms and conditions of the financial assistance, accept funds or grants, and engage in cooperation with private entities and agencies of State or local government to carry out the purposes of this Section;

3. fix, determine, charge, and collect any premiums, fees, charges, costs and expenses, including application fees, commitment fees, program fees, financing charges, or publication fees in connection with its activities under this Section;

4. coordinate assistance under these loan programs with activities of the **Vermont Department of Financial Regulation**, the **Vermont Agency of Agriculture, Food and Markets** and other agencies as needed to maximize the effectiveness and efficiency of this Act;

5. provide staff, administration, and related support required to administer this Section;

6. take whatever actions are necessary or appropriate to protect the State’s interest in the event of bankruptcy, default, foreclosure, or noncompliance with the terms and conditions of financial assistance provided under this Section, including the ability to recapture funds if the recipient is found to be noncompliant with the terms and conditions of the financial assistance agreement;
(7) establish application, notification, contract, and other forms, procedures, or rules deemed necessary and appropriate; and

(8) utilize vendors or contract work to carry out the purposes of this Act.

(c) Loans made under this Section:

(1) shall only be made if, in the Agency's judgment, the project furthers the goals set forth in this Act; and

(2) shall be in such principal amount and form and contain such terms and provisions with respect to security, insurance, reporting, delinquency charges, default remedies, and other matters as the Department shall determine appropriate to protect the public interest and to be consistent with the purposes of this Section. The terms and provisions may be less than required for similar loans not covered by this Section.

(d) Grants made under this Section shall be awarded on a competitive and annual basis under the ensuring accountability and transparency as required by Vermont law. Grants made under this Section shall further and promote the goals of this Act, including promotion of Social Equity Applicants, job training and workforce development, and technical assistance to Social Equity Applicants.

(e) Beginning January 1, 2021 and each year thereafter, the Agency shall annually report to the Governor and the General Assembly on the outcomes and effectiveness of this Section that shall include the following:

(1) the number of persons or businesses receiving financial assistance under this Section;

(2) the amount in financial assistance awarded in the aggregate, in addition to the amount of loans made that are outstanding and the amount of grants awarded;

(3) the location of the project engaged in by the person or business; and

(4) if applicable, the number of new jobs and other forms of economic output created as a result of the financial assistance.

(f) Agency of Commerce and Community Development shall include engagement with individuals with limited English proficiency as part of its outreach provided or targeted to attract and support Social Equity Applicants.
Sec 3.2. Fee waivers

(a) For Social Equity Applicants, the Cannabis Control Board shall waive 50% of any nonrefundable license application fees, any nonrefundable fees associated with purchasing a license to operate a cannabis business establishment, and any surety bond or other financial requirements, provided a Social Equity Applicant meets the following qualifications at the time the payment is due:

(1) the applicant, including all individuals and entities with 10% or greater ownership and all parent companies, subsidiaries, and affiliates, has less than a total of $750,000 of income in the previous calendar year; and

(2) the applicant, including all individuals and entities with 10% or greater ownership and all parent companies, subsidiaries, and affiliates, has no more than 2 other licenses for cannabis business establishments in the State of Vermont.

(b) The Cannabis Control Board may require Social Equity Applicants to attest that they meet the requirements for a fee waiver as provided in subsection (a) and to provide evidence of annual total income in the previous calendar year.

(c) If the Cannabis Control Board determines that an applicant who applied as a Social Equity Applicant is not eligible for such status, the applicant shall be provided an additional 10 days to provide alternative evidence that he or she qualifies as a Social Equity Applicant. Alternatively, the applicant may pay the remainder of the waived fee and be considered as a non-Social Equity Applicant. If the applicant cannot do either, then the Departments may keep the initial application fee and the application shall not be graded.

Sec. 3.3 Transfer of license awarded to Social Equity Applicant

(a) In the event a Social Equity Applicant seeks to transfer, sell, or grant a cannabis business establishment license within 5 years after it was issued to a person or entity that does not qualify as a Social Equity Applicant, the transfer agreement shall require the new license holder to pay the Cannabis Business Development Fund an amount equal to:

(1) any fees that were waived by any State agency based on the applicant's status as a Social Equity Applicant, if applicable;

(2) any outstanding amount owed by the Qualified Social Equity Applicant for a loan through the Cannabis Business Development Fund, if applicable; and
(3) the full amount of any grants that the Qualified Social Equity Applicant received from the Department of Commerce and Economic Opportunity, if applicable.

(b) Transfers of cannabis business establishment licenses awarded to a Social Equity Applicant are subject to all other provisions of this Act, the Medical Marijuana statutes, and rules regarding transfers.

Sec 3.4 Reporting

By January 1, 2022, and on January 1 of every year thereafter, or upon request by the Executive Director of Racial Equity, each cannabis business establishment licensed under this Act shall report to the Executive Director of Racial Equity, on a form to be provided by the Executive Director of Racial Equity, information that will allow her (or him) to assess the extent of diversity in the medical and adult use cannabis industry and methods for reducing or eliminating any identified barriers to entry, including access to capital. The information to be collected shall be designed to identify the following:

(1) the number and percentage of licenses provided to Social Equity Applicants and to businesses owned by minorities, women, veterans, and people with disabilities;

(2) the total number and percentage of employees in the cannabis industry who meet the criteria in (3)(i) or 17 (3)(ii) in the definition of Social Equity Applicant or who are minorities, women, veterans, or people with disabilities;

(3) the total number and percentage of contractors and subcontractors in the cannabis industry that meet the definition of a Social Equity Applicant or who are owned by minorities, women, veterans, or people with disabilities, if known to the cannabis business establishment; and

(4) recommendations on reducing or eliminating any identified barriers to entry, including access to capital, in the cannabis industry

Sec. 4. Community Social Equity Program

(a) The General Assembly finds that in order to address the disparities described below, aggressive approaches and targeted resources to support local design and control of community-based responses to these outcomes are required. To carry out this intent, the Community Social Equity Program is created for the following purposes:
(1) to directly address the impact of economic disinvestment, violence, and the historical overuse of criminal justice responses to community and individual needs by providing resources to support local design and control of community-based responses to these impacts;

(2) to substantially reduce the total amount concentrated poverty in this State;

(3) to protect communities from domestic violence through targeted investments and intervention programs, including economic growth and improving family violence prevention, community trauma treatment rates, gun injury victim services, and public health prevention activities;

(4) to promote employment infrastructure and capacity building related to the social determinants of health in the eligible community areas.

(b) In this Section, "Authority" means the Vermont Crime Information Center in coordination with the Community Justice Network.

(c) Eligibility of Social Equity Program Areas. Within 180 days after the effective date of this Act, the Authority shall identify Disproportionately Impacted Areas, as defined in Section 2 of this Act and therefore eligible to apply for Social Equity funding. Local groups within Community Social Equity Program Areas will be eligible to apply for State funding through the Community Social Equity Program Board. Qualifications for designation as an Community Social Equity Program Area are as follows:

(1) Based on an analysis of data, communities in this State that are high need, underserved, disproportionately impacted by historical economic disinvestment, and ravaged by violence as indicated by the highest rates of gun injury, unemployment, child poverty rates, and commitments to and returns from the Vermont Department of Corrections.

(2) The Authority shall send to the Legislature and make publicly available its analysis and identification of eligible Community Social Equity Program Areas and shall recalculate the eligibility data every 4 years. On an annual basis, the Authority shall analyze data and indicate if data covering any Community Social Equity Program Area or portion of an Area has, for 4 consecutive years, substantially deviated from the average of statewide data on which the original calculation was made to determine the Areas, including disinvestment, violence gun injury, unemployment, child poverty rates, or commitments to or returns from the Vermont Department of Corrections.
(d) The Community Social Equity Program Board shall encourage collaborative partnerships within each Community Social Equity Program Area to minimize multiple partnerships per Area.

(e) The Community Social Equity Program Board is created and shall reflect the diversity of the State of Vermont, including geographic, racial, and ethnic diversity. Using the data provided by the Authority, the Social Equity Program Board shall be responsible for designating the Community Social Equity Program Area boundaries and for the selection and oversight of Community Social Equity Program Area grantees. The Community Social Equity Program Board ex officio members shall, within 4 months after the effective date of this Act, convene the Board to appoint a full Community Social Equity Program Board and oversee, provide guidance to, and develop an administrative structure for the Community Social Equity Program.

(1) The ex officio members are:

(A) The Lieutenant Governor, or his or her designee, who shall serve as chair.

(B) The Attorney General, or his or her designee.

(C) The Director of Agency of Commerce and Community Development, or his or her designee.

(D) The Director of Public Health, or his or her designee.

(E) The Commissioner of Corrections, or his or her designee.

(F) Commissioner of Public Safety, or his or her designee.

(G) The Commissioner of Human Resources, or his or her designee.

(H) The Secretary of Human Services, or his or her designee.

(I) A member of the Senate, designated by the President of the Senate.

(J) A member of the House of Representatives, designated by the Speaker of the House of Representatives.

(K) A member of the Senate, designated by the Minority Leader of the Senate.

(L) A member of the House of Representatives, designated by the Minority Leader of the House of Representatives.
(2) Within 90 days after the Community Social Equity Program Areas have been designated by the Community Social Equity Program Board, the following members shall be appointed to the Board by the Social Equity Program Board chair:

(A) public officials of municipal geographic jurisdictions in the State that include a Community Social Equity Program Area, or

(B) 4 community-based providers or community development organization representatives who provide services to treat violence and address the social determinants of health, or promote community investment, including, but not limited to, services such as job placement and training, educational services, workforce development programming, and wealth building. The community-based organization representatives shall work primarily in jurisdictions that include a Community Social Equity Program Area and no more than 2 representatives shall work primarily in Chittenden County. At least one of the community-based providers shall have expertise in providing services to an immigrant population;

(C) Two experts in the field of violence reduction;

(D) One male who has previously been incarcerated and is over the age of 24 at time of appointment;

(F) One female who has previously been incarcerated and is over the age of 24 at time of appointment;

(G) Two individuals who have previously been incarcerated and are between the ages of 17 and 24 at time of appointment. As used in this paragraph (2), "an individual who has been previously incarcerated" means a person who has been convicted of or pled guilty to one or more felonies, who was sentenced to a term of imprisonment, and who has completed his or her sentence.

Board members shall serve without compensation and may be reimbursed for reasonable expenses incurred in the performance of their duties from funds appropriated for that purpose. Once all its members have been appointed as outlined in items (A) through (F) of this paragraph (2), the Board may exercise any power, perform any function, take any action, or do anything in furtherance of its purposes and goals upon the appointment of a quorum of its members. The Board terms of the non-ex-officio and General Assembly Board members shall end 4 years from the date of appointment.
(f) Within 12 months after the effective date of this Act, the Board shall:

(1) develop a process to solicit applications from eligible Community Social Equity Program Areas;

(2) develop a standard template for both planning and implementation activities to be submitted by Community Social Equity Program Areas to the State;

(3) identify resources sufficient to support the full administration and evaluation of the Community Social Equity Program, including building and sustaining core program capacity at the community and State levels;

(4) review Community Social Equity Program Area grant applications and propose agreements and approve the distribution of resources;

(5) develop a performance measurement system that focuses on positive outcomes;

(6) develop a process to support ongoing monitoring and evaluation of Community Social Equity Program programs; and

(7) deliver an annual report to the General Assembly and to the Governor to be posted on the Governor’s Office and General Assembly websites and provide to the public an annual report on its progress.

(g) Community Social Equity Program grants.

(1) Grant funds shall be awarded by Community Justice Network, in coordination with the Community Social Equity Program Board, based on the likelihood that the plan will achieve the outcomes outlined in subsection (a) and consistent with the requirements of the State grant accountability statutes. The Community Social Equity Program shall also facilitate the provision of training and technical assistance for capacity building within and among Community Social Equity Program Areas.

(2) The Community Social Equity Program Board grants shall be used to address economic development, violence prevention services, re-entry services, youth development, and civil legal aid.

(3) The Community Social Equity Program Board and grantees shall, within a period of no more than 120 days from the completion of planning activities
described in this Section, finalize an agreement on the plan for implementation. Implementation activities may:

(A) have a basis in evidence or best practice research or have evaluations demonstrating the capacity to address the purpose of the program in subsection (a);

(B) collect data from the inception of planning activities through implementation, with data collection technical assistance when needed, including cost data and data related to identified meaningful short-term, mid-term, and long-term goals and metrics;

(B) report data to the Community Social Equity Program Board biannually; and

(C) report information as requested by the Community Social Equity Program Board.

Sec 5. Integrated License

Organization License.

(a) Any medical cannabis dispensing organization holding a valid Medical Marijuana License as of the effective date of this Act may, within 60 days of the effective date of this Act, apply to the Cannabis Control Board for an Integrated License to serve purchasers at any medical cannabis dispensing location in operation on the effective date of this Act, pursuant to this Section.

(b) A medical cannabis dispensing organization seeking issuance of an Integrated License to serve purchasers at any medical cannabis dispensing location in operation as of the effective date of this Act shall submit an application on forms provided by the Cannabis Control Board. The application must be submitted by the same person or entity that holds the medical cannabis dispensing organization license and include the following:

(1) Payment of a nonrefundable fee of $30,000 to be deposited into the Cannabis Regulation Fund;

(2) Proof of registration as a medical cannabis dispensing organization that is in good standing;

(3) Certification that the applicant will comply with the requirements contained in the Compassionate Use of Medical Marijuana Program except as provided in 2 this Act;
(4) The legal name of the dispensing organization;

(5) The physical address of the dispensing organization;

(6) The name, address, social security number, and date of birth of each principal officer and board member of the dispensing organization, each of whom must be at least 21 years of age;

(7) A nonrefundable Cannabis Business Development Fee equal to 3% of the dispensing organization’s total sales between June 1, 2018 to June 1, 2019, or $100,000, whichever is less, to be deposited into the Cannabis Business Development Fund; and

(8) Identification of one of the following Social Equity Inclusion Plans, to be completed by March 31, 2022:

   (A) Make a contribution of 3% of total sales from June 1, 2019 to June 1, 2020, or $100,000, whichever is less, to the Cannabis Business Development Fund. This is in addition to the fee required by item (7) of this subsection (b);

   (B) Make a grant of 3% of total sales from June 1, 23 2019 to June 1, 2020, or $100,000, whichever is less, to a cannabis industry training or education program at an Illinois community college as defined in the Public Community College Act;

   (C) Make a donation of $100,000 or more to a program that provides job training services to persons recently incarcerated or that operates in a Disproportionately Impacted Area;

   (D) Participate as a host in a cannabis business establishment incubator program approved by the Agency of Commerce and Community Development and in which an Integrated License holder agrees to provide a loan of at least $100,000 and mentorship to incubate a licensee that qualifies as a Social Equity Applicant for at least a year. As used in this Section, "incubate" means providing direct financial assistance and training necessary to engage in licensed cannabis industry activity similar to that of the host licensee. The Integrated License holder or the same entity holding any other licenses issued pursuant to this Act shall not take an ownership stake of greater than 10% in any business receiving incubation services to comply with this subsection. If an Integrated License holder fails to find a business to incubate to comply with this subsection before its
Integrated License expires, it may opt to meet the requirement of this subsection by completing another item from this subsection; or

(E) Participate in a sponsorship program for at least 2 years approved by the Agency of Commerce and Community Development in which an Integrated License holder agrees to provide an interest-free loan of at least $200,000 to a Social Equity Applicant. The sponsor shall not take an ownership stake in any cannabis business establishment receiving sponsorship services to comply with this subsection.