

# Cannabis industry looks to regroup after volatile end of legislative session

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OAKLAND, Calif. — A longstanding battle for influence within the cannabis industry has reached its boiling point.

Over the final days of a chaotic legislative session, a fierce fight broke out between industry players over a pair of seemingly uncontroversial bills, one designed to protect banks that work with marijuana businesses and another that would have established regulations for the hemp industry.

The debate over the hemp bill, [CA AB 2028 \(19R\)](#), was particularly contentious, spilling onto a popular industry Facebook page where the California Cannabis Industry Association, the state's largest trade group, was accused of selling out its members to hemp interests. The dispute became so ugly that the page's moderator, industry consultant Jackie McGowan, lobbed unfounded personal claims against the organization's lobbyist Amy Jenkins.

That accusation against Jenkins drew a rare rebuke on the floor from Assemblymember Reggie Jones-Sawyer, who condemned the attack as sexist and "absent of truth," a black eye for an industry still struggling to gain credibility in Sacramento.

"It's a massive failure on the part of our business community that lawmakers are referencing our drama," said Hezekiah Allen, the former executive director of the defunct California Growers Association. "We shouldn't air our dirty laundry like that."

Current skirmishes are not a new development for cannabis, but rather a continued pattern of infighting for an industry still in its infancy.

Fault lines in the industry have appeared on a range of issues in recent years, from increased enforcement on the unlicensed market, which is supported by legal businesses and opposed by some social justice groups, to appellations of origin regulations, which have created tensions between outdoor and indoor cultivators.

"We took an industry that was unregulated and incredibly robust, and we tried to kind of squeeze it into a workable regulated framework. And that is an extraordinarily difficult task," said Lindsay Robinson, executive director of the industry's big-tent organization, CCIA.

While competition between companies and interest groups is expected within any business sector, participants in the nascent cannabis market say these internal power struggles have permeated the industry's lobbying efforts in a way that's notably unproductive.

Assemblymember Evan Low (D-Campbell) said that internal scuffles give moderate Democrats and Republicans little incentive to back cannabis over the League of California Cities or law enforcement, which generally oppose relaxation of cannabis regulations.

"When you have all of these fringe groups just sort of fighting over each other, and very publicly, it's unsavory and it does not inspire confidence," he said.

This industry discord is mirrored at the federal level, where at least five different national trade groups have emerged in the fledgling industry to press their agenda on Capitol Hill.

The California disagreement over the hemp bill, which ultimately failed, underscores a philosophical debate within the industry over whether cannabis businesses and trade groups should be supportive of marijuana's nonpsychoactive cousin.

Over months of negotiation, CCIA advocated for stricter oversight of popular hemp products like CBD, the sale and manufacture of which are largely unregulated. The bill also would have allowed hemp CBD to be infused in food and beverages, which currently isn't allowed under state law.

However, many in the industry bristled at the idea of CCIA using funds contributed by cannabis businesses to lobby on the bill, arguing that hemp's lobbying arm, the California Hemp Association, has done little to support marijuana.

While CCIA Board President Conrad Gregory said that members were largely supportive of the measure, a number of industry groups, including the Los Angeles-based United Cannabis Business Association and the San Francisco Cannabis Retailers Alliance, argued the bill would undermine the industry. That charge was based on concerns that the new regulations wouldn't test or tax hemp CBD at the same level of marijuana products, putting cannabis retailers at a competitive disadvantage.

Jenkins, who led CCIA's negotiations efforts on the bill, said she was surprised at how personal the attacks against her became, but that her track record and integrity speaks for itself. She said that internal squabbling makes her job, which often comes down to educating lawmakers on nuanced policy issues, that much more difficult.

"With the level of divisiveness that has played out in the Capitol, the general tendency is legislators don't want to choose between different segments of the industry," she said. "They don't have enough information and knowledge about the complexities of this industry to even make those decisions."

McGowan represents cannabis retailers who were upset the bill wouldn't have allowed them to sell hemp CBD in their stores. She said she stood by her Facebook comments and has called for CCIA members to boycott the association over its hemp stance. "The industry's failure to eliminate this threat could lead to yet another year of crucial legislation being upended," she said.

Jones-Sawyer's banking bill, [AB 1525 \(19R\)](#), faced a similar breakdown, with groups like CCIA and the LA-based Southern California Coalition supporting the measure, and UCBA leading the opposition.

The bill, which is currently on Gov. [Gavin Newsom](#)'s desk, would allow businesses to voluntarily provide transaction data and other financial information to banks in order to ease the process of opening accounts. However, UCBA [argued that the measure](#) was "a data grab" that would allow third parties to collect proprietary data and monetize it. The bill would authorize a joint powers authority to collect business data, but only on a voluntary basis.

Allen points to industry bickering as one of the reasons he resigned from CGA before it ultimately collapsed. He said that rather than privately hashing out disputes like most industries, cannabis businesses have a habit of publicly deriding each other and forming new associations to back their individual goals.

That lack of unity has made it exceedingly difficult for pro-cannabis lawmakers to attract enough support across the Legislature to get big-ticket items like sales and cultivation tax reduction and increased enforcement on the illegal market across the finish line. Because California's marijuana laws were established through ballot initiative, most regulatory changes require a two-thirds vote.

Much of the divide predates California's current legal market, going back more than two decades to when voters legalized medical marijuana through Proposition 215. According to Robinson, the unregulated nature of the medical market led to the development of insular business networks, making it more difficult to shoehorn everyone into a new regulated framework.

"I think the growing frustrations of trying to take this illicit industry into a regulated space have exacerbated almost everyone's bandwidth and patience," she said. "And I think it's created some really deep-seated rifts."

Adam Spiker, executive director of the Southern California Coalition, said that the historically underground nature of California's cannabis economy and a general counterculture attitude has made the process of consolidation that much more difficult.

While splintering is common in many nascent industries, few have the economic potential of cannabis or the inherent challenge of turning a long-criminalized business into a legitimate political player. Industry leaders say that unless a shift in attitude is made quickly, growth of the legal market will stagnate, leading to business failures and continued proliferation of illegal operations.

Industry research firms BDS Analytics and Arcview Market Research estimate that unlicensed operations brought in \$8.7 billion in untaxed revenue in 2019, compared to the legal market's \$3.1 billion.

"Unfortunately, the industry can be their own worst enemy," Spiker said. "They focus on infighting rather than the greater good and that's what's killing us politically."

But multiple industry sources and lawmakers dismissed concerns that the cannabis market — which consists of retail, delivery, cultivation, manufacturing and testing — is too varied to have a single voice in Sacramento. Some pointed to the California Medical Association, which represents more than 50,000 members in dozens of different specialties who at times don't see eye to eye.

"It could be a model like CMA where there's one body that is the voice of doctors and then they still have specialty groups — the emergency room doctors have their own organization or the cardiologists have their own group," said Assemblymember Rob Bonta (D-Alameda). "But when they want to all come together and say, the house of medicine is together on this issue, it makes it even more powerful."

Both Robinson and Jenkins pointed to the industry's response to a rash of vaping-related lung illnesses last fall as an example of how consolidation around an issue is possible. That outbreak, which hospitalized nearly 3,000 individuals and killed 68, was ultimately tied to illicit marijuana vape cartridges, leading to concern about a crackdown on the legal industry as well.

In the following weeks, cannabis groups and businesses formed their largest coalition since Proposition 64 was on the ballot and were successful in shielding the legal industry.

Still, with the next legislative session starting in December, industry groups say they face an uphill battle to mend fences and develop a policy agenda that can gain traction in an environment still dominated by the coronavirus pandemic and economic downturn.

Bonta acknowledged that 2021 looks to be a tough year for cannabis legislation, but said he's optimistic that the industry's recent dust-up could bring everyone to the table.

"This could actually accelerate the path," he said. "It sounds non-instinctive, but sometimes the problems spur the change, and the separation and the tension spurs the unity."