

Testimony of
International Vice President Ademola Oyefeso
Director, Legislative and Political Action Department
United Food and Commercial Workers International Union
to the
Banking, Housing, and Urban Affairs Committee
U.S. Senate

regarding

“Examining Cannabis Banking Challenges of Small Businesses and Workers”
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Good morning, Chair Brown, Ranking Member Scott, and members of the Committee. Thank you for the opportunity to testify today. I am Ademola Oyefeso with the United Food and Commercial Workers International Union (UFCW). UFCW represents over 1.3 million hard-working men and women who work in highly regulated industries including over 10,000 workers in the cannabis industry. Our cannabis members can be found in a dozen states everywhere from seed to sale. As the leading union in cannabis, UFCW is committed to shaping this industry into one that provides safe, well-paid, and family-sustaining jobs for all its workers.

Cannabis Banking is a Worker Issue

All jobs have challenges, but few industries face the unique challenge of a federal prohibition on access to legal banking. Without access to banks, cannabis businesses have little choice but to resort to cash for all parts of their business. Customers pay in cash, workers are paid in cash, and large amounts of cash must be securely stored and transported. A cannabis worker in Oregon told us about a friend who also works in retail cannabis and had to use his own car to carry upwards of \$40,000 cash with no protection or security. The cash-heavy nature of cannabis retail creates safety and financial problems for businesses, customers, workers, and the communities they serve.

The majority of people employed in the cannabis industry are workers, not owners, and lack of banking has become a real issue for this growing workforce. In order for workers in the legal cannabis industry to have the same opportunities as all other workers, Congress must directly address the cannabis banking challenge.

Cash dominated industry puts workers at financial risk.

Because of cannabis’ Schedule 1 status under federal law, banks, payroll services, and credit card companies are effectively prohibited from providing traditional financial services to cannabis businesses. This includes holding deposits and credit card processing of sales. Consequently, nearly all cannabis retailers and delivery services must operate entirely on a cash-only basis. Without access to a federally insured bank,

cannabis employers must find alternative arrangements to pay their workers, which generally means paying them with cash. There are a few banks that are willing to provide their services to cannabis employers, most do not, which leaves workers struggling to find access to personal banking services. As a result, most cannabis workers lack traditional proof of employment like a paystub.

Without a bank account that will accept their paycheck, cannabis workers struggle in purchasing homes and must find alternatives to traditional banking to do so. This includes finding a co-signer or co-borrower, paying in cash, or finding alternative credit unions. However, none of these alternatives are a guarantee, and workers often find themselves having to pay higher rates due to their work in a fully legal profession in their state.

Imagine this scenario: a cannabis worker is filling out an online apartment rental application and they get to the section for proof of income with a list of applicable documents to be attached. They work for a perfectly legal business in their state but get paid in cash and simply cannot proceed any further on the form because they have no proof of employment.

The lack of banking makes it difficult to get personal loans for homes and cars – even with high credit scores. In fact, the Federal Housing Authority’s (FHA) loan program explicitly denies loans for workers in this industry for this reason.

Ashley Batista, a member of UFCW Local 1776KS and a worker at Jushi, a cannabis grow and processing facility in Scranton, Pennsylvania, notes the challenges and benefits of banking for her and her coworkers.

“I’ve watched several coworkers who saved up every nickel and dime for a down payment on a home just to be denied a home loan due to the legality of their profession. And because cannabis is still illegal at the federal level, many cannabis workers are unable to provide traditional sources of proof of income, such as tax returns. This can make it challenging for us to qualify for home loans. Digital transactions through traditional banks [would] ensure timely and secure payment processing for both cannabis workers and the patients. This can help reduce the risk of payment risks such as robberies and can also eliminate the need for carrying large amounts of cash. Many of us cannabis workers may face negative stereotyping and discrimination, which can impact our credit scores. Having the support of traditional banks would help move away from the stigma on cannabis and give us the opportunity to qualify for home loans. This can help improve financial stability and allow us as workers to plan for the future.”

In addition, it is unclear if payroll benefits such as Social Security, disability, unemployment insurance, Medicare, and Medicaid are being properly deducted when you do not have access to a conventional payroll service.

When cannabis employers gain access to conventional banking services, their workers get the economic security of a steady paycheck, as well as the peace of mind knowing their payroll taxes and benefits are being properly funded.

Cash puts workers in physical danger.

Cannabis businesses are forced to have large amounts of cash on hand, putting targets on the backs of workers and customers alike. We have seen several instances across the country where cannabis dispensaries experienced violent robberies. Ms. Batista said, “Most dispensaries are still cash only so that not only puts the patients at risk who are walking in with cash to purchase but also the dispensary workers who are at the location with large amounts of cash behind the register. With these MSOs cutting costs this affects the amount of security that is implemented at these locations. Many employers have cut their security teams entirely and solely rely on the workers to watch surveillance cameras. This is a huge safety concern to the workers because dispensaries are burglarized and robbed at roughly the same rate as other cash intensive businesses.”

Miranda Beck, a cannabis worker at Starbuds in Baltimore, Maryland told us a story of a security guard and a worker who were robbed of cash and cannabis product at gunpoint. She said, “It’s well known that there is a lot of cash inside dispensaries because dispensaries can’t accept credit cards. At Starbuds we were also paid in cash — each week we would have to go in (even on our days off, which was hard for some people without their own cars) to collect an envelope with our wages. They took taxes out, but we were paid in cash — so were the vendors. I worried about safety at work every day – not just for myself and my coworkers, but our patients. Some patients were robbed in the parking lot when they were coming in to buy their medicine.”

One local leader in California notes, “The lack of regulation and security measures in the cannabis industry also puts delivery drivers at risk, as they may not have access to proper training or protective equipment. Without banking, our cannabis delivery driver members carry large amounts of cash and valuable products, making them a prime target for robbery and assault.”

Cannabis workers, like every other business venture, deserve the same right to work in safe conditions.

Cannabis banking is an equity issue.

Equity is an empty and hollow phrase unless it is made real and meaningful to the majority of working people living in those communities that were harmed by the war on drugs. Most of the discussion around equity in the cannabis industry centers upon the ownership of businesses with emphasis primarily placed on whether members of communities of color will be positioned for generational wealth. This misses the point for workers. The greatest benefit of cannabis legalization will NOT come from creating a handful of successful, wealthy business owners of color, but from fostering a pipeline of good paying jobs throughout the cannabis industry that are widely available to persons

from impacted communities. And equity cannot be achieved as long as we are barring workers from traditional banking. By denying these services to workers, we have created a barrier to entry during the infancy of this lucrative industry for those who did not and still do not have the means to overcome these personal financial obstacles.

States are leading the way.

States have been leading the way in passing legislation and regulations that ensure a safe, legal, and thriving cannabis industry. In Washington state, the state government worked with local credit unions and small banks to encourage them to accept business from dispensaries. UFCW members in Washington have said that they like the state cannabis laws because they provide payroll stability.

A regular paycheck goes hand-in-hand with good wages, quality affordable care, and a secure retirement, all things central to what UFCW negotiates for its members and that come with a good union contract.

Even when states do the right thing it is not enough, for even if a worker DOES have a paystub, it is still illegal for financial institutions to consider income earned in a CRB when considering offering services like auto and home loans.

Shaping the cannabis industry to be good for workers.

The emerging cannabis industry presents an unparalleled opportunity for government to shape an industry from the ground up. There are many potential paths for cannabis but not all paths benefit the workers in the industry. A 2021 Economic Policy Institute report analyzed a high-road and low-road scenario for the future of the cannabis industry.¹ Under a low-road scenario, cannabis workers are subject to the same harmful practices inflicted on workers in similar agriculture settings: low wages, few workplace benefits, unprotected statuses as contract workers, and erratic scheduling. Under the high-road scenario, unionization ensures that cannabis jobs are good jobs. Cannabis workers in the high-road scenario could make an estimated \$2,810 to \$8,690 more per year than under the low-road scenario. Access to banking is part of a high-road scenario for cannabis workers.

Many proposals for federal legalization have focused on taxes, licensing, plant size, THC levels and sometimes equity in ownership—and we applaud many of these efforts. Policymakers, however, have failed to include measures protecting cannabis workers—and SAFE Banking will help ensure that the rank-and-file employees share equitably in the growth of the industry, with good-paying, safe, family- and community-sustaining jobs. A paycheck is necessary step towards making cannabis jobs, good jobs.

¹ <https://www.epi.org/publication/ensuring-the-high-road-in-cannabis-jobs/>

Congress should support safe, legal banking for cannabis workers.

UFCW cannabis workers have said that access to traditional banks and payroll services can help significantly improve their lives by increasing financial stability, providing more and convenient secure payment processing which leads to safe working conditions and benefits.

Cannabis workers do not deserve to be treated as criminals and should not have to struggle with financial and legal ambiguity while on the job. On behalf of all the workers in the cannabis industry, we urge Congress to give the same access to the financial systems and federal benefits that all other American workers already enjoy.

Thank you for the opportunity to testify and I would be happy to answer your questions.