

CANNRA

CANNABIS REGULATORS ASSOCIATION

May 18, 2022

The Honorable Chuck Schumer
Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin McCarthy
House Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Re: Urging Policy Action to Address Current Cannabis Banking Situation in States

The Cannabis Regulators Association (CANNRA) is a nonpartisan, non-profit organization that convenes governmental officials involved in cannabis regulation across more than 40 states and U.S. territories. Virtually all our member states and territories have been negatively impacted by the lack of available financial and banking services for cannabis businesses and those working with the cannabis industry.

In particular, the lack of available banking and financial services has impacted:

- **Public safety and security.**

Licensees across a number of states have experienced break-ins and robberies resulting in millions of dollars of damage, stolen property, and even death. These break-ins have increased in the past two years. For example, in California, more than 25 break-ins were reported at cannabis retailers in the San Francisco area in November and December of 2021 alone, and Los Angeles reported more crimes at cannabis retailers between December of 2021 and March of 2022 than in any other four-month period since adult-use cannabis sales began. In Washington State, more than 50 armed robberies occurred in state-licensed cannabis stores in the first two months of 2022, surpassing all robberies documented in cannabis retail stores in all of 2020 or 2021. Many of these robberies were violent and a number of them have resulted in death. In addition, several states have seen increased social engineering attacks targeting these cash intensive businesses. A lack of access to safe banking not only fuels these crimes (by increasing the perception that cannabis businesses carry large amounts of cash on-site), but significantly threatens the public safety of neighborhoods and

communities nationwide. In addition to decreasing these threats, access to traditional banking services would provide our regulatory agencies with greater insight into licensed operators and could help in efforts to prevent diversion and criminal enterprises.

- **Government regulatory agency access to banking and depository services.**

While the lack of access to banking services for businesses involved in the cannabis industry and the resulting detrimental effects have been well documented and covered by the media, there has been less discussion about how widespread these issues are, extending well beyond the cannabis industry and impacting government agencies regulating cannabis. For example, in the State of Maryland, the state vendor for electronic banking services that was selected via competitive procurement in 2021 refused to provide any banking services for payments associated with the medical cannabis program, including patient/caregiver registration fees and business licensing fees. The Maryland Medical Cannabis Commission was given less than 30 days to identify a workaround before banking services were eliminated. They were able to secure another vendor, but only for patient/caregiver registration fees; medical cannabis businesses in the state must now pay licensing fees to the state (which can range up to \$125,000 per business) in cashier's checks or money orders, presenting significant risks to the businesses and the Commission. Similarly, other state regulatory agencies have had to create workarounds to collect licensing fees from the businesses they regulate. Even CANNRA – an organization comprised entirely of government officials – has faced challenges to acquiring financial services because we have “cannabis” in our name.

- **Small and minority cannabis business access to financial resources.**

While larger operators have typically had the resources to identify and create alternatives for banking and financial transactions, small businesses have struggled and are often the entities left without access to capital and with cash-only operations, creating increased public safety risks. This impacts the viability and success of small and minority cannabis businesses in this space. For example, Michigan surveyed state-qualified social equity entrepreneurs who had expressed interest in, but not yet applied for licensure to determine the barriers to entry into the industry. Access to capital was cited as a primary impediment for over half of the prospective social equity applicants in the state. Other states reported seeing small businesses amass significant personal debt to finance their businesses because of challenges obtaining bank loans. For minority cannabis businesses, these issues can be compounded by historic and present discriminatory practices in banking and lending in general. As states continue to seek policy solutions to support small business, minority business, and women-owned business in the cannabis space, the lack of banking and financial resources and access to loans and capital remains a massive impediment and is further exacerbating disparities in the cannabis marketplace.

The lack of safe banking and financial services for the cannabis industry and for those indirectly involved in cannabis marketplaces has become a dire public safety issue. In addition, it further exacerbates the uneven playing field that exists for small and minority cannabis businesses. Cannabis regulators across states continue to strive for regulations that protect public health and consumer safety, promote equity, and promote regulatory certainty for industry operators. Access to safe banking is an integral part of our ability to accomplish these goals.

We urge congress to take these state realities to heart and to prioritize policy approaches that promote safe banking.

Sincerely,



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Andrew Brisbo, President, CANNRA
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Michigan Cannabis Regulatory Agency



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Tyler Klimas, Treasurer, CANNRA
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Steve Marks, Board Member, CANNRA
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Chris Tholkes, Board Member, CANNRA
Director
Minnesota Medical Cannabis Program



Andrew Turnage Board Member, CANNRA
Executive Director
Georgia Access to Medical Cannabis Commission

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