

Approval Page

Navigating the Hazy Path: Analyzing the Impact of Regulatory Restrictions on Cannabis Business Owners in the United States

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PREVIEW

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Abstract

This qualitative phenomenological study explores the lived experiences of small business owners operating within the legal cannabis industry in the United States. The research focuses on how conflicting state and federal regulations affect their ability to operate legally, access financial systems, and integrate within their communities. The central problem guiding the study is that cannabis business owners face significant legal and operational challenges due to the disconnect between federal prohibition and state-level legalization, resulting in barriers to entry, compliance burdens, and financial exclusion that disproportionately affect small and independent operators. The purpose of this study was to explore how cannabis entrepreneurs perceive the regulatory conflict between state and federal law, and how these tensions shape their business operations, financial strategies, and community engagement. The study was guided by Structural Functionalism as the theoretical framework, which examines how societal institutions maintain or disrupt social equilibrium—in this case, how institutional misalignment contributes to system dysfunction for cannabis businesses. A phenomenological design was used to collect data through semi-structured interviews with eight cannabis business owners in Oregon and Florida. Participants were selected based on state business records and interviewed via video conference. Data were analyzed thematically to identify patterns across participants' narratives. Research questions focused on regulatory impacts, community acceptance, and perceived challenges to compliance and legitimacy. Findings revealed that all participants faced difficulty navigating rapidly changing regulations, securing financial services, and adapting to inconsistent licensing processes. Despite these challenges, most reported strong local community support and positive social acceptance. Participants also emphasized the emotional and financial toll of operating in a legal gray area without access to federal protection. The study concludes that cannabis business

owners are disproportionately burdened by structural inconsistencies in U.S. drug policy. Implications include the need for clearer regulatory communication, professional training for cannabis-specific accounting, and equitable entry support. Recommendations for future research include expanding the demographic and geographic scope of the study, incorporating perspectives from regulators and financial institutions, and conducting longitudinal analyses of compliance trends. This study contributes a grounded, experience-based perspective to ongoing discussions about cannabis policy reform and regulatory equity.

PREVIEW

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PREVIEW

Chapter 1: Introduction

In recent years, the United States has undergone a transformative shift around the ideas and legislation about the controversial and mostly illegal cannabis industry. Once relegated to the shadows of society, marijuana has emerged from the shadows to become a critical and dynamic player in the nation's socio-economic fabric. This transformation is a testament to changing attitudes, and a growing understanding of the plant's potential. The challenging, complex environment that characterizes the marijuana industry continues to evolve as we see publications by those who study long-term effects and benefits. The most important evidence is the further legalization across the United States in places that previously denounced cannabis.

The legalization of marijuana in various states across the United States has given rise to a rapidly growing industry with substantial economic potential. However, the intricate web of regulatory restrictions imposed on marijuana business owners presents significant challenges. This dissertation seeks to investigate and analyze the multifaceted nature of these restrictions and their impact on the operations, sustainability, and growth prospects of marijuana businesses. Understanding the complexities of these restrictions is essential for addressing the practical, economic, and legal issues facing this industry.

As the debate over legalization has shifted from a peripheral concern to a crucial point of discussion, it has become imperative to critically examine the marijuana industry, identifying the challenges it faces and the positive attributes it brings to the forefront of American society. While the pursuit of profit and the alleviation of economic hardship have driven the industry's rapid growth, it is equally essential to acknowledge the potential consequences of this transformation. The multifaceted nature of the marijuana industry requires a comprehensive evaluation that delves into the complexities and nuances of this evolving sector.

Concurrently, the positive attributes of the marijuana industry are increasingly evident. These attributes include the potential for economic stimulation, job creation, tax revenue generation, and the reduction of criminalization in drug policy. Furthermore, the burgeoning sector provides fertile ground for establishing policies that advance social equity, address racial disparities, and reinvest in marginalized communities. Within this juxtaposition of challenges and potential, the dissertation endeavors to comprehensively understand the marijuana industry's role in shaping contemporary American society.

Statement of the Problem

The problem to be addressed in this study is how the conflicts between federal laws and state laws legalizing marijuana directly impact the ability of marijuana business owners to operate legally and sustainably in available states, causing significant barriers to entry into this specific industry and related supply chains to deliver a safe product and to adhere to accounting principles required by the United States government. To what extent do the regulatory restrictions imposed on marijuana business owners in the United States impact their ability to operate efficiently, achieve economic viability, and promote equitable participation in the industry? The marijuana industry in the United States operates within a complex legal and regulatory framework that poses significant challenges to business owners, as well as prescribing doctors who have been blocked from using marijuana as a medication as legislation at the state level federal restrictions to obstruct the plant for medicinal use (Garcia et al., 2022).

These restrictions encompass various aspects of business operations, including licensing, taxation, security, product quality, and compliance with state and federal laws (Wang et al., 2022). While some restrictions are intended to ensure public safety and product quality, others may inadvertently hinder business growth, financial stability, and equitable participation in the

industry. The prevention from the federal and state governments to procure licensing and financial backing hurts the business owner and trickles down to the patients, customers, and the local economy (Morton, 2022). The business owners can complete the required licensing and regulatory inspections to open business; however, once revenue is acquired, financial institutions that are federally funded have repeatedly prevented and opposed revenues from being held within the banks, often refusing to finance based on the business models (Hendricks, 2020). By limiting safe cash management, potential consequences resulting in illegal means can surface as businesses attempt to keep their revenues safe while still maintaining a stream of income (National Association of Cannabis). The shift in public perception of marijuana has been evident over the last decade of policy changes on the state level; federal law is still in place, forcing employers and employees within this industry to walk on eggshells while navigating the changing landscape.

This dissertation's significance is to show evidence of the challenges faced by marijuana business owners in the United States due to mismatched federal decriminalization compared to state-level legalization. By analyzing these restrictions and their impacts, this research aims to provide valuable insights for policymakers, entrepreneurs, investors, and stakeholders within and beyond the cannabis industry. Ultimately, the findings may generate strategies for more effective and equitable regulation of this emerging and dynamic sector.

The problem can be compared to the alcohol prohibition in the early 1900s that led to secret industries that over time, shifted public opinion regarding both alcohol and cannabis. The negative consequences of alcohol prohibition, including increased crime and the difficulty of enforcement, led to a reevaluation of policies (Mccoy, 2020). Similarly, changing attitudes

towards cannabis, recognition of its medicinal properties, and the perceived failure of strict prohibition have influenced the push for legalization.

Purpose of the Study

The purpose of this qualitative research study is to explore how small business owners in the cannabis industry perceive the conflict between state and federal regulation and their business's impact on their local community. Those in or entering the cannabis industry, where it is legal on a state level, have experienced discrimination by financial institutions and landlords "...who perceive that renting to cannabis businesses puts their own land deeds, mortgages and bank notes at risk", causing cannabis businesses to either pay higher premiums or look for alternative commercial spaces (Sacirbey, 2023). Qualitative research often focuses on exploring complex, lived experiences, perceptions, or phenomena from the participants' perspective. These phenomena include feelings, beliefs, attitudes, behaviors, or social interactions. For this study, the constructs will focus on experiences, feelings, and social interactions from the business owners' perspective giving firsthand accounts of the cannabis industry. I will be interviewing business in Florida and Oregon for their firsthand experiences in the cannabis field, as these states have different laws, but they still fall under federal jurisdiction.

Introduction to Theoretical Framework

A well-developed theoretical framework is essential for this study on marijuana laws in the United States. It enhances the rigor and clarity of the research, guides the research design and data analysis, and helps researchers make meaningful contributions to understanding this complex and evolving field. Marijuana laws and their impact on society, the economy, and public health are complex and multifaceted (Garcia et al., 2022). A theoretical framework provides a structured and organized way to conceptualize these complexities. It helps clarify the

key concepts, variables, and relationships central to the study, ensuring that the research is well-grounded and logically structured.

The disparities observed in the marijuana industry in the United States—such as unequal access, differential treatment, and varying opportunities among different demographic groups—can be examined through various theoretical frameworks that address social, economic, and structural inequalities. Several theories can be explored within a theoretical framework, and structural functionalism will be best suited.

Structural Functionalism is a theoretical perspective that examines how different elements of a society contribute to its stability and function (McMahon, 2021). Disparities in the marijuana industry could be viewed in terms of how societal structures and institutions (e.g., legal, economic, social) contribute to unequal opportunities and access for different groups. For example, analyzing the industry through this lens might explore how legal and regulatory structures perpetuate disparities in access to licenses or funding. This can be said for the marijuana industry as far as the legal and economic impacts of the regulatory issues faced.

Several theoretical frameworks offer a distinct perspective on understanding disparities in the marijuana industry more so than a simple conceptual framework can. Researchers can apply these frameworks to analyze the complexities of inequality and access within the industry, highlighting the systemic, institutional, and social factors contributing to disparities among different groups.

Introduction to Research Methodology and Design (Nature of the Study)

When conducting a qualitative study about marijuana laws in the United States, choosing methodology and research methods is crucial for gathering rich and nuanced insights. Qualitative research methods are well-suited for exploring the complexities, perspectives, and experiences

associated with this topic (Mulvihill et al., 2022). Conducting semi-structured interviews with experienced and newly entering business owners will allow participants to share their perspectives and experiences. Analyzing legal documents, police reports, news articles, and other written materials related to marijuana laws and their implementation will provide historical context and policy insights.

The phenomenological approach focuses on exploring the individuals' lived experiences and perceptions within a particular phenomenon. Interviews conducted using a phenomenological approach delve into the subjective experiences, emotions, and meanings associated with being a business owner in the marijuana industry. Researchers aim to understand the essence of these experiences without imposing preconceived theories or frameworks. This method allows for deeply exploring personal perspectives and motivations (Kernsten, 2012).

Research Questions

RQ1 How have business owners and suppliers been impacted by differences in state and federal regulations of the recreational use of marijuana?

RQ2 How have business owners perceived community acceptance or rejection of their business?

RQ3 How do individuals entering the legal cannabis industry perceive the challenges related to regulatory compliance and social acceptance?

Significance of the Study

Marijuana has been used as a medical conduit dating back centuries, but the fight to criminalize the substance in the United States began in the early twentieth century (Hammer, 2021). The government entity waged the original war, the Federal Bureau of Narcotics (FBN), a century ago as scientists and doctors fought to employ cannabis in studies and medically

necessary situations for patients, but the fight was long lost until more recent times in the 2000s (Hammer, 2021). As the temperature in the country changed with the administrations, so did the leniency towards state laws that were still non-compliant with federal regulations.

The timeline above provides a broad overview of the progression of marijuana legalization in the United States. It is important to note that marijuana laws vary from state to state, and federal prohibition remains in place, though enforcement priorities have shifted in recent years. There have been further developments in marijuana legalization at the state and national levels. Legalization efforts continue to evolve, and public opinion on the matter has shifted, contributing to ongoing changes in marijuana policy. Some states, Colorado, Washington, Oregon, and Alaska were among the first early adopters to legalize recreational marijuana with a similar age restriction as alcohol or nicotine (Hammer, 2021). It is essential to understand the political battles that have taken place between the administrations, federal and state governments, and law enforcement agencies as we all attempt to clarify the murky waters of the legality of each situation.

Definitions of Key Terms

For the best understanding of marijuana and the industry, many concepts related to this industry are unique in this field.

- **Cannabis:** The plant species that includes both marijuana (cannabis with psychoactive properties) and hemp (cannabis with low THC content). It is the foundation of the industry.
- **Marijuana:** Cannabis strains with a high THC content, which is responsible for its psychoactive effects.

- Hemp: Cannabis strains with low THC content, primarily grown for industrial purposes such as fiber, seed, and CBD extraction.
- THC (Tetrahydrocannabinol): The psychoactive compound in marijuana responsible for the "high" or intoxicating effects.
- CBD (Cannabidiol): A non-psychoactive compound in cannabis known for its potential medicinal and therapeutic properties.
- Strain: A specific variety or type of cannabis plant with distinct characteristics, such as aroma, flavor, and effects.
- Cultivation: The process of growing and harvesting cannabis plants. This term is common with agriculture. It can be used in Indoor, Outdoor, and Greenhouse Cultivation which are different methods of growing cannabis, each with its advantages and challenges.
- Cannabis Products: A wide range of products derived from cannabis, including flower, concentrates, edibles, topicals, and more.
- Dispensary: Retail establishments where cannabis products are sold legally.
- Distribution: The supply chain processes for transporting cannabis from cultivation facilities to dispensaries or consumers.
- Legalization: The process by which governments permit the use, possession, or sale of marijuana, either for medicinal or recreational purposes.
- Recreational Use: The non-medical use of marijuana by adults for enjoyment or relaxation in places where it is legal, and consumers are the legal age for consumption.
- Medicinal Use: The use of marijuana to treat or manage medical conditions or symptoms, often prescribed by healthcare professionals.

- Regulation: Laws and rules governing the cultivation, sale, and use of marijuana products.
- Taxation: The levying of taxes on the production and sale of marijuana products, a significant source of revenue for many districts.
- Social Equity: Programs aimed at addressing the historical social and racial disparities associated with marijuana prohibition and promoting minority participation in the industry.
- Legalization Models: Different approaches to regulating marijuana, including state-based and national models, and varying degrees of market liberalization.
- Licensing: The process by which individuals and businesses obtain legal permits to engage in marijuana-related activities, such as opening dispensaries or growing products.
- Seed-to-Sale Tracking: Systems that monitor the entire lifecycle of a cannabis plant, from cultivation to sale, for regulatory and compliance purposes.
- Cannabis Tourism: The tourism industry that has emerged in regions where marijuana is legal, with tours of cultivation facilities, consumption lounges, and more.
- Extraction: The process of removing specific compounds (e.g., THC, CBD) from cannabis plant material to create concentrates and oils.
- Testing and Quality Control: Laboratory testing of cannabis products to ensure safety, quality, and compliance with regulations.
- Compliance and Legal Obligations: The legal responsibilities and regulations that businesses in the industry must follow.
- Cannabis Culture: The shared norms, values, and practices associated with the use of marijuana.