

**Cannabis State Legalization Task Force**  
**May 9, 2018 – Meeting Agenda**  
**Compassion Programs and Taxation**  
**25 Van Ness Avenue, Room 610, San Francisco, CA 94102 | 1PM – 4PM**

**Task Force Proposed Goal**

In Year III the Task Force will develop recommendations to inform local regulations, particularly in Local Ordinance policy areas that could benefit from further development and assessment.

**Meeting Objectives**

- Finalize compassion program recommendations
- Discuss local taxation and develop recommendations

**1. Welcome, Agenda Review and Announcements**

- Jen Garcia, Task Force co-chair, Seat 20, reviewed the agenda and shared the upcoming (end of June) deadline for the Board of Supervisors to submit ballot measure language.
- Michelle Magee, consultant, went over some housekeeping. She reviewed the materials in the Task Force member packets. She gave an overview of how email correspondence is shared across the Task Force, in consideration of Brown Act requirements.

**2. Public Comment: Compassion Program Recommendations**

- No comments were provided.

**3. Action item: Finalize Compassion Program Recommendations**

- Terrance Alan, Task Force chair, Seat 19, shared that policymakers across the state are looking to this Task Force to make strong recommendations and guidance regarding compassion.
- The Task Force discussed Recommendation #1a (The City should allow retailers to hold a single M/A permit, under which they can sell on both the medical and adult use markets) and chose to remove this recommendation.
- The Task Force discussed Recommendation #1b (The City should further prioritize permit processing for applicants who remain on the M-only market, and those M-only applicants

may not apply for an A license until they have participated in the M market for at least two years) and chose to remove this recommendation.

- Then, the Task Force reviewed all previous Year 3 compassion recommendations. They made minor changes to the language of some recommendations, and took a straw poll vote to decide, among the compassion recommendations, which are (a) short-term priorities that should be acted on within the next 6 months, and which (b) are longer-term priorities.

#### 4. State policy updates

- Kasey O'Connor, Task Force Member, Seat 7, provided the following updates related to relevant cannabis state bills that are moving through the state legislature:
  - SB 930 (Hertzberg) would allow financial institutions to work with licensed cannabis businesses to: issue certified checks and conduct payroll; pay their state and local taxes and fees while lessening the burden on local government to collect and manage large sums of cash; pay their rent; and invest in California's economy. See here for more information:  
[http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201720180SB930](http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB930)
  - AB 1741 (Bonta) would waive the 10% payment penalty for non-electronic fund transfers for adult-use cannabis businesses. See here for more information:  
[http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201720180AB1741](http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB1741)
  - SB 1302 (Lara) would allow cross-jurisdiction delivery of cannabis. See here for more information:  
[http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201720180SB1302](http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB1302)
  - AB 3157 (Lackey et al) would temporarily reduce the state excise tax and temporarily suspend the state cultivation tax. See here for more information:  
[http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201720180AB3157](http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB3157)
- Eugene Hillsman, Office of Cannabis, provided one more state bill update:
  - SB 1294 (Bradford) would require the Bureau of Cannabis Control to establish a cannabis equity task force. It would also require the bureau to establish a state equity program to ease the burdens associated with obtaining a state license and participating in the cannabis industry for state applicants and licensees who meet certain criteria. It would also provide access to job training and help in securing capital. See here for more information:  
[http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201720180SB1294](http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB1294)
- Sarah Shrader, Task Force Member, Seat 21, provided one more state bill update:

- SB 1127 allows parents/guardians to administer medicinal cannabis on school site; my concern is that as an epilepsy treatment, it won't help if kids have to wait for their parents to come and administer the medicine. It would be good to expand it to include school nurses. See here for more information: [http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201720180SB1127](http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB1127)
- The Task Force discussed whether or not to formally urge San Francisco to take positions on any of these bills. Ultimately, the Task Force decided not to take positions as a body but instead to encourage individual participation and advocacy.

## 5. Public Comment: Taxation Recommendations

Public comment related to Agenda Item 8.

- John Muraco, representing Highwayz and OE: I'm a manager at a small startup delivery service in San Francisco. We need relief for taxes. We're a startup and we incur crazy taxes. We need tax relief to build up our company. We're competing against an illegal market. The medical market is going away and medical delivery services and storefronts need an easy transition into the recreational market. The licensing process is also hard and that makes it unfair. Also, the excise and sales taxes are not flat. It's a percentage increase, on top of others. So, the sales tax is 9% plus the excise tax. They all compound. The tax thing has to be worked out. All the small businesses will fail if we don't. For compassion programs, there has to be discounts for veterans and people that are sick. Taxes are too high and people are calling up who are crying. They need this, and we still give it to them but then we end up losing money.
- Ingrid Mezquita, representing First 5 San Francisco: I'm the Director of First 5 San Francisco. We're the Department that collects tobacco taxes on behalf of San Francisco and we sent a letter to the Task Force members regarding prevention. We're working on prevention, and our interest is especially around equity. The Task Force has identified an equity agenda and we want to make sure that you're being explicit about what you mean with equity and how it is operationalized. We're working with the Department of Public Health and through Family Resource Centers across the city to reach out to families and provide information regarding cannabis use and prevention.
- Troy: I wanted to touch on the importance of SB 930, and the importance of having a centralized bank so we can fund our communities. It's important that we have this to take a community that's suffering and give them something to build from. We could have offsite working environments for people getting into cultivation, and could come up with a Future Farmers of America thing. With a bank we could get folks to invest in the communities. And with the schools and colleges we could set up different programs like cultivation programs. And, with the equity thing, we need to pull young people to want to be involved in the market, and to pull young people off the streets. We can help

communities that have nothing. We have people who want to grow and be involved and change their communities, and these programs go hand in hand with being able to bank in their own communities.

## **6. Review Taxation Brief**

Tim Morrison, consultant, reviewed the Cannabis Taxation Issue Brief provided in the Task Force Member packets.

## **7. Break**

## **8. Action item: Taxation Recommendation Drafting Session**

- The Task Force discussed whether or not there would be value in a local tax on adult-use cannabis. Many different opinions were voiced, but the Task Force unanimously agreed that they should make tax recommendations to the Board of Supervisors.
- The Task Force discussed where in the supply chain a local tax should be applied, and agreed (with one member abstaining) that a sales tax would be preferable to a gross receipt tax because it allows consumers to see the tax line item, and know where their money is going.
- The Task Force clarified and all agreed that medical cannabis should be exempt from a local tax, but acknowledged that any local tax would impact the accessibility of medical cannabis.
- The Task Force discussed but did not reach agreement regarding whether the revenue from a local tax should be dedicated to a certain use or whether it should go to the General Fund.
- The Task Force unanimously agreed to recommend a “0 to 3%” local tax rate.
- The Task Force suggested other edits to clarify the intent of some of their past tax-related recommendations, but did not take formal actions on them.

## **9. Real Time Implementation Feedback**

- Nicole Elliott, Office of Cannabis, asked for comments regarding emergent implementation issues, including with regards to the proposed “600 Foot Buffer Permit Application Processing” rule. The 600-foot buffer states that storefronts may not locate within 600 feet of one another, and the rule proposes further specification regarding the order in which retail permit applications would be processed. Details can be found here: <https://officeofcannabis.sfgov.org/regulation/documents/cannabis-medical-cannabis-retail-and-600-foot-radius>
- Nicole Elliot also encouraged all Task Force members to sign up to receive OOC updates, which can be done here: <https://officeofcannabis.sfgov.org/>
  - Task Force Members shared these responses and comments regarding the proposed rule:

- Erich Pearson, Task Force Member, Seat 10, said it does not seem fair for existing operators to not be prioritized for permitting under the proposed rule.
  - Barbara Fugate, Task Force Member, Seat 16, said she cannot support the proposal if it does not address distance from schools and geographic concentration generally.
  - Terrance Alan, Task Force Chair, Seat 19, shared that it seems unfair because people will have to pay rent while waiting a long time to see if they will make it through the application process, and this would be especially hard for equity applicants if there are multiple equity applicants within a single 600-foot area.
  - Jesse Stout, Task Force Member, Seat 9, suggested that more clarity would help to explain how the rule would affect entities that change hands during the application process.
  - Kai Keli'ihō'omalū, Task Force Member, Seat 22, encouraged the OOC to review the preexisting non-conforming operators more expeditiously, and that they should not be put in front of equity applicants but perhaps bundled with other conforming operators.
- Eugene Hillsman, Office of Cannabis, shared an update on equity applicant processing. There have been 167 equity applicants, and 67 have been verified.

## 10. General Public Comment

- Brandon Brown, verified equity applicant: I run a delivery service and was co-founder of Eaze. I want to add to the tax conversation. A lot of you don't really understand that 1.5% is the average markup in the cannabis industry. The black market thrives because of the taxes, and now the black market is getting flooded which is further decreasing the black market and eroding the regulated market. Someone asked me recently to move a metric ton of [illicit market] cannabis. Over half of the delivery services no longer exist, and people aren't getting compassionate care because of that. I also wanted to talk a bit about tobacco and alcohol. Just now since I've been speaking, someone's died from those, but zero deaths from cannabis. Keep that in mind when using terms like "sin tax." Cannabis has been healing people for 10 to 15 years. People are dying right now because they don't have access to cannabis. There should be a separate skew for compassion; then, the manufacturer could charge us less and we could support compassion.
- Nina Parks: I want to talk about SB 930—the banking bill. It's good in theory but problematic. It would create a closed loop banking system, so business operators and payroll checks would be excluded. I saw a wonderful presentation recently by Jan Owens—the head of the Department of Business Oversight. She talked about what they would enforce had they taken on cannabis clients, and she could come here and give a great presentation on what cannabis banking could look like.

- Josef Airone, representing Sweetleaf Collective: We provide free cannabis to low-income and terminally-ill patients. I caution you about some of your wording. Some of what you discussed sounds like it's for compassion programs being run by current operators and not independent operators. I would encourage tax incentives for "working with compassion programs," because we're looking to do lots of partnering and sharing spaces, and so more careful language could help not only protect but also enable us to expand through shared space with existing operators.
- Bobby Bruno: If we are approved for a permit, we will be launching Peron Pay It Forward. We would ask customers to contribute their change, and when we open for business we won't have to worry about taxes, and patients will get the medicine they need. If any other operators are interested, we're open to it. We want to keep Peron's name alive in the memory of compassion.
- Troy: Related to compassion, don't forget the educational elements. There are new programs and we need to learn from them.

## 11. Wrap-Up and Next Steps

### Meeting Materials

- Agenda
- Issue Briefing Document
- Draft Compassion Program Recommendation Document

### Upcoming Task Force Meeting

DATE	TIME	LOCATION
May 9, 2018	1PM – 4PM	25 Van Ness Room 610

### Members Present

Israel Nieves (sub for Tomas Aragon)	Erich Pearson
Marifi Esteves Reis	Kevin Reed
Maggie Weiland	Sara Payan
Kasey O'Connor	Duncan Talento Ley
Nicole Kai Artega (sub for Erica Lingrell)	Thea Selby
Jesse Stout	Barbara Fugate

Laura Thomas

Terrance Alan

Jennifer Garcia

Sarah Sharader

Kai Keli'ihō'omalu