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RACIAL EQUITY IMPACT ASSESSMENT

Cannabis Task Force

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OVERVIEW OF PROPOSAL:

The Cannabis Task Force recommends that Princeton grant licenses for cannabis retailers/dispensaries. The goal is to regulate the sale of cannabis with the hope of: (1) reducing the sale of cannabis through the black market, (2) allocating tax revenue from these sales toward reparative efforts in the community, (3) educating the community about the effects of cannabis, and (4) enforcing these new regulations through equitable practices. If there are more applicants than the desired number of retailers, a ranking system can be employed to grant preference to minority-owned businesses, women-owned businesses, and/or businesses that hire individuals who have been adversely affected by the War on Drugs. In addition, the city can seek to create a cannabis equity program.

According to Kassandra Frederique from Drug Policy Analysis, “There needs to be a finality in the interventions that we put forward, so that we stop having to navigate systems that subjugate […] people and goods.” The city of Princeton must seek to achieve this finality through cannabis legalization measures that actively advance racial equity, given the historic racism and violence associated with cannabis enforcement.

CONCLUSION:

Licensing cannabis retailers in Princeton will positively impact racial equity in the community through economic opportunity (for example, through businesses licenses and tax revenue allocation). Individuals will benefit from an education initiative to make more informed decisions about cannabis. Attention to equitable enforcement will specifically protect people of color in addition to the general public, consumers and non-consumers alike.

Unintended consequences might arise from how the licenses are given and how enforcement is conducted. Other concerns include the location of these businesses, an increase in traffic (foot and vehicle), environmental effects from cannabis (second-hand smoke and littering), and financial burdens on consumers and retailers, which may disproportionately affect communities of color.
On the November 2020 ballot, a majority of New Jerseyans voted in favor of Public Question No. 1, which allowed for the state constitution to be amended in order to legalize cannabis [2]. On February 22, 2021, the "New Jersey Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Act" then "legalize[d] personal use cannabis [for adults 21 years or older], subject to [s]tate regulation; decriminalize[d] small amount marijuana and hashish possession; [and] remove[d] marijuana as [a] Schedule I drug [3]."

In addition, the Act gives municipalities 180 days to decide whether they want to prohibit any of the outlined business licenses (cultivator, manufacturer, wholesaler, distributor, retailer, and delivery) [4]. If not prohibited, municipalities are obligated to allow these licenses for 5 years. Municipalities assume control over the number of operations and any subsequent details, including available locations and hours [4].

On March 8, 2021, R.21-91 "established a task force to be known as the 'Princeton Cannabis Task Force,'" which is comprised of various community stakeholders [4]. Led by Councilwoman Eve Niedergang, the task force is charged with "examin[ing] the impact of the legalization of cannabis, [... ] serv[ing] in an advisory capacity to provide input to Mayor and Council on [... ] major areas of concern and mak[ing] recommendations regarding next steps [4]."
COMMON TYPES OF CANNABIS PRODUCTS:

1. **Flower**
   a. "[T]he smokable part of the cannabis plant" that is "cultivated, harvested, dried, and cured [5]." This type of cannabis can be consumed through a variety of mediums, including pipes, bongs, or blunts [5]. Flower is considered the most popular cannabis product, "accounting for almost half of all purchases [6]."

2. **Concentrates**
   a. Indicated by the name, this product is much more concentrated with cannabinoids and terpenes as all other elements of the plant are removed [7]. This product also has a variety of methods for consumption, including through a vaporizer or a dab rig [7].

3. **Edibles**
   a. "Cannabis-infused food or drink that can be made with either cannabis flower or cannabis concentrate [7]." Food items are the second most popular type of cannabis product sold in the US, making up "13.1% of all marijuana-related transactions" while beverages make up 3.7% [8].

4. **Tinctures**
   a. "Herbal solutions created by steeping [...] cannabis [...] in alcohol [9]." Tinctures can be consumed by placing the liquid "under the tongue [9]."

5. **Topicals**
   a. "Cannabis-infused products like lotions, balms, sprays, transdermal patches, or salves meant to be applied directly to the skin [9]." THC topicals provide a localized effect [...] without a high' while CBD topicals do provide a high [9].

6. **Vape Pens**
   a. These pens are a common way to ingest cannabis and account for "8.2% of all industry transactions [10]."

7. **Pre-Rolled Joints**
   a. This product is considered the third most popular type of medical marijuana [10]."
CANNABIS SUPPLY CHAIN:

5 MAIN STAGES

1. Cultivation
   The cannabis plant is grown and harvested for its fibre, seeds, and cannabinoids [11]. This stage includes drying, curing, and trimming the cannabis plant [11].

2. Manufacturing
   The cannabis plant can undergo extraction (usually cannabinoids and terpenes), infusion (combining cannabis with a food product or beverage), or light manufacturing (breaking down and/or packaging the plant) [11].

3. Testing
   Cannabis must be verified through testing before it can be distributed [11]. Testing checks for any "contamination, pesticides, mold and mildew" as well as for "the potency of the product [11]." Testing must take place immediately after harvest and again if the product has been altered [11].

4. Distribution
   Distribution involves quality assurance, storage, and transportation of the product (usually between wholesalers and retailers) [11].

5. Retail
   Cannabis products can be sold through dispensaries, delivery groups, or non-storefront retailers [11].
In cultivation and manufacturing, it is more difficult to gain an economic advantage as new efforts to achieve greater efficiency are often met by competitors [12]. This high level of competition can drive down “the pricing power any single grower (or manufacturer) may have achieved [12].” Companies can seek to build brand loyalty as a way to keep a competitive edge though there seems to be more profitability in the research and development of cannabis [12]. Oftentimes, researchers will contract out the cultivation of new strains [12]. Still, 29% of wholesale cultivators report being "very profitable" and 31% "modestly profitable," according to a 2016 Marijuana Business Factbook report [13]. Infused product manufacturers, which have lower start-up costs, "lead all sectors of the industry, with 91% of infused products businesses reporting that they are at least break-even [13]."

The testing and distribution sectors face many regulations that vary by state and are often subject to change. The cannabis testing sector is growing as more states legalize cannabis and/or add requirements for testing [14]. Although there is a high barrier of entry due to the costs of opening a testing center, there is high demand and profit as well [14]. The distribution sector must compete with companies that choose to distribute themselves by proving to be a cheaper, more efficient option [15]. There are restrictions on the vehicle size of cannabis distributors as well as challenges that come from interstate transport remaining illegal [16].

Finally, at the retail level, it is expected that "dispensary profit margins range between 12 and 15 percent" after taxes [17]. 18% of medical dispensaries and recreational stores report being "very profitable" and 41% "modestly profitable" in the aforementioned 2016 report [18]. Retailers face many challenges, including: (1) “[f]inding vendors [ … ] as you can only buy from licensees in your own state,” (2) "check[ing] licensing and lab testing,” and (3) expensive rent [19].

There are four possibilities to help address these issues and boost racial equity: (1) the city can provide support to minority-owned businesses when finding a suitable vendor by giving certain benefits to vendors who specifically partner with them, (2) the city may choose to issue a warning for any initial violations regarding products sold at dispensaries instead of issuing fines right away, (3) minority-owned businesses can partner with incubators who offer to pay for their rent or other costs in exchange for priority in their own applications, and (4) the city can establish a fund paid for, in part, by the tax on cannabis, which can be used to allocate grants for minority-owned businesses.
CANNABIS ENFORCEMENT STATISTICS:

"Black New Jerseyans are more likely to be arrested for marijuana possession than white New Jerseyans" by ~3x "despite similar usage rates [20]."

The cost of marijuana possession enforcement per year for New Jersey is about $143 million [20].

A "marijuana possession arrest in New Jersey" is made about "every 22 minutes [20]."

ALLEVIATING RACIAL DISPARITY:

According to a racial impact statement written by the New Jersey legislature regarding Public Question No. 1 from November 2020, an amendment supporting the legalization, decriminalization, and descheduling of cannabis would reduce arrest and incarceration rates for Black/African American residents [21].

The legalization of cannabis addresses the issue of racial disparity in enforcement and the high use of community resources that previously went into enforcement (including money and time spent by the police).

In states that have legalized or decriminalized marijuana, arrests have decreased overall but still vary by state [22]. Racial disparity has also decreased overall in legalized or decriminalized states in comparison with states that have not done so [22]. Still, "Black people are [...] significantly more likely to be arrested for marijuana than white people" despite legalization or decriminalization [22]. In some states, even after legalization or decriminalization, this disparity has worsened [22].

Thus, we must keep in mind that while legalization addresses the issue of racial disparity, there is still work to be done at a local level to ensure that enforcement is conducted with racial equity in mind.
"In 2013, [Princeton's] [ ... ] arrests for marijuana possession per 100,000 residents" was **243.65** [23].

(percentage)

"In 2013, Black [residents] were arrested at a rate [ ... ] higher than White [residents] in Princeton" by **3.61x** [24].

Princeton was the second-highest municipality in Mercer County for racial disparity in arrest rates from 2000-2013, with Black residents more likely to be arrested for marijuana possession than white residents by **4.83x** [25].
APPARENT MARKET SIZE AND TAXES:

Princeton, NJ population age 20+ (2019):

**22,320** [26]

In the U.S., about 1 in 7 adults use marijuana, which means there are:

~**3,188 users in Princeton** [27]
(This is a higher estimate as it also includes residents of age 20. However, the estimate does not include potential commuters.)

About 1 in 5 U.S. adults use some form of tobacco, which means there are:

~**4,464 users in Princeton** [28]
(Includes residents of age 20.)

About 2 in 3 U.S. adults drink alcohol, which means there are:

~**14,880 users in Princeton** [29]
(Includes residents of age 20 and combines percentage of adults that lightly, moderately, and heavily drink per week.)


**$137,672** [30]

New Jersey’s tax/fee plan for cannabis includes [31]:
1. A state-level general sales tax (6.625%)
2. An excise fee, which is added to the price per ounce “depending on retail prices in the preceding year”
3. An optional local transfer tax decided upon by municipalities, which can be up to 2% for cultivators, up to 2% for manufacturers, up to 1% for wholesalers, and up to 2% for retailers

REDIRECTING MONEY TO THE COMMUNITY:

At the *state-level*, “100 percent of revenue from the excise fee, and 70 percent of revenue from the sales tax,” will go to the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Fund [31]. This money may be “spent on social equity programs like grants, loans, reimbursements of expenses, and other financial assistance, in municipalities defined as impact zones [31].” The rest of the state-level tax revenue will go to operating the program [31].

At a *local-level*, there is an opportunity to redirect the tax revenue collected toward community initiatives. Specifically, toward efforts that support Black communities, which have been disproportionately harmed by the War on Drugs and discriminatory practices within cannabis enforcement. Furthermore, this money can be used to support campaigns against cannabis abuse, anti-vaping programs, and resources for drug abuse.

For example, the city of Evanston, IL will use the first 10 million dollars in tax revenue from cannabis sales for reparations to African American/Black residents [32]. Great Barrington, MA has designated $350,000 from cannabis tax revenue as grant money toward “organizations, people, municipal committees or departments that are working to undo any negative effects of cannabis use, with an emphasis on educating young people and adolescents [33].” In Burlington, VA, some of their cannabis tax revenue will go toward supporting communities of color [34]. Although New York has yet to legalize cannabis, the *city of Rochester’s* mayor has indicated interest in also using potential tax revenue from cannabis toward reparative efforts [35].
EXAMPLES OF INCREASING RACIAL EQUITY THROUGH CANNABIS LEGALIZATION:

Looking at other U.S. cities and Black New Jersey leaders

Oakland, CA:
Their Equity Permit Program will “allow recently incarcerated ... individuals the opportunity to receive medical cannabis industry permits [36].” Although this program does not apply to recreational cannabis, the structure of their program can be adapted for Princeton’s needs.

Qualifications include: (1) being a resident, (2) having an “annual income at or less than 80 percent of [the] Oakland Average Medium Income,” (3) living or have lived in one of the designated police beats, and (4) having been *arrested after November 5, 1996 and convicted of a cannabis crime committed in Oakland [37].*

Half of their permits will be designated for this program with access to “entrepreneurial mentors, technical assistance (for business plan prep and municipal regulations compliance), and help with other procurement needs [38].” In addition, there are, “relaxed criminal background checks, zero-interest small business loans, and conditional approval for equity applicants” even without full financing or real estate [38].

Equity incubators are also encouraged to apply. These are “general (non-equity) marijuana businesses” who “can spruce up their own permit applications by offering rent-free real estate for helping cultivate up-and-coming black business owners [38].”

Burlington, VA:
The Burlington city council created a ballot regarding whether or not to “permit the sale of recreational marijuana in the city [39].”

Firstly, there was a trade-off between allowing an earlier start date for dispensaries and having that tax revenue come in earlier to support reparative efforts versus having a later start date to help smaller businesses who will likely need more time to open up their stores [39]. Voters will decide whether this head start will be granted or not.

In addition, the ballot supports using, “tax revenue from cannabis sales [ ... ] for communities of color” and “creating a local cannabis control board, which will consider issues of racial equity [39].”
(CONT.) EXAMPLES OF INCREASING RACIAL EQUITY THROUGH CANNABIS LEGALIZATION:

Looking at other U.S. cities and Black New Jersey leaders

San Francisco, CA:
Like Oakland, their cannabis equity program helps to support individuals who have been harmed by the War on Drugs to enter the cannabis industry [40].

An applicant qualifies if they meet at least 3 out of 6 conditions, involving household income levels, cannabis-related offenses, housing history, and education [41].

Individuals will have access to "prioritized permits, waived fees, legal advice and technical assistance to start their own cannabis businesses [42]."

Again, like Oakland, San Francisco allows incubators to apply "as long as they provide rent-free space or technical assistance to run the business [42]." Incubators must have "half of their employees meet equity applicant criteria and hire local staff for at least 30 percent of business hours [42]."

There is concern about predatory behavior regarding incubators that may try to take over the businesses they pledge to help [42].

Black leaders in New Jersey (including Richard T. Smith, Reva Foster, Ryan P. Haygood, Brandon McKoy, Elise Boddie, Carolyn Chang, Rev. Eric Dobson, and Rev. Dr. Charles F. Boyer) published recommendations on how to use cannabis legalization as an opportunity for racial equity. Some of their suggestions include to [43]:

1. Re-direct cannabis taxes toward reparative efforts, involving the voices of communities harmed by the War on Drugs
2. Encourage individuals previously convicted of cannabis-related charges to join the cannabis market by lowering barriers to entry such as business taxes
3. Offer financial resources to previously convicted individuals to start their business either in the cannabis industry or another industry of interest
4. Form a cannabis equity program (like Oakland, CA and San Francisco, CA)
5. Have businesses qualify for equity programs when "at least 51% of the entity [is] owned by applicants with equity status."
6. Reserve licenses for equity applicants
7. Update racial impact and economic impact analyses to observe the effect of these efforts
The city can create a cannabis equity program (similar to Oakland, CA and San Francisco, CA) and have a percentage of the city licenses set aside for applicants. If the city does not choose to create a separate program, elements of this program can still be implemented.

The city should avoid requiring a Minority and/or Women Business Enterprise (M/WBE) state certification as this can be a long and costly process, especially for small businesses [44].

Instead, the city can create a set of qualifications like Oakland and San Francisco, which will seek to benefit those who have been harmed by the War on Drugs. These qualifications must also ensure that minorities hold meaningful positions at these businesses in order to avoid tokenism. This may include requiring that a qualifying individual is the majority-owner of the business. As a result, the program cannot discriminate against those with criminal records, which may also help bring over individuals who are working in the black market.

Benefits from this program can include: waived license application fees, priority in the licensing process, access to mentors for help with business logistics, and zero-interest small business loans.

As previously mentioned, the city can create a fund supported by a percentage of the cannabis tax, which will be available for small businesses in this program (or otherwise) who need access to capital. The city can provide grants from this fund to help pay for costs such as accounting or legal fees.

The program can also encourage incubators to apply in order to help alleviate the cost of rent for small businesses. They may also have access to certain benefits such as priority in the licensing process. To avoid predatory behavior, the city can set a requirement for incubators to have a certain percentage of their workforce be individuals who have been harmed by the War on Drugs or who are residents of the city.
Who is the intended beneficiary of this policy?
The beneficiary of this program would be adults 21 and older who may need marijuana for medical purposes or who may use marijuana for recreational purposes. Other parties may also benefit, including: (1) minority-owned/women-owned dispensaries through some form of a cannabis equity program where they will have access to crucial funding and resources and (2) the city itself, which will have access to an additional source of revenue.

What unintended consequences could result, including possibly worsening disparities?
Firstly, there can only be preferential treatment if there are more applications than available licenses. Arguably, licenses may not be given to minority-owned businesses as a result. It is important to note that other cities have generally seen more applicants than licenses, so it is reasonable to assume that preferential treatment can be used as a way of implementing racial equity. In addition, with a designated equity program, the city can reserve licenses specifically for those businesses. Secondly, although the task force is working to ensure equitable enforcement, there is a possibility that discriminatory practices could continue. This might include disproportionately targeting people of color or not following proper protocol.

Who may be burdened by it? Does this policy create economic or other hardships for community members?
The community of Princeton may be burdened by the introduction of dispensaries. The main concerns would be the location of these businesses (avoiding major areas with minors such as schools), an increase in traffic (foot and vehicle), and environmental effects from cannabis (second-hand smoke and littering). The city will want to ensure that these dispensaries do not unfairly build up traffic or pollute communities of color. Economic hardship could arise from additional taxes that are added at a municipal level, which may limit affordability for individuals on the consumer end. On the business end, there are many financial and logistical obstacles that are difficult for small businesses to overcome, hence a need for a directed program or fund where these businesses can gain access to capital and other resources.

To address possible adverse impacts, what are some potential solutions?
Firstly, in regard to location and traffic, the task force can use public input to decide which locations would be best while also keeping accessibility in mind. Secondly, the city can enforce the same guidelines for cannabis as they do for tobacco regarding areas where people can smoke and places to dispose of smoking items. Thirdly, the task force can look to other cities of similar population and socioeconomic status as Princeton to find a range of local tax rates. Finally, the task force can work with local police to ensure that officers are aware of the new laws and regulations for cannabis. In addition, they can suggest racial bias training to avoid discriminatory practices. The city can also consider involving social workers and/or other behavioral specialists to work alongside police during drug-related stops in order to approach policing through a public health perspective.
How will we consult stakeholders during the development phase of this policy?
Princeton can continue to conduct town halls/listening hours through the Cannabis Task Force where members of the community can voice their concerns and/or share their ideas. Furthermore, they can consult: any neighborhood associations in the areas where dispensaries may be built; local social groups that may be helpful in educating the public about cannabis; any community groups involved with veterans, people with disabilities, or others who may need cannabis for medical purposes but may have trouble with accessibility; and harm reduction entities such as Drug Policy Alliance, American Civil Liberties Union, Salvation and Social Justice, and New Jersey Policy Perspective.

What measurements are in place to ensure progress is being made toward equity goals for this policy and how frequently will progress be reported?
There are three possible areas to measure progress toward equity: (1) through police data, including how many people have been stopped for a cannabis-related reason, a breakdown of the demographics for people who have been stopped, whether this was their first offense or a repeat offense, and what their punishment was, (2) through complaints that may get directed to the Cannabis Task Force regarding this policy, and (3) through dispensary data, including the number of cannabis sales, usage rates, and collected tax revenue. Toward the beginning of implementation, data can be collected more often (ex. monthly) and, once the policy is better established, can be collected on an annual basis.

What needs to be communicated to the community once this process is complete?
The community should be aware of (1) how to apply for a license, (2) how the deliberation/acceptance process will work for granting licenses, (3) where and when these businesses will be opening, (4) educational resources targeted at different age groups regarding cannabis, and (5) how to communicate questions, concerns, and complaints to the Cannabis Task Force.

Note:
This statement is not exhaustive and is subject to change as new information is collected.