

HB 2500: ADULT-USE BILL SUMMARY

On Monday, June 17, 2024, Pennsylvania State Representatives Aaron Kaufer (R) and Emily Kinkead (D) announced their plans to introduce the first bipartisan adult-use cannabis legalization bill in the history of the State's House of Representatives. The bill focuses on six key pillars which are listed below and followed by supporting policies:

- 1. PUBLIC SAFETY AND CONSUMER PROTECTION**
- 2. SOCIAL EQUITY**
- 3. CRIMINAL JUSTICE REFORM**
- 4. LEVERAGE PENNSYLVANIA'S AGRICULTURE AND MEDICAL MARIJUANA PROGRAM INFRASTRUCTURE**
- 5. ERADICATE ILLICIT MARKET**
- 6. CREATE GOOD JOBS AND GENERATE TAX REVENUE**

1. PUBLIC SAFETY AND CONSUMER PROTECTION

- Regulates forms of Delta 8, Delta 9 and illicit intoxicating hemp and THC products sold at gas stations, smoke shops and unlicensed retailers.
- Strict requirements on advertising, packaging, and labeling of cannabis products.
 - Prohibited advertising includes false/misleading statements, promoting over-consumption, showing minors consuming cannabis, making unsupported health claims, or using images appealing to minors.
 - Prohibits billboard advertising of adult use products near schools.
- Restrictions on cannabis use in specific locations, such as schools, public parks, places of worship, vehicles, or near minors.
- Includes strict security requirements for operators, including age verification (must be 21 years of age, a licensed medical patient or caregiver) at check-ins, track and trace systems to monitor product transfers and transactions, background checks for employees.
- Employers can enforce drug-free workplace policies and may discipline employees for cannabis use in violation of policies.
- Outlines strict lab testing requirements for cannabis testing facilities.
- Local governments can enact ordinances governing the operations of cannabis businesses, including regulations on time, place, manner, and number of establishments.

2. SOCIAL EQUITY

- Establishes criteria for social equity applicants including individuals or family members who were incarcerated for non-violent cannabis crimes.
 - Criteria also includes applicants who reside in disproportionately impacted communities.
- Implements a merit-based scoring system for qualified social equity applicants, prioritizing the establishment, launch and operationalization of their business, ensuring an equitable adult use rollout and a more diverse, inclusive marketplace.
- No requirement for charter agreements with existing operators.

- Establishes a Cannabis Business Development Fund for social equity applicant education, technical assistance, and financial support.
 - Initially funded by medical marijuana tax revenues, dual permit applications, license fees, and unassigned monies from the Medical Cannabis Program Fund.
 - Calls for 30% of annual cannabis tax revenues be allocated towards training and support programs.
 - Revenues include funding grant and loan programs for social equity applicants and licensees to support business development.
- Establishes a Cannabis Regulation Fund for general administrative and program support costs.
 - Moneys from said fund to be allocated for community reinvestment, specifically for activities that benefit disproportionately impacted communities.
- Calls on the regulator to set specific timelines for social equity applications, permit review and approvals.
- Establishes guidelines for the resale and transfer of social equity licenses.
- Requires an annual public report assessing diversity in the industry and identifying barriers to entry.
 - The report must include details on permits, employees, contractors, and recommendations for reducing barriers.

3. CRIMINAL JUSTICE REFORM

- Creates a "Cannabis Clean Slate" policy, an automatic expungement process that ensures individuals with past cannabis offenses have their records cleared automatically.
- Protects individuals with past cannabis offenses from being penalized in industry-related background checks, promoting fair and equitable employment opportunities.
- The bill implements a resentencing policy that allows individuals previously convicted of cannabis-related offenses in addition to other charges to petition for resentencing of their convictions.
 - The policy aims to address the disproportionate impact of past cannabis laws by providing a pathway for individuals to have their sentences reduced.
 - Inmates with expunged records are to be released, and motor vehicle operation privileges are to be reinstated.
 - Licenses and registrations suspended due to expunged arrests or convictions are to be reinstated.

4. LEVERAGE PENNSYLVANIA'S AGRICULTURE AND MEDICAL MARIJUANA PROGRAM INFRASTRUCTURE

- Calls for the Department of Agriculture to have regulatory authority over both medical and adult-use cannabis programs.
 - The department will promulgate regulations regarding permit types, applications, diversity promotion, enforcement procedures, and safety standards.

- Via the Cannabis Regulation Fund, moneys can be allocated for investments in both rural and urban agriculture, supporting sustainable development and local food production.
- Local governments can create zoning ordinances regulating cannabis businesses as long as they are not in conflict with state laws.
 - They cannot prohibit cannabis use authorized by the state.
 - Local governments cannot pass ordinances to prohibit cannabis businesses from operating within their jurisdiction.

5. ERADICATE ILLICIT MARKET

- Creates a legal framework for authorities to monitor and regulate the entire cannabis supply chain.
 - This oversight ensures that products meet quality and safety standards, reducing the appeal of unregulated products sold on the illicit market.
- Significant tax revenues to be allocated for law enforcement, public services and drug education programs.
- Strict penalties for unlicensed activities:
 - Civil penalties up to \$10,000 per offense may apply for unlicensed cannabis activities.
 - Enforcement actions can be taken by authorized entities, including suspension or revocation of licenses.
 - Any business or consumer injured by an unlicensed business may bring a civil action against such business.

6. CREATE GOOD JOBS AND GENERATE TAX REVENUE

- According to a recent study, Pennsylvania can expect up to \$2.8 billion in adult-use sales in the first year of implementation.
 - The same study also found that an adult-use market could generate as much as \$720 million in tax revenue and create upwards of 45,000 jobs.¹
- Conservatively, this bill projects to deliver approximately \$420 million in annual tax revenue and over 33,300 jobs.
- The sales tax is set at a rate of 8% of the sales price for cannabis products sold to individuals.
- An excise tax of 5% is imposed on dispensing organizations for cannabis sold for adult-use, with the revenue also being deposited into the Cannabis Regulation Fund.
- Prior to the launch of adult use, \$3,000,000 is transferred to the Cannabis Business Development Fund to support staff hiring and administration of the public rollout.
- Tax revenue disbursement is as follows:
 - 30% is allocated to the Cannabis Business Establishment Fund.
 - Revenues will support training, technical assistance grants and loans for entrepreneurs, small businesses and social equity applicants and licensees.
 - 30% is allocated to the Cannabis Regulation Fund.

¹ <https://www.marijuanamoment.net/pennsylvania-could-see-up-to-2-8-billion-in-marijuana-sales-in-first-year-of-legalization-and-create-45000-jobs-analysis-finds/>

- Revenues will support program administration, community reinvestment and public education campaigns and initiatives.
- 15% is directed to the Pennsylvania Commission on Crime and Delinquency.
 - 10% For distribution to local police departments for enforcing cannabis regulations.
 - 5% to be used for indigent defense services.
- 10% is allocated to the Department of Drug and Alcohol Programs for prevention and treatment services.
- 10% of revenue goes to municipalities with cannabis businesses based on the number of establishments.
- 5% is used by the department for programs assisting patients, caregivers, and background checks.