

# NEW YORK GOVERNOR PLEDGES \$200M TO BOOST SOCIAL EQUITY EFFORTS AS PART OF ADULT-USE CANNABIS LEGALIZATION

*Hodgson Russ Cannabis & Hemp Alert*  
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On Wednesday January 5, 2022, during Governor Hochul's first State of the State address, Hochul laid out her Administration's plans for the coming year, including a pledge to commit \$200 million in public and private funds to support social equity applicants looking to build adult-use cannabis businesses.

Hochul's State of the State [Book](#) states that "While New York has committed to making its cannabis industry more equitable, this action will put that commitment into practice. New York will lead where many other states have fallen short." This fund is expected to provide direct capital and financing to social equity applicants with the hopes to achieve the existing goal of awarding 50% of all licenses to equity applicants, including individuals from impacted communities, minority-and-women-owned businesses ("MWBEs"), distressed farmers, justice-involved individuals and service-disabled veterans.

The [Office of Cannabis Management](#) ("OCM"), stated that the fund will be administered in partnership with the Dormitory Authority of the State of New York ("DASNY"), which provides financing and other services to the public and not-for-profits, as well as other New York State institutions. OCM expects that around \$50 million of the fund will be raised from fees and taxes collected from registered organizations ("ROs") licensed to operate in New York's medical marijuana program, while \$150 million will come from private investors looking to invest in New York's cannabis industry.

According to publication [Law360](#), which spoke with industry stakeholders, there is general support for Hochul's goal, however, "they [are] unsure whether the funds would be ready in time for the first wave of entrepreneurs who have to bear the initial costs associated with their applications." These stakeholders also expressed concerns regarding what deal might have been struck in an effort to secure the private investment. This concern stems from ROs, which are often multistate operators and are already licensed in New York's medical marijuana program, buying into the adult-use market at the potential detriment of social equity applicants and small businesses.

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Amber Littlejohn, Executive Director of Minority Cannabis Business Association, indicated to [Law360](#) that Illinois also tried to institute a social equity fund for its incoming adult-use market with fees from pre-existing medical marijuana businesses, only for those same businesses to file litigation, which delayed the rollout of the social equity program.

In New York, while the Marijuana Regulation and Taxation Act (“MRTA”) was signed into law last year on March 31, 2021, no licenses have yet to be approved and it is unclear how many licenses the state will ultimately award.

Following Governor Hochul’s address, the Cannabis Control Board (“CCB”), the governing body of OCM, met on [January 25, 2022](#) to briefly discuss the social equity program. Board Member Rubin McDaniel stated that DASNY will assist OCM “in overseeing the site location of potential sites, the design and build-out of those sites, and facilitate getting our equity applicants into those sites so the capital and leasing will not be an impediment to them being successful.” McDaniel went on to state that “an issue the Governor, the Board Members and everyone who works for the Office of Cannabis Management recognizes” is the importance of providing timely and efficient capital to social equity applicants, who have been disproportionately and negatively impacted by past marijuana laws, in order to allow them to get into business in a way that other states have not been able to achieve.

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