



Office of Cannabis Management
2022 CHIEF EQUITY
OFFICER ANNUAL
REPORT



**Office of Cannabis
Management**

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Executive Summary

Purpose of the Report

The Office of Cannabis Management (the Office) is committed to building an equitable and economically durable cannabis industry. This is an agency-wide effort, and social and economic equity is a consistent priority across the agency.

This report details the progress made by the Chief Equity Officer and the Social and Economic Equity (SEE) Team during the 2022 calendar year. This report will, in subsequent years, provide the public with an update of the implementation of the Social and Economic Equity (SEE) Plan which is still currently under development and is set to be released in Q1 of 2023.

The SEE Team has been working to create an equitable and viable cannabis industry. Over the past year, the team has conducted research, engaged with community members, provided regulatory oversight, and developed programs and initiatives in economic development, policy, research, small business support, and business incubation.

The SEE Team is proud of the progress made so far and there is much more to come.

Key Updates

Staffing Update

- The Office's Chief Equity Officer was appointed on June 30, 2022.
- SEE Team is currently represented by 3 Deputy Directors and 8 staff evenly distributed across New York City and Albany offices.

Adult Use Regulations

- To achieve the Office's goals in licensure, the SEE Team actively explored alternative evaluation methodologies to reframe the way applicants are assessed to be more inclusive.

Seeding Opportunity Initiative

- SEE Team conducted a comprehensive application process for the Cannabis Compliance Training and Mentorship (CCTM) Program in partnership with the Department of Labor (reviewed 1,400 submissions on the initial interest form, 829 submissions to the CCTM application, and 642 final applications)
- SEE Team interviewed 244 applicants via live virtual interviews and selected 93 growers from the unregulated market, 81 traditional farmers, 43 processors from the unregulated market, and 27 traditional food and beverage processors. Approximately 66% of the selected mentorship cohort would be considered social equity applicants per the Cannabis Law.

Promoting Access

- Applicant evaluation strategies fine-tuned by the SEE Team delivered equitable outcomes.

- 66% of CCTM participants would be considered either historically underrepresented in farm ownership and/or SEE applicants per Section 87 of the Cannabis Law.
- 70% of 1st round CAURD licensees would be considered minority-owned businesses. Additionally, 72% of those license recipients lived within census districts consisting of the lowest median household incomes in the country.

Communities Disproportionately Impacted (CDI) Analysis

- SEE Team matched approximately 90% of 1.2 million individual cannabis arrest records to a physical location to show explicit disparities in policing with data from the Division of Criminal Justice Services. The identification of Communities Disproportionately Impacted (CDI) by the inequitable enforcement of cannabis prohibition is a cornerstone of what will determine eligibility for future SEE licensure and community reinvestment.

Banking and Financial Institution Access

- SEE Team formed partnerships with the Department of Financial Services and financial institutions that led to several banks and credit unions announcing their intention to support the legal cannabis market.
- SEE Team collaborated with financial institutions to onboard new cannabis related businesses as customers.

Community Engagement and Outreach

- SEE Team heard directly from approximately 200 people across New York and conferred with numerous experts from across the country. Additional roundtable events are planned, and community outreach and education will remain a priority for the Office in 2023.
- SEE Team engaged over 100 unlicensed– or legacy– cannabis operators in Buffalo, Rochester, and New York City to build trust, understand their experience, and share knowledge.

Next Steps

- “CAURD Accelerator” program launch by 1st quarter of 2023. The CAURD Accelerator will be a comprehensive training and mentorship program that will feature specialized education, one-on-one mentorship, and strategy sessions with trained cannabis consultants.
- NYS Cannabis Business Incubator program launch.
- Development of consumer impact public education campaign.

Preparation of Social and Economic Equity (SEE) Plan

The SEE Plan, set to be released in Q1 of 2023, is being developed through extensive outreach and engagement with SEE stakeholders, experienced out-of-state equity operators and "legacy" industry participants.

The Plan will outline the Office's priorities for SEE in the short, medium, and long term, serving as a comprehensive and adaptable programmatic and operational roadmap for navigating the constantly evolving legal landscape of cannabis. The SEE Plan is designed to be a "living document," able to evolve and respond to the fast-changing complexities of the cannabis industry.

The SEE Plan will include the following:

- Review of Nationwide Cannabis Social Equity Initiatives
 - Lessons learned
 - Best practices
- NYS Regional Economic and Industrial Analysis
- Communities Disproportionately Impacted (CDI)
 - Methodology
 - Key findings
 - Mapping
- Community Roundtables
 - Key findings
 - Stakeholder accountability plan
- Registered Organization (RO) Expansion
 - Defining "unserved and underserved areas of the state"
- Summary Recommendations
 - Community Engagement
 - Applicant Support
 - Market Access
 - Data Strategy & Performance Evaluation

Staffing Update

The SEE Team has been expanding its staff by hiring subject matter experts from various fields including commercial cannabis, agricultural policy, criminal and racial justice, education, and economic development. The team has also prioritized diversity, talent, and multilingualism in its hiring process, and many of its members have personal connections to the communities they are serving.

The SEE team currently consists of 3 Deputy Directors and 8 staff, who work on initiatives and programs related to economic development, policy, research, small business services, and business incubation.

- **Deputy Director for Business Development** is responsible for coordinating small business assistance programs and providing support to economic development organizations and businesses. This includes conducting business-to-business marketing programs and developing strategic plans and initiatives related to the social equity, small business, and economic development goals of the Office. The Deputy Director is also responsible for creating public education programming to provide resources and support to communities impacted by cannabis prohibition regarding the licensing process.
- **Deputy Director for Economic Development, Policy, and Research** is responsible for leading strategic planning for the Office's SEE-focused mission. This includes defining economic development initiatives and establishing performance metrics for the social and economic equity program, as well as creating a social responsibility framework for the cannabis industry that promotes racial, ethnic, and gender diversity and business ownership.
- **Deputy Director of Business Incubation Programs** is responsible for developing and managing the Office's portfolio of incubation, mentorship, and accelerator services for SEE applicants and operators. The Deputy Director coordinates and provides problem-solving assistance to technical service providers, business development organizations, educational institutions, and other training partners. The Deputy Director also collaborates with the Cannabis Control Board, the Cannabis Advisory Board, and other state agencies, nonprofits, and private partners to ensure qualified entrepreneurs have access to technical expertise, real estate, banking services, and financial capital, including low or zero interest loans and capital development programs.

Adult-Use Regulations

Throughout 2022, the SEE Team devoted significant resources to researching and drafting the agency's proposed adult-use cannabis regulations. The regulations cover a range of topics, including sole control of a license, application evaluation, and licensing prioritization, with the goal of creating an economically viable industry that features SEE representation. The Team also developed a robust regulatory framework to prioritize SEE groups throughout the agency's processes and provided oversight for the rest of the regulation drafting process to ensure equity remained a priority.

The SEE Team made several notable contributions to the proposed adult-use cannabis regulations. First, to achieve the goal of awarding 50% of adult-use cannabis licenses to SEE applicants, the SEE Team researched the processes used to demonstrate SEE qualification in other industries. For example, the United States Department of Agriculture provided insight into the meaning of a distressed farmer and New York State's Minority and Women Business certification program served as precedent for identifying minority-owned businesses and women-owned businesses.

Second, New York State is one of few states to create a license for cannabis cooperatives. Cooperatives offer an opportunity for collective ownership and the pooling of resources. The SEE Team spoke with regulators in other states where cannabis cooperatives are permitted, cooperative advocates, attorneys, and operators around the country to understand the intricacies of this niche business model in this new industry. One of the unique features of this

license is the authorization to increase cultivation canopy size as membership in the cooperative grows. The proposed regulations also describe two cooperative business models, allowing licensees the flexibility to choose which one can best meet their needs.

Third, the SEE Team conducted a thorough review of how applicant evaluations impact the accessibility of licenses. In the legal adult-use cannabis industry, it is common for applicants to be scored for licensure based on factors such as the strength of their proposed standard operating procedures, financial plans, or personnel experience. However, this approach often benefits applicants who have the financial resources to hire consultants to create top-scoring documents. In response, the SEE Team developed alternative evaluation criteria that prioritize the applicant's previous experiences and contributions to their community over hypothetical proposals. Such criteria may include, but are not limited to:

- history in creating or maintaining an equitable workplace environment through the review of previous business and management practices;
- history in creating or delivering culturally and linguistically competent services to diverse and underserved populations; and
- serving in community leadership roles within established and licensed businesses, nonprofits, religious organizations, educational institutions, philanthropic organizations, community clubs, or neighborhood associations.

Finally, the Cannabis Law established a two-tiered market in which retailers of adult-use cannabis cannot have any ownership interest in licenses for cultivating, processing, or distributing adult-use cannabis. The SEE Team consulted with various stakeholders, including regulators, attorneys, operators, and advocates in over a dozen states to inform the Office's strategy for implementing this two-tiered market approach. These discussions influenced the development of proposed regulations around horizontal ownership restrictions within tiers, sole control and True Parties of Interest (TPI), all of which help to enforce the separation between the two-tiers and ensure small business access.

These regulations were developed in part to protect SEE applicants and licensees from the predatory practices and "pay-to-play" schemes that have hindered social equity participation in other legal cannabis markets. In practice, a legal cannabis market with independent, autonomous retailers and strong anti-trust provisions will give SEE businesses and brands a fair opportunity to gain market share and build long-term value.

Seeding Opportunity Initiative

The Seeding Opportunity Initiative creates a supply chain of conditional licenses from seed to sale. The Conditional Adult Use Retail Dispensary ("CAURD") program is the public's first opportunity for a dispensary license. To qualify for this license, business applicants needed to demonstrate that they are justice involved individuals by showing that they have a prior conviction of a cannabis-related offense (or their family members needed to have had a similar such offense) and proof of having owned a qualifying business. Relatedly, non-for-profit applicants needed to demonstrate service to justice involved individuals. The SEE Team worked to ensure that the equity principles of the Cannabis Law remained an important component of the CAURD program. It helped identify the profiles of interest of a qualifying business, the significance of cannabis-related offense, and to develop "how to" documents, instructing applicants where they could locate their necessary documentation, amongst other contributions.

Cannabis Compliance Training & Mentorship Program

The Cannabis Compliance Training & Mentorship (CCTM) program is a requirement under New York's Adult-Use Conditional Cultivator and Processors legislation, which was signed by the Governor in February 2022 as part of the Seeding Opportunity Initiative. The 10-week virtual training program aims to grow and diversify the pipeline of farmers and processors preparing to participate in New York's adult-use cannabis industry. It was made available to applicants interested in cultivating or processing cannabis in a regulated market, and who have advanced experience in horticulture, manufacturing, processing, packaging, or branding products for human consumption.

The CCTM application process began on October 20, 2022, and the application period closed on November 3, 2022 at 11:59 PM. The Office received over 1,400 submissions on the initial interest form and 829 submissions to the CCTM application, with 642 of those qualifying for final review. A thorough review process was conducted by the Office and the New York State Department of Labor, during which all applicants were scored based on objective criteria. A total of 244 applicants were selected to move on to live virtual interviews, which took place over a three-week period ending on January 9, 2023. The final cohort for the CCTM program will include 93 growers from the unregulated market, 81 traditional farmers, 43 processors from the unregulated market, and 27 traditional food and beverage processors.

The SEE Team developed an anonymous application process to encourage participation from growers and processors in the unregulated cannabis market. This process included completing two surveys and an initial interest form, which generated a unique code for applicants to use to access and complete a secondary CCTM application survey. This allowed interested parties to provide as much relevant detail as possible without fear of legal consequences.

The 10-week training program is scheduled to start on January 24, 2023 and will include a series of structured webinars covering topics ranging from Cannabis Business Accounting, Labor Laws, Agricultural Human Resources, Environmental Controls, Plant Genetics and Pathology, Track and Trace, Lab Testing, Recall Plans and Good Manufacturing Practices. The webinars will be supported by the State University of New York, SUNY Morrisville, Cornell University, the Office, and holders of Adult-Use Conditional Cultivator (AUCC) and Adult-Use Conditional Processor (AUCP) licenses. Participants will also have the option to be paired with an AUCC or AUCP, allowing them to engage more directly with the topics covered in the webinars and better understand how to operate their businesses in a well-regulated marketplace.

Promoting Access

The SEE Team recognized the need to create new approaches to evaluating and scoring applicants for adult-use cannabis licenses in order to prioritize and support SEE participation. To achieve these ambitious goals in licensure, the SEE Team actively explored alternative evaluation methodologies to reframe the way applicants are assessed to be more inclusive.

The CCTM Program used narrative-based submissions to evaluate applicants for the training program. This method was based on existing farmer apprenticeship and fellowship programs and aimed at growing and diversifying the pipeline of farmers and processors preparing to participate in New York's adult-use cannabis industry. The inclusive assessment allowed

applicants to share their experience, qualifications, and interest in the legal cannabis market through accessible modes of expression.

Contrastingly, the CAURD program relied on specific eligibility requirements. Those who met the minimum criteria were evaluated and scored based on specific factors related to the nature of their justice-impacted involvement and the extent of their business ownership experience.

Both CCTM and CAURD evaluation methodologies proved effective at delivering equitable outcomes and incorporating those most impacted by cannabis prohibition. In the future, the SEE Team plans to continue building on the successes of both initiatives by incorporating best practices and lessons learned and developing new strategies to expand access to training, mentorship, incubation, and paths to licensure for SEE applicants.

CCTM Demographic Data (1st Cohort): Of the 244 individuals admitted to the inaugural cohort, approximately 66% would be considered either historically underrepresented in farm ownership and/or SEE applicants per Section 87 of the Cannabis Law.

Given that Black, Indigenous, and People of Color (BIPOC) farmers and producers make up just 1.3% of producers in New York State, according to 2017 Census of Agriculture, the CCTM model has significant potential for transforming the agricultural landscape across the state.

CAURD Demographic Data (1st Round): Of the 28 CAURD “Qualifying Business” licensees, approximately 70% would be considered minority-owned businesses. Additionally, 72% of those license recipients lived within census districts consisting of the lowest median household incomes in the country.

Communities Disproportionately Impacted (CDI) Analysis

The CDI project aims to identify and map areas of New York State that were disproportionately impacted by marijuana arrests and convictions. The work began with a multifaceted approach to analyzing cannabis arrest data and has involved the SEE Team engaging in conversations and data exchanges with various organizations over the past year.

In July 2022, the SEE Team began aggregating arrest data and performing a longitudinal analysis, covering 43 years of statewide marijuana arrests (1978-2020). The data cleaning process is ongoing and has been challenging due to the large volume of arrest records and the need to verify addresses and ensure they can be pinpointed on a map using geographic information system (GIS) software.

To date, the SEE Team has successfully matched approximately 90% of 1.2 million individual arrest records with a physical location, starting from an initial match rate of approximately 60%. Once the data set has been cleaned as much as possible, the team will begin finalizing the CDI map.

Community Engagement and Outreach

Cannabis Equity Roundtables

The SEE Team has conducted Cannabis Equity Roundtables in various communities throughout New York to gather input from individuals and businesses that would be designated as SEE applicants under the Cannabis Law. These roundtables consisted of listening sessions with minority-owned businesses, women-owned businesses, service-disabled veterans, service-disabled veteran-owned businesses, distressed farmers, and individuals from communities that have been disproportionately affected by cannabis prohibition.

The Cannabis Law aims to award 50% of adult-use cannabis licenses to these equity applicants. The feedback and insights gathered during these roundtable sessions are used to inform the development of specific policies and programs that will help these groups access and succeed in the adult-use cannabis market and are incorporated into the SEE plan.

In September 2022, the SEE and External Affairs Teams began coordinating with host organizations to hold roundtables in communities across the state. These partnerships with host organizations allowed the SEE Team to hear from people with true lived experiences who identify with the SEE applicant groups. The host organizations not only had regional ties with participants but also established longstanding, trust-based relationships with community groups. To ensure meaningful feedback, the SEE Team relied on the host organizations to moderate and guide participants through questions with scribes on-hand to annotate the discussion.

The SEE Team has scheduled 18 events in total, with 14 events held so far and four events scheduled for January 2023. The 14 roundtables were held in-person at various locations across Albany, Syracuse, Brooklyn, Manhattan, the Bronx, and Harlem. Two roundtables were hosted virtually and featured participants from the Finger Lakes, Central New York, Western New York, Long Island, Capital Region, Mid-Hudson, and Southern Tier regions. Additionally, the team conducted two virtual roundtables with social equity cannabis entrepreneurs and advocates from California, Colorado, New Jersey, and Michigan to gain first-hand insight on the successes and failures of their states' respective social equity initiatives. Lastly, the team conducted a virtual roundtable with New York's Regional Economic Development Councils to better understand the various socioeconomic, industrial, and demographic nuances of their respective regions. Future events are scheduled for other regions, including Buffalo and Rochester, to ensure adequate coverage of the state.

To date, the SEE Team has heard directly from nearly 200 people across New York and expects to speak to an additional 140 people through upcoming roundtable events. This primary source feedback has significantly shaped the team's perspective on the complexity of the challenge and the potential impact of this important work. Participants provided constructive solutions based on their own lived experiences, identifying barriers their communities have historically faced in accessing economic opportunities. Dozens of participants detailed the real economic and psychological costs that the disproportionate enforcement of cannabis prohibition has played in their lives and in their communities. Their stories will be reflected in the State's SEE programs and policies going forward.

Legacy Conversations

The SEE Team held meetings with over 100 unlicensed, or “legacy”, cannabis operators in Buffalo, Rochester, and New York City to discuss the future of the regulated cannabis market. These first-of-their-kind conversations aim to facilitate open and transparent dialogue between the Office and the legacy operators. The goal is for these discussions to help the legacy operators successfully participate in the regulated market and create a thriving cannabis industry in New York.

The discussions with the legacy operators serve two strategic purposes for the SEE Team: transferring knowledge and building trust. Firstly, the legacy operators have valuable insight into the unregulated, multibillion-dollar cannabis industry in New York, having traditionally operated during prohibition. This information, including consumer preferences, pricing strategies, and distribution, will be crucial in creating a regulatory framework that meets consumer needs and benefits the industry. In return, the SEE Team has provided legacy operators with information on the regulatory process, including the importance of the notice and comment period.

Secondly, the conversations help to build trust with New Yorkers who have traditionally been skeptical of the government and wary of the legal cannabis market. Many legal cannabis markets have relied on punitive measures rather than mutual interests when engaging their legacy operators. The SEE Team’s approach of open and transparent dialogue with these key stakeholders hopes to foster a more informed and trusting relationship.

Banking and Financial Institution Outreach

The SEE Team is working to improve access to banking services for small, SEE-owned cannabis enterprises. These businesses often face high costs for low-service deposit accounts, and commercial loans are almost non-existent, forcing them to rely on predatory private lenders. As more commercial banks and credit unions offer services to Cannabis Related Businesses (CRB), competition will lower costs and encourage financial institutions to offer greater service.

The SEE Team has spent several months meeting with financial institutions to encourage their participation in the legal cannabis market and has also collaborated with the Department of Financial Services to provide clarity and resources for financial institutions. As a result, several banks and credit unions have announced their intention to enter the market and have started onboarding new CRB customers. In addition, the SEE Team is working on proposals to underwrite loans for qualified SEE applicants in order to reduce risk for financial institutions and encourage them to offer commercial loans to SEE-owned businesses. The SEE Team will continue developing comprehensive SEE loan programs throughout 2023 with the goal of launching them in 2024.

Next Steps

Launch CAURD Accelerator

Several adult-use cannabis markets have implemented equity programs similar to the CAURD program, but these programs often fail to support equity applicants due to a lack of training in more advanced business, marketing, and financial skills. Without sufficient guidance and training, new license holders may struggle to successfully navigate the complexities of operating a regulated cannabis business.

Additionally, many states only began to address social equity long after their programs were established, making it very challenging for their licensees to secure a sustainable foothold in crowded, highly competitive markets.

To support New York's CAURD licensees, the SEE Team has developed the CAURD Accelerator with the goal of launching the program in the 1st quarter of 2023. The CAURD Accelerator will be an optional, comprehensive training and mentorship program that will feature specialized education, one-on-one mentorship, and strategy sessions with trained cannabis consultants.

The CAURD Accelerator will provide a highly individualized training experience that helps licensees navigate the complexities of starting and running a well-regulated cannabis retail dispensary operation. It includes 20 weeks of evergreen online course material, as well as regular touchpoints with mentors and trained specialists. This support is designed to help licensees avoid the need to trade equity in their businesses for expert guidance and to provide them with the tools they need to succeed within a compressed timeframe of 60-90 days.

Accelerator deliverables include:

- **Finance and Financial Strategy:** Training on retail cannabis business model and financials. Licensees will improve their understanding of the retail margins and financial literacy, often a challenge for established operators when seeking investment from investors who expect a high level of financial knowledge.
- **Cannabis Retail Marketing:** Workshops on brand storytelling and marketing practices as well as training on tech stacks and workbooks for digital marketing platforms.
- **Compliance Strategy:** Review current and changing regulations, support business development strategy, review MSAs, fundraising and compliance documents.
- **Operations:** Best practice, high level process flows for retail operations, inventory planning, merchandising/assortment and pricing.

Development of New York State Cannabis Business Incubator Program

In December 2022, the SEE Team onboarded the Director of Business Incubation Programs, who is tasked with spearheading the development and launch of statewide, equity-based incubator program. Details of the program will be provided in the SEE Plan in the first quarter of 2023. Key features of the incubator program include:

Cannabis Business Incubation: Incubators will be brick-and-mortar mixed-use community facilities that offer a range of business development services, such as compliance, legal assistance, accounting, marketing, financing, customer relations management and operations

support. They will also facilitate access to specialized equipment and technology for cultivation, manufacturing, extraction, co-packing and ancillary business support. These incubators will be distributed strategically throughout the state and near communities disproportionately impacted.

Community Infrastructure: Incubators will not only support the development of cannabis businesses but will also serve as accessible community centers that offer a variety of locally informed, culturally competent programming such as food production, soil banking, composting, community gardening, health and wellness resources, community-supported-agriculture (CSA) programs and job training.

Market Access: Incubators will support programming, events and initiatives aimed at increasing and strengthening business-to-consumer and business-to-business sales channels and marketing opportunities for SEE brands and businesses.

Value Added Quality Assurance: As adult-use markets mature and differentiate, value added branding and appellations become increasingly important for small to medium-sized ventures. Incubators are ideal venues for the administration of assurance schemes, appellations, 3rd-party certifications for organic and regenerative production as well as “craft” cannabis products.

Performance Evaluation: Incubators will develop specific tools and metrics for analyzing the impact of incubation programming, community reinvestment, public awareness and Social Returns on Investment (SROI).

Consumer Impact Public Education Campaign

A more transparent, inclusive, and reflective cannabis supply chain can be created by bringing consumers closer to production and to each other. This will increase consumer awareness of their purchasing power and the local impact they can have in repairing the harm caused by cannabis prohibition and making New York a better state. The SEE Team is working on a campaign that will highlight how New York consumers can play a key role in co-creating the most equitable and successful legal cannabis market in the nation.

Conclusion

The Cannabis Law is the byproduct of lessons learned both from other states attempting to regulate cannabis in an equitable way and from the lived experiences of New Yorkers who have fought for justice and opportunity on behalf of their communities. The SEE Team is ensuring that the Office does not lose sight of those lessons. The accomplishments of this past year were significant but there is still a lot more to do to ensure that the rollout of New York’s cannabis market meets the principles set forth in the law. We are resolute in our commitment to deliver on the promises of the Cannabis Law and confident that the Team we are building here is the one to do it.