

Testimony of Senator Steve Daines

Senate Committee on Banking, Housing, and Urban Affairs
Examining Cannabis Banking Challenges of Small Businesses and Workers
May 11, 2023

Thank you, Mr. Chairman, and thank you to our witnesses for being here today. I am very pleased that the Banking Committee is holding a hearing on this important topic. Across my home state of Montana and in communities across the country, legal businesses are facing a public safety crisis. These businesses, often forced to operate in all cash, are appealing targets for robbers. In Washington state for instance, 2022 saw at least 100 armed robberies at cannabis retail stores, the most in the past 10 years. Tragically, several of these incidents ended in bloodshed.

The SAFE Banking Act would help address a major cause of this increase in violent crime by providing a safe harbor for depository institutions and service providers to transact with state-sanctioned marijuana businesses. In short, this bill would make it much easier for businesses to put their cash into banks.

Some of the witnesses today will say that there are hundreds of banks and credit unions providing financial services to state-sanctioned marijuana businesses, and that SAFE Banking is not needed. However, the truth is that only approximately 9 percent of the financial institutions in America have provided services to any marijuana-related businesses, meaning that those who are providing financial services face limited competition and charge substantially more to bank these clients than other industries, resulting in services being prohibitively expensive for many businesses.

This legislation would also help federal and state law enforcement distinguish between legal and illegal marijuana businesses. Opponents of this bill will say that SAFE Banking will help to grow the \$25 billion market for marijuana in the United States. However, the real size of the market is \$100 billion, of which roughly 75 percent is illicit cannabis production.

Allowing cash from legal, regulated businesses to enter the banking system will help law enforcement more easily distinguish legitimate actors and focus more of their resources on prosecuting the illicit market, and in so doing, may actually shrink the size of the overall industry and reduce consumption in the United States. If nothing else, SAFE Banking will greatly increase tax compliance and tax revenue for states.

This legislation is also widely supported by banks, credit unions, the insurance industry, and many other service providers who at present do not have clear guidelines for how they can safely and legally transact with state-sanctioned marijuana businesses. Roofers, plumbers, electricians, and other similar service businesses are technically at risk of engaging in illegal money laundering simply for putting on a few shingles, fixing a leaky pipe, or safely wiring a building. In states where these are legally operating businesses, do opponents of this bill really believe hard-working tradesmen and women should be put in this impossible position?

A bipartisan coalition of 38 state and territorial attorneys general came out in support of this bill in the past, and we have strengthened it considerably based on feedback from the Department of Justice.

Nine sheriffs across Montana have publicly voiced support for this bill. To quote Lincoln County Sheriff Darren Short, “...*It concerns me that businesses have such a large amount of cash on hand, which is clearly a liability and a public safety issue. I also believe that any all-cash business is going to be rife with fraud, so it’s an accounting problem as I see it too. As far as marijuana legalization goes, the voters of Montana made that decision and now it’s our role to make it safe and make it work. I’m happy to support the SAFE Banking Act.*”

This bill does not legalize marijuana and I do not support federal legalization of marijuana. However, the people in states across this country have spoken, and it is abundantly clear that the status quo is not only untenable, it is dangerous. The SAFE Banking Act is a commonsense bill that can and should pass, and would immediately improve the public safety threats we are seeing on the ground. I ask my colleagues to look at this issue with open eyes and I look forward to hearing their input today.