

STATE OF CONNECTICUT | SOCIAL EQUITY COUNCIL SPECIAL MEETING (DRAFT)

January 24, 2023, Meeting 3 P.M.

Virtual Meeting via Zoom

MEETING MATERIALS

- January Meeting Agenda

1. Call to order and welcome

Chairman Paul Robertson called the meeting to order.

2. Attendance:

Julianne Avallone (designee for DCP Commissioner Michelle Seagull)

Corrie Betts

Andréa Comer

Avery Gaddis

Subira Gordon

Michael Jefferson

Ojala Naeem

Marc Pelka

Paul Robertson

Edwin Shirley

Kelli-Marie Vallieres

Kevin Walton

Council members absent:

Marilyn Alverio

Staff: Ginne-Rae Clay, Executive Director, SEC; Kristina Diamond, Communications & Legislative Program Manager, SEC; Jennifer Edwards, Project Manager, SEC; Komla Matrevi, Staff Attorney, SEC; Jennifer Stevens, Associate Accountant, SEC

3. Executive Session on Pending Litigation

Chairman Robertson asked for a motion to enter Executive Session to discuss pending litigation.

Motion – by Kelli-Marie Vallieres

Second – by Andréa Comer

In Favor – All

Opposed – None

Abstentions – None

Motion passed.

Upon return from Executive Session, Chairman Robertson took attendance to verify quorum.

4. Vote on SEC Lottery Reconsideration

Chairman Robertson asked Attorney Matrevi to provide clarification for this reconsideration.

Attorney Matrevi explained that Council would be reconsidering Application Number ACFB00681 submitted by New England Edibles. This was a food and beverage lottery application denied last year. Through the appellate process, they showed they met their residency criteria. The Council will vote today to reconsider the application and take another vote to approve Social Equity status. CohnReznick reviewed the document and confirmed the Social Equity criteria were met.

Chairman Robertson asked for a motion to reconsider Application Number ACFB00681.

Motion – by Michael Jefferson
Second – by Andréa Comer
In Favor – All except DCP
Opposed – None
Abstentions – DCP
Motion passed.

Chairman Robertson asked for a motion to accept CohnReznick’s recommendation to approve Application Number ACFB00681.

Motion – by Michael Jefferson
Second – by Andréa Comer
In Favor – All
Opposed – None
Abstentions – None
Motion passed.

5. Vote on Equity Joint Venture Application

Sarona Saadeh from CohnReznick stated they recommend approval of the Equity Joint Venture (EJV) application.

Chairman Robertson asked for a motion to accept CohnReznick’s recommendation to approve the EJV application.

Motion – by Michael Jefferson
Second – by Andréa Comer
In Favor – All except Michael Jefferson
Opposed – None
Abstentions – None
Motion passed.

Councilman Jefferson requested further information on the issue with the EJV application.

Ms. Saadeh responded the application was from a retailer. CohnReznick reviewed the documentation and approved recommendation after finding all three Social Equity criteria were met.

Attorney Matrieva added for the record that the application in question was Application Number ACRE15667, submitted by Nutmeg Norwalk JV LLC.

6. Vote on 2023 Legislative Recommendations

Chairman Robertson invited Policy Committee Chair Shirley to present the committee's recommendations.

Policy Chair Shirley remarked that the 2023 legislative proposals provide clarification to the definition of ownership and control and allow the council to consider poverty rate as a determining factor on the DIA map.

Policy Chair Shirley asked for a motion to accept the legislative proposals as presented.

Motion – by Michael Jefferson
Second – by Kelli-Marie Vallieres
In Favor – All except Andréa Comer
Opposed – None
Abstentions – Andréa Comer
Motion passed.

7. FY 24/25 Biennium Budget

Chairman Robertson invited Finance Committee Chair Comer to present the committee's recommendations.

Finance Chair Comer commented that the Finance Committee met to discuss the budget presented in response to our budget from the Office of Policy and Management (OPM). The Finance Committee did not take any action, other than to take in information shared by Councilman Pelka, OPM representative.

In response to concern expressed regarding the SEC budget timeline, Councilman Pelka explained that the SEC voted to submit a requested budget in October, which is the deadline for submission of requested budgets. OPM staff submitted questions and engaged in review with SEC staff and others to refine and revise the budget. Council members have OPM's recommended budget to the SEC in their materials for today's meeting. The window is closing very rapidly for completion of the budget to submit it by the date set by the General Assembly for the governor to present it.

Discussion ensued. Concerns were voiced regarding OPM's budget moving forward without Council's input as well as not having guaranteed money for community reinvestment.

Councilman Pelka showed the slide presentation he made to the Finance Subcommittee. Two accounts and two funds were created under the Act to regulate the adult use of cannabis. The two accounts were created within the General Fund for the prior fiscal year and current fiscal year.

Monies are allocated by OPM to state agencies to pay costs incurred to implement the activities under the law. The Cannabis Regulatory and Investment Account is a temporary, non-lapsing account for revenues generated by licensing fees and taxes for the first two fiscal years. After that, the balance will roll over to the General Fund.

The Social Equity and Innovation Account is another temporary, non-lapsing account. Monies are allocated by OPM to state agencies, including the SEC, for specified social equity purposes and to pay for costs incurred to implement the activities required. The funds come from license conversion fees and Section 149 fees received during that time. The balance rolls over to the Social Equity and Innovation Fund at the end of the current period ending June 30 after repaying \$5 million borrowed from the General Fund. The \$5 million borrowed pays for the Social Equity Council staff and state agency staff doing the work to set up the implementation of the Act.

The period beginning next fiscal year rolling forward, there is clarity provided in the statutes regarding the percentages of revenues collected and where they are directed. The Social Equity and Innovation Fund is permanent, separate, non-lapsing and begins next fiscal year. It is held by the treasurer and appropriated for access to capital for businesses, technical assistance, workforce education and community investments. All appropriations shall be dedicated to expenditures furthering the principles of equity. It is funded by a percentage of tax collections, 60% for next fiscal year and then scaling up in later years to 75%. It is appropriated annually by the General Assembly.

The Prevention and Recovery Services Fund is permanent, separate, and non-lapsing. It is funded by a stable percentage of the tax. It is appropriated annually for purposes of substance abuse prevention, treatment and recovery, and collection and analysis of data regarding substance use.

Fiscal Years 2022 and 2023, lottery fees and all taxes go to the Cannabis Regulatory and Investment Account. The Social Equity and Innovation Account runs through the end of the current fiscal year before rolling over to the Social Equity and Innovation Fund. The Social Equity and Innovation Fund is held by the Treasurer in a separate account.

Slides were presented on the designated percentages of collected revenue to be deposited into the respective funds for Fiscal Years '24-'25, '26-'28, and '29 and thereafter per the OFA Fiscal Note that is informed by the language in the cannabis law.

Revenue estimates were provided for each of the lines based on expected revenues to be collected under the tax and percent distribution. The Social Equity and Innovation Fund estimate does not include one-time revenue from licensing and conversion fees.

A slide was presented on the following considerations brought forward based on recent discussions leading up to this afternoon's Finance Committee meeting. The recommended budget matches expected revenues within the SEC's operating needs (personnel and other expenses). It takes the expected revenues from the tax collections and aligns that with the SEC's operating needs.

Per the statute, the unanticipated one-time revenues generated during the startup of the cannabis market will be rolled over into the Social Equity and Innovation Fund based on what their amount is on June 30, the end of the current fiscal year.

The community reinvestment workforce proposal would receive a line in the SEC proposed budget. On January 13, a draft proposal for community reinvestment and workforce development was received. When the proposal was discussed, SEC members wanted a standing subcommittee to develop reinvestment. There were questions regarding number of people served, estimated amount per person and the vision. Unfortunately, the window is closing. The budget must be introduced and finalized. The proposal is not ready because there is not a detailed plan. OPM's recommended budget will allow the Council to live within its means from the estimated expected revenues from tax collection to fulfill personnel expenses and other expenses needed to operate. Even though the full workforce and community reinvestment amount of \$16½ million and then over \$20 million for the second year is not in there does not mean they are being discarded. The statutes outlined earlier, the percentage allocations and where they will be stored, as well as having permanent rollover accounts provide confidence. The SEC will be asked to develop and submit a proposal for how these funds will be used. The following questions need to be answered regarding the one-time upfront revenue in the Social Equity and Innovation Fund. How do we provide upfront reinvestment and prepare for the cliff that will inevitably come? Do we spread these funds across future years so we can sustain? Do we provide the upfront investment in a time-limited manner, so we do not worry about people dropping off?

The budget on the second page of the pdf file says the recommended totals do not include fund balances in the Social Equity and Innovation Fund as of the end of the fiscal year. Time-limited expenditures of this fund balance are separated from the ongoing budget and will be discussed during the upcoming session. It maintains sound budget policy and planning by not imposing one-time expenditures into an operating budget as well as recognizing the plan is under development for how the reinvestment will be made in 2024. The funds need to be appropriated, so that gives the SEC time to bring forward its proposal in the final budget for how the Social Equity and Innovation Fund resources will be spent in 2024 and 2025 and future discussions beyond then. It does not need to be a final plan with specifics but there needs to be more detail than has been provided to date. There is time for work to proceed before the end of the session so those funds can be appropriated. Council is in a strong position because it has higher than anticipated one-time revenues deposited into the Social Equity and Innovation Fund that will roll over into the new fiscal year and provide incredibly strong footing in the beginning. Opportunity remains to finalize this work to get the funds out to serve the disproportionately impacted communities in our state.

OPM cannot commit the funds because they are appropriated and so that requires them to appear in a budget. The Social Equity and Innovation Fund will be protected in the proposed

budget when it is introduced, and the percentages directed toward the Social Equity and Innovation Fund will be protected because they are listed in the statute. That is what the document will include and creates the opening for the council to complete its work with Legislature and OPM to finalize this proposal for reinvestment and leverage the one-time upfront funds.

Motion – by Andréa Comer

Second – by Avery Gaddis

In Favor – Andréa Comer, Avery Gaddis, Ojala Naeem, Marc Pelka, Paul Robertson,
Kelli-Marie Vallieres

Opposed – Corrie Betts, Subira Gordon, Michael Jefferson, Edwin Shirley, Kevin Walton

Abstentions – None

Motion passed.

8. For the Good of the Order – New Business, Updates, and Information

None.

9. Adjourn

Chairman Robertson asked for a motion to adjourn.

Motion – by Edwin Shirley

Second – by Andréa Comer

In Favor – All

Opposed – None

Abstentions – None

Motion passed.

The meeting adjourned.

/mlc