



**WRITTEN TESTIMONY OF EMPIRE STATE GREEN STANDARD ALLIANCE  
JOINT LEGISLATIVE BUDGET HEARING ON ECONOMIC DEVELOPMENT  
RE: The Cannabis Supply Chain Integrity and Anti Inversion Act (S8951)**

Chairpersons, Ranking Members, and Members of the Legislature:

Thank you for the opportunity to submit testimony on behalf of the Empire State Green Standard Alliance. ESGSA is a New York based cannabis consumer advocacy organization focused on advancing safety, education, and fair policies that support cannabis consumers. From the perspective of New York State cannabis consumers, increased transparency, education, public health and safety, and fair competition are the primary reasons legalization earned public support and trust.

We write in strong support of the Cannabis Supply Chain Integrity and Anti Inversion Act, legislation that would directly address cannabis inversion, one of the most serious and under-recognized threats to New York's legal cannabis market. For consumers, cannabis inversion, or the practice of laundering illicitly produced cannabis into the regulated supply chain, represents a direct breach of trust in the regulated system they rely on for safe access.

Cannabis inversion is not a theoretical concern. It is already occurring in New York. It places consumers at risk, disadvantages compliant businesses, and undermines the State's economic development objectives for the adult use cannabis program. Consumers are the end point of this failure, as they unknowingly purchase and consume products that may not meet basic safety standards.

**Cannabis inversion undermines the foundation of a regulated market**

Legalization was premised on replacing an opaque and unsafe illicit market with a transparent, traceable, and accountable system. Cannabis inversion breaks that compact. Inversion occurs when cannabis products of unknown or illegal origin are falsely represented as compliant through fraudulent documentation, shell transactions, or compromised laboratory testing, allowing them to enter licensed retail channels. From a consumer standpoint, this erases the distinction between the illicit and regulated markets.

When inversion occurs, the safeguards embedded in New York's cannabis law, including seed to sale tracking, Good Manufacturing Practices, and independent laboratory testing, are

effectively bypassed. Consumers believe they are purchasing tested and regulated products, when in reality they may be consuming cannabis that contains pesticides, heavy metals, residual solvents, or mislabeled potency levels, as documented in [ESGSA's October 2025 white paper on inversion](#). This exposes consumers to unknown health risks and undermines informed decision making at the point of sale. This is not merely a compliance issue. It is a public health failure and a market integrity failure.

### **Inversion directly harms economic development goals**

From an economic development perspective, cannabis inversion is deeply corrosive.

Compliant New York licensees, particularly small operators, equity licensees, and early cultivators, bear substantial costs to follow the law. They invest in compliant cultivation, testing, packaging, and tax obligations. Inverted products, by contrast, evade these costs while accessing the same retail shelves. The result is an uneven playing field where bad actors can undercut lawful businesses on price while externalizing risk onto consumers and the State. Consumers are left unknowingly subsidizing unsafe products through a broken system.

This dynamic discourages investment, squeezes legitimate operators, and threatens long term market stability. Over time, it risks driving compliant businesses out of the market and pushing consumers back toward illicit channels, the opposite of what legalization was intended to achieve, to provide safe and quality cannabis products to consumers.

### **Recent enforcement actions demonstrate the scope of the problem**

Recent enforcement actions underscore that inversion is not hypothetical. In 2025, New York regulators expanded a statewide recall after determining that licensed operators had used cannabis material sourced from unlicensed out of state entities, raising serious concerns about product origin and testing reliability. At the same time, a New York cannabis testing laboratory faced proposed penalties and an industry ban for allegedly issuing unreliable Certificates of Analysis, effectively cleansing illicit products for entry into the legal market.

These two examples demonstrate a structural vulnerability and the potential harm to consumers that inversion creates. Without clear statutory definitions, enhanced penalties, and explicit enforcement tools, inversion will continue to exploit gaps between legislative intent and regulatory implementation. Each gap increases the likelihood that unsafe products reach consumers before problems are detected.

### **Why the Cannabis Supply Chain Integrity and Anti Inversion Act is critical**

The Cannabis Supply Chain Integrity and Anti Inversion Act directly addresses this vulnerability by strengthening supply chain integrity and making clear that sourcing cannabis outside the licensed system is not a minor infraction, but a serious offense with consequences commensurate with the harm it causes. This clarity is essential to prevent consumer harm before it occurs, rather than relying on recalls after exposure.

From ESGSA's perspective, the Act is critical for four reasons.

First, it clarifies expectations by establishing a definition of cannabis inversion along with administrative penalties therefor in statute. Second, it protects consumers by reinforcing chain of custody accountability and safety standards. Third, it supports compliant businesses by restoring fairness to the marketplace. Fourth, it reduces the likelihood of future recalls by preventing unsafe and untraceable products from entering the legal market in the first place.

### **Budgetary implications**

Statutory reform must be paired with sufficient enforcement resources. The Office of Cannabis Management and the Cannabis Control Board require adequate staffing, auditing capacity, and laboratory oversight tools to effectively address sophisticated supply chain fraud. Strong enforcement capacity is essential to timely recalls, accurate consumer notifications, and preventing unsafe products from reaching dispensary shelves. Investing in enforcement is an investment in protecting New York's cannabis revenues, public health, and consumer trust.

### **Conclusion**

Cannabis inversion is one of the greatest threats to the credibility and success of New York's regulated cannabis market. From the consumer perspective, it is also one of the greatest threats to safety and confidence in the legal system. The Cannabis Supply Chain Integrity and Anti Inversion Act represents a necessary and timely step toward closing loopholes, restoring confidence, and ensuring that New York's cannabis industry develops as a safe, transparent, and economically sustainable market.

On behalf of the Empire State Green Standard Alliance, and the New York State cannabis consumers it represents, we urge the Legislature to advance this legislation and to provide the resources necessary to enforce it effectively.

Respectfully submitted,  
Empire State Green Standard Alliance

---

The Empire State Green Standard Alliance is led by a distinguished board of experts advancing consumer protection, education, and fair policy in New York's cannabis market. Herb Barbot serves as Board Chair, drawing on his experience as the inaugural Director of Operations at the New York State Office of Cannabis Management. Joseph Levey, a Founding Partner at Helbraun Levey, oversees licensing and regulatory matters. Mark Wagner, Counsel at The West Firm, provides corporate and regulatory legal expertise. Linda Baldwin, former General Counsel to the New York State Office of Cannabis Management, brings deep institutional knowledge of cannabis regulation, enforcement, and consumer protection frameworks. And Tiffany Walters, CEO of New York State Cannabis Connect, contributes deep insight into workforce development, equity and community engagement. Joe Rossi serves as Chief Strategist, bringing more than 18 years of experience in New York State government relations.