



March 17, 2021

The Honorable Ed Perlmutter
1226 Longworth House Office Building
Washington, DC 20515

The Honorable Steve Stivers
2234 Rayburn House Office Building
Washington, DC 20515

The Honorable Nydia Velázquez
2302 Rayburn House Office Building
Washington, DC 20515

The Honorable Warren Davidson
2113 Rayburn House Office Building
Washington, 20515

Dear Representatives, Perlmutter, Stivers, Velázquez, and Davidson:

It is with great enthusiasm that we support the reintroduction of the Secure and Fair Enforcement Banking Act of 2021 (“SAFE Banking”). The California Cannabis Industry Association (“CCIA”) is the largest and most influential trade association in the state of California representing the diverse interests of the cannabis industry: retail, cultivation, manufacturing, delivery, distribution, testing, insurance, packaging, and various ancillary services. Our unified voice includes 500 businesses and represents nearly 15,000 employees across the state. SAFE Banking is not only critical to the economic success in our industry, but it is also imperative in improving public safety and making the cannabis industry more equitable.

I. **SAFE Banking Creates Opportunity for BIPOC Individuals**

While cannabis is one of the fastest growing sectors in the United States, BIPOC individuals (Black, Indigenous, People of Color) have struggled to participate due to systematic economic racism and lack of access to capital. While some cities such as Oakland, San Francisco and Los Angeles have developed social equity programs with varying degrees of success, without access to capital, licenses obtained under these frameworks continue to be associated with high costs. Unfortunately, even in states like California that have equity programs written into their cannabis statutes, BIPOC owners fall prey to predatory business arrangements where a larger cannabis company will be effectively running the businesses through a management services agreement while the minority owner becomes a figurehead.

SAFE Banking would allow more banks, including community banks, to participate with the cannabis industry providing more opportunities for potential business owners. Additionally, SAFE Banking would make traditional financial instruments – like lines of credit – available to small operators. That capital is often the difference between success or failure for a small business. Currently, most cannabis businesses are funded through private generational wealth or investment, areas in which BIPOC individuals lag when compared to their white peers. Every year women of



color get less than 1% of total venture capital funding.¹ Further, data from 2019 indicates that only 200 Latino and Black individuals nationwide, in all industries, were able to raise over \$1 million in venture capital, making cannabis ownership all but unobtainable when start-up, operations costs, and licensing fees are considered.

While SAFE Banking would not resolve the issues of systematic economic racism, the opportunity for BIPOC individuals to establish relationships with traditional lenders is a critical step in mitigating the damage done by the War on Drugs.

II. SAFE Banking Improves Public Safety

During the summer of 2020, over three dozen cannabis businesses in California were the target of robberies and break-ins, adding to a long string of targeted criminal activity in the state.² Cannabis businesses known to have cash on hand become easy targets for petty and organized criminals. In most cases from last summer, professional burglars were caught on security footage stealing cash registers, safes, and ATMs. The looting and robberies were so problematic that California's Bureau of Cannabis Control, the state's top regulator for cannabis activity, removed all cannabis business addresses from their website.

Without question, an act of vandalism is distressing to any business, but cannabis businesses are faced with unique challenges due to lack of access to traditional financial services. Due to closures of local offices of the California Department of Tax and Fee Administration (CDTFA) because of COVID-19, many cannabis businesses who regularly visited these offices to pay their excise taxes in cash, were sitting on excise tax payments, waiting until the local branches to reopen. These excise tax payments were looted along with other cash and inventory.

The reduction of cash on site at cannabis businesses will help reduce the chances of robberies but could also improve public health. Like many other states, over the course of the last year California designated cannabis businesses as essential and our operations saw many come into our businesses to buy medicinal and adult use cannabis. However, all cash transactions require significantly more face-to-face interaction than other types of payment systems and ran contrary to a Centers for Disease Control recommendation to limit cash sales.

III. SAFE Banking is a Job Creator

California has the largest cannabis economy not only in the United States, but also in the world. The state legal industry employed a massive 57,970 individuals in 2020 and generated over \$3.4 billion dollars in sales. Of the nearly 60,000 individuals employed by the cannabis industry, over 23,000 of those jobs were added during the COVID-19 pandemic.

¹ <https://www.entrepreneur.com/article/324743>

² <https://www.forbes.com/sites/chrisroberts/2020/07/02/legal-cannabis-businesses-are-preparing-to-get-robbed-again-will-police-protect-marijuana-legalization/?sh=588b5ec10095>



SAFE Banking could increase economic growth by ensuring that cannabis business could conduct regular payroll and deposit money into banks that could turn those deposits into outward facing loans. Access to traditional financial services would allow these businesses to hire more workers and open more facilities.

IV. Conclusion

For the safety of our employees and our communities we urge quick action on this critical piece of legislation. Removing federal law barriers to banking services for state-legal cannabis businesses, would catalyze economic growth in our state and around the country. Banking reform is essential to the diversity and growth of the cannabis industry. CCIA is proud to support this bipartisan bill and looks forward to supporting the efforts to passage.

Sincerely,

Lindsay Robinson

Executive Director

California Cannabis Industry Association