

# Safe Banking Act Testimony before the Committee on Financial Services

By

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Good afternoon members of the committee. Thanks you for inviting me today to discuss banking services to the cannabis industry. My name is Corey Barnette and I have lived here in Washington, D.C. since 1999 and currently own District Growers cultivation center and the Metropolitan Wellness Center dispensary – both licensed in Washington D.C.

The medical cannabis industry in Washington D.C. is incredibly well regulated. There is mandatory licensing, background checks, financial disclosures, video surveillance, alarm systems, seed-to-sale tracking, RFID tags, child-resistant packaging, labeling and testing regulations, and routine random inspections. The same is the case throughout many states. In essence our businesses are safe, well vetted, and should be a welcomed addition in the efforts to dismantle cannabis prohibition. However, we are crippled by federal restrictions on banking that serve to stifle state sanctioned operators while buttressing the illicit markets that regulators are targeting.

The issue of access to the banking industry is acutely concerning to business owners like me. A large majority of the country has access to legal medical cannabis and ten states, including Washington D.C., have legalized cannabis for adult use. However, there is still no federally approved system for businesses to perform typical duties like pay salaries, service customers using credit/debit cards, access working capital loans, pay bills via check, etc. The current system serves to create a public safety disaster, disadvantages small and minority-owned businesses, hassles both employees and service providers to the industry, makes tax collection over burdensome, and serves to largely stifle the growth of the industry.

In terms of safety, businesses are often forced to operate as “cash-only”, making the businesses and their customers incredibly vulnerable to robberies and other threats. Many dispensaries have hired on-site armed security guards, maintain excessive on-site security infrastructure, and utilize armored trucks to transport cash. The problem of large cash reserves on site – anywhere - creates an enormous headache and significant public safety threat.

For the federal government, the current system is a disaster too. Like my firm in the past, many cannabis businesses bounce from bank to bank - opening accounts only to have them randomly closed within weeks. As a result, law enforcement and regulators struggle to preserve and ensure the system is transparent. Payment of federal and state tax is made difficult. Ancillary service

providers are unable to work with cannabis operators. Many employees have had their bank accounts closed and are often denied basic services such as mortgages, credit cards, and other basic personal banking services simply for working in this industry.

It should also be noted that the absence of bank participation hits especially hard to small and minority owned businesses operators. Mom-and-pop businesses and minority-owned businesses traditionally look first to bank loans as a method of financing the start and growth of their operations. Without bank participation, the hurdle to entry is substantially higher. Restrictions on banking serve to create a barrier to entry that only the wealthy can overcome. In short, nobody benefits from this system, with the exception of some private security firms and super wealthy operators.

Fixing the banking issue is a crucial part of fixing the broken system of cannabis prohibition. But it is far from the only issue we need to resolve. In recent years, I have been involved in numerous campaigns and spoke on many panels – including here in Congress - about the need to increase diversity in the cannabis industry. Despite cannabis arrests falling on the backs of people of color, the vibrant legal industry has often closed the door to these same communities. Congress should tackle the banking issue, but it should do so in a way that is inclusive of other reforms – like the need for expungement of criminal records, investments in communities impacted by the war on drugs, and more. Banking is an important piece of the puzzle, but it is only a small step as we seek to unwind decades of failed cannabis policy. We must be bold if we are to solve problems and have the impact that our communities deserve.