

Oregon Cannabis Equity Act Legislative Report Summary

How will the Oregon Cannabis Equity Act Repair the Harms of Prohibition?

1. Community Investment: Passage of the Oregon Cannabis Equity Act would focus cannabis tax dollars to investing resources into programs that rebuild wealth for Black and brown communities, including education, land and home ownership, small business development, and job training and placement.
2. Free, Automatic Expungement: Less than 200 cannabis-related expungements have been processed since HB 420 passed, although there are over 28,000 records with eligible cannabis crimes. Passage of the Oregon Cannabis Equity Act would provide free, automatic expungement for everyone with an eligible cannabis conviction, even people who owe fines and fees.
3. Equity Licenses: Increased diversity in the cannabis industry would be achieved by creating special equity licenses with reduced fees, faster processing, and capital and technical support.
4. Governing Body: This Act would establish a Cannabis Equity Board (CEB) to ensure that a newly created Cannabis Equity Fund invests in Black, Indigenous, and Latinx communities and tracks a measurable return on investment of funds.

Discriminatory Intent behind Cannabis Prohibition

- The term “Marijuana” came into vogue to underscore the drug's “Mexican-ness,” further inciting anti-immigrant sentiments. Similarly, Black marijuana smokers in the South, particularly the jazz musicians of New Orleans, ignited racialized fears of violent crime. Marijuana was scapegoated as prompting murder, rape, and mayhem among Black communities.
- This misinformation, and the xenophobia and racism that went along with it, eventually found its way into Oregon newspapers and media. One such story was titled “Crazed Mexican Kills One and Wounds Two.” This article alleged, “Crazed by ‘marihuana,’ the Mexican substitute for opium, Rafael Marquez late this afternoon ran amuck in Juarez, Mexico, killed one man, wounded two others seriously and then barricaded himself in an adobe house, from the shelter of which he fought a 20 minute battle with Mexican police and soldiers who literally shot him to pieces before he ceases to desist.”




The Cannabis Market and the Lack of Minority Ownership.

- In Oregon, 2019 cannabis sales reached \$725.8 million not including medical sales. Online weed guide Leafly’s fourth annual national report estimated 18,274 jobs in the legal marijuana industry in Oregon as of January 2020.
- The vast majority of marijuana businesses are self-funded with 84% of businesses utilizing the founder's savings to launch the business, while only 1% of businesses were able to secure a bank or state agency loan.
- Very few minority-owned businesses can afford the average start-up costs to open a plant touching cannabis business, which the Oregon Cannabis Association (OCA) estimates to require up to \$400,000 in startup capital.
- The legal marijuana industry was valued at \$10.4 billion dollars in 2018 and is expected to grow to \$30 billion by 2025. A current snapshot of the cannabis industry shows that less than 3% of plant touching cannabis businesses are Black owned, and less than 6% are Hispanic/Latino owned.

Disparate Arrest and Incarceration Rates.

- Despite the fact people of all races use cannabis at about the same rate, two studies conducted by the ACLU found that Black Oregonians were about twice as likely to be arrested for cannabis compared to white Oregonians. The 2013 ACLU study found that the disparity between the Black and white cannabis arrest rate in Multnomah county was 3.3, Washington county was 2.8, Lane county was 3.5, and Marion county was 2.8.
- CJC statistics show that the cannabis arrest rate for Latinx individuals in Oregon has been as high as 23% of all arrests for cannabis possession.
- For all drug related crimes, the Oregon Criminal Justice Commission (CJC) found that African Americans and Native Americans in Oregon are overrepresented compared to whites for felony possession of controlled substances convictions.
- Oregon’s prison population, both historically and presently, shows an overrepresentation of Oregon’s minority groups. The incarceration rate for African Americans in 2013 was 470% higher than the statewide rate; Native American/Alaska Natives were 42.5% higher than the statewide rate; and the Hispanic population incarceration rate was 9.4% higher.




Economic Impact on those Arrested, their Families, and their Community.

- For those who are formerly incarcerated, a recent analysis by the Prison Policy Initiative showed that more than 27% are unemployed, which is higher than the overall unemployment rate during the Great Depression.
- Up to 85% of people returning from prison owe some form of criminal justice debt. Estimates indicate formerly incarcerated people owe as much as 60% of their income to criminal debts. Serving time reduces annual earnings by 40%. By age 48, the typical former inmate will have earned \$179,000 less than if he had never been incarcerated. Incarceration depresses the total earnings of white males by 2%, Hispanic males by 6%, and Black males by 9%.
- Children with fathers who have been incarcerated are significantly more likely than other children to be expelled or suspended from school (23% compared with 4%). Family income averaged over the years a father is incarcerated is 22% lower than family income was the year before a father is incarcerated. Even in the year after the father is released, family income remains 15% lower than it was the year before incarceration. Education and parental income are both strong indicators of children's future economic mobility.

Disparate Homeownership Rates.

- While the homeownership rate for white Oregonians is 65%, the rate for communities of color is substantially less. The African American homeownership rate is only 36.5%, the rate for Native Americans is 48.4%, and the rate for the Latinx community is 45.9%.
- A 2015 Portland Housing Bureau report revealed approximately 68.8% of Black renters and 42.9% of Black homeowners are cost burdened, spending over 30% or more of their income on rent or housing costs. Although comprising a mere 7.2% of the general county population, Black people in Multnomah County constitute no less than 16.1% of the Housing and Urban Development (HUD) defined homeless population.
- Nationwide in 2016 only 41% of Black households and 45% of Hispanic households own their homes, compared to 71% of white households. Moreover, because inheritance and down payment assistance is more common in white families, African American families find themselves eight years behind white families on the path towards building home equity.



Economic Fall Out of COVID-19 on Black and brown communities.

- Because of COVID-19, 34.8% of all tenants in Oregon now owe back rent, and 56% of Black, Indigenous, and People of Color (BIPOC) tenants owe back rent. The result is that tenants who are Black, Indigenous, and People of Color are more likely to be cost burdened and are over-represented among the houseless population in Oregon.
- According to McKinsey’s US Small Business Pulse Survey: 58% of minority-owned small businesses are “extremely” or “very concerned” about the financial viability of their business. For Native American–owned firms, the figure is 68%, compared with 47% for all US-based respondents.
- Programs established to support small business were not designed with the Black community in mind. This is evident through the mechanisms and outcomes from the CARES Act Paycheck Protection Program (PPP). Nationally, 51% of Black small businesses applied for less than \$20,000 in temporary funding from the federal government, and only 1 in 10 (12%) received the assistance they requested.

Over-Policing and Lack of Homeownership has Contributed to the Racial Wealth Gap.

- Only 13.1% of white Oregonians live in poverty. The poverty rate for Black Oregonians is 28.7%, the rate for Hispanics is 22.3%, and the rate for Native Americans is 24.4%.
- During the 2008 recession, Black households lost 40% of their wealth and have not recovered in a manner commensurate to white households.
- A majority of business owners rely on their own wealth or on the wealth of their family and friends to start and run a business. At the median, Asian Americans have about 80% of the wealth that whites have. Hispanics and African Americans have less than 10%.
- Based on data from the 2018 Small Business Credit Survey, the Brookings Institution found that large banks approve around 60% of loans sought by white small-business owners, 50% of those sought by Hispanic or Latinx small-business owners, and just 29% of those sought by Black small-business owners.
- In Oregon, the number of Small Business Administration (SBA) loans to African American-owned businesses dropped by more than 90% in 2008 to 5 loans and has remained in the single digits every year since. In 2017, the SBA backed just three loans to Black-owned business in our state.

Economic Loss Attributable to the Lack of Business Diversity.

- If the number of people-of-color firms were proportional to their distribution in the labor force, people of color would own 1.1 million more businesses with employees. These firms would add about 9 million jobs and about \$300 billion in workers' income to the U.S. economy.
- Companies in the top-quartile for ethnic/cultural diversity on their executive teams were 33% more likely to have above-average profitability than companies in the fourth quartile. Companies with the most ethnically/ culturally diverse boards worldwide are 43% more likely to experience higher profits.
- A 2020 study completed by Citi found that if the racial wealth gap were closed 20 years ago, \$16 trillion could have been added to the U.S. economy; and if the gap were closed today, \$5 trillion can be added over just the next half decade.

Consideration of Race-Neutral Factors (i.e., why Race-based language is needed)

- Resident of a Disproportionately Impacted: This factor will not provide an accurate reflection of communities historically impacted by cannabis prohibition, as a lack of real estate capital has made communities of color more susceptible to disruption and displacement. Additionally, COVID-19 has only exacerbated housing instability for communities of color. The cannabis equity program in Oakland, California, is one program that serves as an example of “resident of a disproportionately impacted area” being an overly inclusive metric. In Oakland, 86% of the equity applicants qualify for the equity program based on residency in census tracts impacted by the War on Drugs, while only 14% qualify based on a previous cannabis-related conviction.
- Low or Average Median Income: Low income standing alone does not accurately reflect the economic impact of generational government discrimination on community wealth. White households in the middle-income quintile (those earning \$37,201-\$61,328 annually) own nearly eight times as much wealth (\$86,100) as middle-income Black earners (\$11,000) and ten times as much wealth as middle-income Latino earners (\$8,600). This disconnect in income earned and wealth owned is visible across the entire income spectrum between these groups, and experts in the cannabis field have repeatedly come to the conclusion that capital is the number one factor keeping Black and brown business owners out of the market.