



State of New Jersey
CANNABIS REGULATORY COMMISSION

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CHARLES BARKER, *Commissioner*
JEFF BROWN, *Executive Director*

May 9, 2024

Honorable Members of the New Jersey Legislature:

In accordance with the Cannabis Regulatory Enforcement Assistance, and Marketplace Modernization Act (the "CREAMM Act"), please find enclosed a copy of the New Jersey Cannabis Regulatory Commission's 2024 report with recommendations to the Governor and Legislature for making Fiscal Year 2025 social equity appropriations based upon the Social Equity Excise Fee collected in Fiscal Year 2024.

To gather information to make these recommendations, the Commission held three public hearings to solicit public input on social equity investments.

Under the CREAMM Act, appropriations made by the Governor and Legislature must be invested in grants, loans, and other financial assistance for private organizations or public entities, as well as provide direct financial assistance to promote educational and economic opportunities and the overall health and well-being of both communities and individuals.

Pursuant to N.J.S.A. 24:6I-50(d)(4), before the beginning of the next fiscal year, the Legislature is required to provide the Commission with a list of social equity investments that will be made based on the Commission's recommendation report, including details on how the investment is intended to support and advance social equity.

The Cannabis Regulatory Commission looks forward to continuing to work with stakeholders and our trusted partners in government to ensure that New Jersey's resources are used to uplift communities and open opportunities for New Jerseyans to reach their full potential here in the great Garden State.

Sincerely,

A handwritten signature in black ink, appearing to be "DH" followed by a horizontal line.

Dianna Houenou

Chair, Cannabis Regulatory Commission



**RECOMMENDATIONS TO THE NEW JERSEY GOVERNOR AND
STATE LEGISLATURE FOR ALLOCATING SOCIAL EQUITY EXCISE
FEE REVENUE FROM CANNABIS SALES FOR SOCIAL EQUITY
INVESTMENTS**

May 8, 2024

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ABOUT THE CANNABIS REGULATORY COMMISSION

The New Jersey Cannabis Regulatory Commission (the “Commission” or “NJ-CRC”) is the independent licensing and regulatory agency for New Jersey’s medicinal and adult-use cannabis industry. The Commission officially launched on April 12, 2021, and has been working ever since to strengthen the Medicinal Cannabis Program and to establish the new, adult-use cannabis market. As of December 31, 2023, 2,461 recreational cannabis applications have been submitted by the public. Across all license categories, 71% of our awardees are diversely owned businesses, and 17% of awardees are social equity businesses. Applying the values of safety and equity, the Commission centers its work around creating and protecting access for patients, ensuring the production of safe products, and promoting diversity and inclusion in the industry to develop a national model for sensible, fair oversight.

The Commission is comprised of five commission members, appointed by the Governor and confirmed by the State Senate, and an executive director who oversees agency staff. Commissioners serve staggered, five-year terms. Information about public meetings of the Board of Commissioners is available on the Commission’s website.

SOCIAL EQUITY EXCISE FEE

The Social Equity Excise Fee is a per-ounce flat-rate fee assessed on all cannabis cultivated and sold in New Jersey’s adult-use cannabis market.

Permissible rates for the Social Equity Excise Fee are set in statute and the NJ-CRC’s regulations and may be adjusted annually based upon the statewide average retail price of usable cannabis for consumer purchase. In 2023, rate was 1/3 of 1% of the average retail price of cannabis, resulting in a fee of \$1.52 per ounce of cannabis cultivated. As a result of reductions in the average price of cannabis, the excise fee was modified to \$1.24 per ounce for calendar year 2024.

The Social Equity Excise Fee generated \$3,193,332 in Fiscal Year 2023, and the NJ-CRC projects the Social Equity Excise Fee will bring in roughly \$2,586,490 in Fiscal Year 2024. By law, 15% of the generated revenue, or \$387,974, is required to be deposited into the Underage Deterrence and Prevention Account¹, leaving \$2,198,516 in Fiscal Year 2024 to potentially spend on

¹ N.J.S.A. 24:6I-50(a) requires cannabis revenues, including revenues from the Social Equity Excise Fee, to be deposited into the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Fund. Fifteen percent of the monies in the Fund

recommended programs. Because of the relatively small amount of revenue generated through the Social Equity Excise Fee, the NJ-CRC further recommends that additional tax revenue collected from cannabis sales in Fiscal Year 2024 be allocated in accordance with this report.

The NJ-CRC adopted regulations on August 19, 2021, that set the Social Equity Excise Fee at the statutorily required rate of 1/3 of 1% of the average retail price of cannabis. On September 8, 2023, the NJ-CRC set the Social Equity Excise Fee to \$1.24 per ounce for calendar year 2024.

In March 2024, the Commission’s Public Engagement and Education Committee held three (3) regional virtual public hearings to solicit input from New Jersey residents on how funds from cannabis tax revenue should be allocated by the Legislature according to the CREAMM Act.

THE STATUTORY MANDATE FOR INVESTMENTS IN SOCIAL EQUITY

Pursuant to N.J.S.A. 24:6I-50(d)(1)(a), the New Jersey Cannabis Regulatory Commission (NJ-CRC) is required to make recommendations to the Governor and Legislature for social equity appropriations for any revenues collected during the current fiscal year for the Social Equity Excise Fee (also herein reference as the “excise fee”). To gather information to make these recommendations, the NJ-CRC is required to hold at least three regional public hearings throughout the State, with at least one hearing each in the northern, central, and southern regions of the state, to solicit public input on the social equity investments.

Under the law, the Governor and Legislature, through the annual appropriations process, have the sole authority to allocate or distribute revenues generated from the excise fee. The Commission’s role, as described in statute, is limited to providing recommendations gathered from public comment during the Commission’s annual Social Equity Excise Fee hearings to the Governor and Legislature on how those revenues should be spent.

The Social Equity Excise Fee, by statute, is to be used to provide financial assistance to individuals as well as organizations and government entities, including municipalities designated as “Impact Zones,” to create, expand, or promote educational and economic opportunities and activities, and the health and well-being of both communities and individuals.² The NJ-CRC is charged with making recommendations for the use of this excise fee that may include, but are not limited to, recommending investments in the following categories of social equity programs:

is required to be dedicated to a subaccount within the Fund known as the Underage Deterrence and Prevention Account. Accordingly, the 15% dedication is applied to the Excise Fee revenues as well as other monies deposited into the broader Fund.

² The NJ-CRC analyzed data in accordance with the statutory definition of an “impact zone” to generate a list of 87 New Jersey municipalities that qualify for the designation. A list of the qualifying municipalities, along with the NJ-CRC’s analysis, is included as an appendix and is available on the NJ-CRC’s website at <https://www.nj.gov/cannabis/businesses/priority-applications/impact-zones.shtml>.

(a) educational support, including GED preparedness assistance, vocational programming, and extended learning time programs;

(b) economic development, including job readiness training, business marketing, and community activities to stimulate economic activity or increase or preserve residential amenities;

(c) social support services, including food assistance, mental health services, treatment and recovery for substance use disorders, youth recreation, life skills support services, and services for adults and juveniles being released from incarceration; and

(d) legal aid for civil and criminal cases.

Before the beginning of the next fiscal year, the Legislature is required to provide the Commission with a list of investments that will be made through the annual appropriations process, including identifying the recipients. The Legislature's statement must also include details on how the investment is intended to support and advance social equity.

According to the New Jersey Department of the Treasury, funds from the excise fee in Fiscal Year 2023 have not been dispersed as of March 2024.

PUBLIC RECOMMENDATIONS FOR INVESTMENTS

The NJ-CRC presents its recommended uses of the excise fee revenue to the New Jersey Governor and Legislature based on public input received by the NJ-CRC at its three (3) virtual public hearings held from March 26 through March 28, 2024. Video recordings of the hearings are available on the Commission's website.

The regional hearings were advertised on the Commission's website and social media pages, and via the Commission's media list during the month of March 2024. Promotion of the hearings was distributed to members of the public subscribed to the NJ-CRC's email newsletter, as well as shared directly with stakeholders, advocacy groups, and community organizations. Approximately 21 people spoke to provide comments during the hearings, and the Commission received 22 written submissions.

As the agency responsible for overseeing the cannabis industry, the NJ-CRC does not make any representations as to the viability, efficacy, or appropriateness of the investments described in this report. Nor does the NJ-CRC make any representations about whether the initiatives suggested by public commenters are consistent with best practices in a particular subject area. Rather, this report elevates the recommendations and desires expressed by members of the public who participated in the Commission's regional hearings. The Governor and Legislature are

encouraged to consult with the relevant subject matter experts to understand the appropriateness and viability of the concepts presented here.

Several individuals expressed the need for allocating a greater share of revenues that are deposited into the CREAMM Fund towards programming to rebuild communities, highlighting that the excise fee revenue is not enough to support social equity investments. The NJ-CRC has organized the common themes communicated by participants of the regional hearings into the following four (4) key public policy categories in recommending the distribution of revenues from the Social Equity Excise Fee: economic and community development; criminal justice reform and reinvestment; workforce development and youth services; and public health.

ECONOMIC & COMMUNITY DEVELOPMENT RECOMMENDATIONS

- Financial and Technical Assistance for Cannabis Businesses – Public input suggested using revenue to provide continued and additional access to capital for social equity businesses. While many are excited for the New Jersey Economic Development Authority’s 2023 grant program, they urge additional funding to ensure this can become a more sustainable program to guarantee cannabis money will go to helping others break the cycle of poverty and become a part of the industry.
- Financial Support for New Families – Comments called for financial investment in communities of color, highlighting the need to address wealth inequality, through programs such as the Baby Bonds Program. Residents would like further consideration for this money to tackle the racial wealth gap that exists.
- Housing – Participants expressed an interest in seeing revenue used to improve housing conditions across the state and expand housing opportunities. Funding was requested to support not only families struggling financially, but also to tackle chronic homelessness.
- Higher Education and Public Libraries – Participants supported funding to community colleges or resources being given to public libraries. Commenters expressed that these institutions are critical to helping serve communities that struggle with access to resources. They extend across the entire state and impact numerous communities that rely on these facilities to bring resources to people of all backgrounds.

CRIMINAL JUSTICE REFORM & REINVESTMENT RECOMMENDATIONS

- No Money for Law Enforcement – Many members of the public stressed that cannabis revenue should not be used to fund criminal law enforcement and should instead be targeted to community-based organizations such as violence-intervention initiatives. This was a common theme across multiple submissions.

- Reentry Support Services – Hearing participants expressed wanting to support services that offer housing, job opportunities, and access to health and wellness services that are critical components to ensuring successful reintegration into the community after incarceration.

WORKFORCE DEVELOPMENT AND YOUTH SERVICES RECOMMENDATIONS

- Workforce Development – The public expressed interest in using revenue for critical educational support services, including scholarships for young people and adults, vocational training, cannabis-specific apprenticeship programs, professional certificate programs, business development, and financial literacy. Commenters felt that more can be done to educate people about the variety of careers that exist in the cannabis industry, and many programs are slow to adapt cannabis-specific curriculums.
- Youth Services – The public expressed that tax revenue should support afterschool and out-of-school programs that help children develop healthy life habits, offer recreational opportunities, and offer safe spaces that can protect children from after-school dangers. Some examples of proposed uses of funds include community centers or even faith-based facilities so that they may continue to offer programs to serve this vulnerable population.

PUBLIC HEALTH RECOMMENDATIONS

- Healthcare Services – Commenters suggested that revenue from cannabis sales support the expansion of healthcare services in communities most impacted by cannabis prohibition and to ensure that New Jersey is building healthy infrastructure, healthy people, healthy communities, and a healthy society.
- Maternal Health Services – The NJ-CRC received recommendations that revenues should support both resources for and education of maternal health issues. Commenters requested that funds be used to specifically target communities most harmed by the war on drugs and be able to provide resources and help promote the wealth and well-being of families.
- Education for Physicians – Commenters suggested that money be used to teach physicians more about the endocannabinoid system to better serve patients in the state.
- Harm Reduction Services – Speakers called for investments in addiction treatment, harm reduction, and other support services for people who struggle with addiction. Among potential programs are overdose prevention, opioid agonist therapy, and addiction services in underserved communities.

CONCLUSION

The Cannabis Regulatory Commission believes all these areas are key to addressing the deleterious effects of marijuana prohibition on people and communities and ensuring a safe and equitable cannabis industry, and therefore recommend assessing the feasibility of funding initiatives in these areas in future years as the Social Equity Excise Fee grows, and with additional cannabis revenues (sales and use tax). Health, personal and community well-being, and prosperity are holistic and therefore the full range of cannabis revenues—and the opportunity they represent for New Jersey—should be assessed and invested holistically and cross-sector.

The Commission thanks everyone who shared their ideas with the NJ-CRC and thanks the Governor and Legislature for considering the recommendations provided herein. In summary, the NJ-CRC expects roughly \$2,198,516 to be available from the Social Equity Excise Fee revenue in Fiscal Year 2024 and recommends that revenue be invested in grants and low interest loans to small businesses attempting to gain licensure as a cannabis business, especially those owned and operated by individuals from economically disadvantaged areas and individuals with past marijuana convictions.

The NJ-CRC commissioners and staff look forward to continuing to work with State partners to amplify the expressed wishes of New Jerseyans and ensure that the social equity investments to be made with cannabis Social Equity Excise Fee revenue will benefit those most harmed by the failed war on drugs, uphold the pillars of the NJ-CRC, and reflect the diversity of our great Garden State.

APPENDIX

New Jersey municipalities that qualify as Impact Zones, as defined in N.J.S.A. 24:6I-31

Municipality	County	Population
Asbury Park city	Monmouth	16,116 ³
Atlantic City city, NJ	Atlantic	39,558
Bass River township	Burlington	1,443
Bellmawr borough	Camden	11,583
Berlin borough	Camden	7,588
Berlin township	Camden	5,357
Bordentown township	Burlington	11,367
Bridgeton city, NJ	Cumberland	25,349
Brooklawn borough	Camden	1,955
Buena borough	Atlantic	4,603
Buena Vista township	Atlantic	7,570
Burlington city	Burlington	9,920
Burlington township	Burlington	22,594
Camden city, NJ	Camden	77,344
Carneys Point township	Salem	8,049
Carteret borough	Middlesex	22,844
Cinnaminson township	Burlington	15,569
City of Orange township, NJ	Essex	30,134
Commercial township	Cumberland	5,178
Deptford township, NJ	Gloucester	30,561
Dover town	Morris	18,157
East Brunswick township, NJ	Middlesex	47,512
East Hanover township	Morris	11,157
East Orange city, NJ	Essex	64,270
Elizabeth city, NJ	Union	124,969
Evesham township, NJ	Burlington	45,538
Ewing township, NJ	Mercer	35,790
Franklin township	Gloucester	16,820
Franklin township, NJ	Somerset	62,300
Garfield city, NJ	Bergen	30,487
Glassboro borough	Gloucester	18,579
Gloucester City city	Camden	11,456
Gloucester township, NJ	Camden	64,634
Haledon borough	Passaic	8,318
Hamilton township, NJ	Atlantic	26,503
Hanover township	Morris	13,712

³ All population data from U.S. Census Bureau Resident Population for Minor Civil Divisions (2010)

Hillside township	Union	21,404
Irvington township, NJ	Essex	53,926
Jersey City city, NJ	Hudson	247,597
Lawrence township, NJ	Mercer	33,472
Lindenwold borough	Camden	17,613
Lower township	Cape May	22,866
Lumberton township	Burlington	12,559
Mantua township	Gloucester	15,217
Maurice River township	Cumberland	7,976
Metuchen borough	Middlesex	13,574
Middle township	Cape May	18,911
Millville city, NJ	Cumberland	28,400
Monroe township, NJ	Gloucester	39,132
Monroe township, NJ	Middlesex	39,132
Morris Plains borough	Morris	5,532
Morristown town	Morris	18,411
Mount Ephraim borough	Camden	4,676
Mount Holly township	Burlington	9,536
New Brunswick city, NJ	Middlesex	55,181
Newark city, NJ	Essex	277,140
North Brunswick township, NJ	Middlesex	40,742
North Plainfield borough	Somerset	21,936
North Wildwood city	Cape May	4,041
Palmyra borough	Burlington	7,398
Passaic city, NJ	Passaic	69,781
Paterson city, NJ	Passaic	146,199
Paulsboro borough	Gloucester	6,097
Pemberton township, NJ	Burlington	27,912
Pennsauken township, NJ	Camden	35,885
Perth Amboy city, NJ	Middlesex	50,814
Plainfield city, NJ	Union	49,808
Pleasantville city	Atlantic	20,249
Prospect Park borough	Passaic	5,865
Riverdale borough	Morris	3,559
Roselle borough	Union	21,085
Salem city	Salem	5,146
Seaside Heights borough	Ocean	2,887
South Plainfield borough	Middlesex	23,385
Southampton township	Burlington	10,464
Trenton city, NJ	Mercer	84,913
Tuckerton borough	Ocean	3,347
Vineland city, NJ	Cumberland	60,724
Washington township, NJ	Gloucester	48,559
Wayne township, NJ	Passaic	54,717

West Deptford township	Gloucester	21,677
Westampton township	Burlington	8,813
Wildwood city	Cape May	5,325
Willingboro township, NJ	Burlington	31,629
Winslow township, NJ	Camden	39,499
Woodbury city	Gloucester	10,174



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