

Cannabis State Legalization Task Force
July 18, 2018 – Meeting Agenda
Taxation, Workforce and Youth
25 Van Ness Ave, 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

- Consider recommendations regarding local ballot measures to create Cannabis Commission and implement local tax ordinance.
- Discuss workforce issues
- Refine and update youth education recommendations

1. Welcome, Agenda Review and Announcements

15 min

- Jen Garcia, Task Force co-chair, reviewed the agenda, noting that things may move out of order due to timing of the presenters.
- Michelle Magee, consultant, went over some housekeeping. She reviewed the materials in the Task Force member packets and reminded members that there will not be a meeting in August.

2. Public Comment: Taxation Recommendations

- Adita Mystery, policy student looking to work in Cannabis industry. I have some opposition, or minor concerns, after going to the Board of Supervisors meetings. The amendments that were made were in the interest of the industry and took the industry opinions into account, but I have other concerns about how all the proceeds of the tax would be deposited into the General Fund and could be expended for any purposes. I have an issue with the proposition—it would be more useful for the revenue to go back to the industry in order to support compliance. Right now there's already an effort to change OOC and there is time involved in processing our applications especially for equity applicants. I feel like this would be better used for compliance and enforcement of getting the black market into compliance and for enforcing our compliance standards in this city—if the tax revenue could go there I feel like it should because that would be a more responsible use of this revenue. Thank you.

- Sarah Rodriguez, small business owner and Cannabis manufacturer, with Spirulinix. Based on the last Board of Supervisors subcommittee meeting, the tax doesn't seem to take into account the compound effect of the taxes. For example, a cultivator would maybe sell to an extractor and then a retailer and the tax would be imposed at each step of the process. I'm not sure how cannabis businesses are readily able to pay for that compounded effect. Also, at the last meeting at the end there seemed to be a study performed regarding how the increase in the tax might be able to be compensated for by the consumer. First of all, I got a hold of that memo but there doesn't seem to be citations in that memo, I would like more info on where those numbers came from. Last comment is that medical cannabis, if there is an exemption, what needs to be understood is that the medical cannabis flower is not distinguished from retail cannabis flower—the distributor would not be able to distinguish. That distinction at end is unclear and should be better outlined.

3. Action Item: Taxation Recommendations 25 min

Discussion and potential action regarding the proposed ballot initiative. This item will include any updates from Ad Hoc Tax Committee.

- Terrance Alan, Task Force chair, Seat 19, introduced Sophia Kittler, a legislative aide from Supervisor Cohen's office, who presented on the proposed November ballot measure to impose a new gross receipts tax.
- Please refer to the slides for a full overview of the presentation.
- Q&A following the presentation:
 - Israel Nieves, acting as an alternate for Tomas Aragon, Task Force Member, Seat 1, shared that considering a tax on those who are delivering into San Francisco may boost businesses.
 - Christopher Pepper, acting as an alternate for Erica Lingrell, Task Force Member, Seat 8, said that he appreciated that education is a priority and proposed the creation of an advisory body to help direct revenue towards key priorities. Sophia Kittler, legislative aide for Supervisor Cohen, said they can't create legally binding spending priorities in the proposal but explained that an advisory body could be created after the tax is passed.
 - Thea Selby, Task Force Member, Seat 14 said the Task Force has advocated for revenue not just for cannabis education, but also for general education and City College, and pointed out that this is not outlined in their uses.
 - Kasey O'Conner, Task Force Member, Seat 7, asked if local estimates for revenue would be more accurate than the state level estimates, and if there been any consideration of a tourism tax for people who come to the city and buy. Sophia Kittler, legislative aide for Supervisor Cohen, said their revenue estimates were made after the passage of Prop 64 and accounted for current information,

and are hopefully more conservative than the states' revenue estimates were. She said she was not able to speak to a tourism tax.

- Jesse Stout, Task Force Member, Seat 9, said he'd like to hear more about why the gross receipt tax needs to be as high as 5% and what about the spending priorities motivating the tax necessitate that it be so high, particularly in comparison to nearby jurisdictions like Sonoma, Hayward and Emeryville.
- Terrance Alan, Task Force chair, Seat 19, thanked Supervisor Cohen's office for taking leadership on this issue and pointed out that if Supervisor Cohen hadn't done this, someone else would have. Terrance reminded the Task Force that the cannabis industry is already going to pay the baseline gross receipt tax for San Francisco, and recalled that their desire in Year 1 was for the tax to go to certain mandates—which is not part of this proposal because it would trigger a 2/3 majority vote requirement. He said he has seen projections that this tax may create additional revenue of \$6 million and this revenue is not earmarked so it's going to get spent wherever needed by the government.
- Sarah Shrader, Task Force Member, Seat 21, asked Sophia Kittler to elaborate on the Land Use Loan Fund and Made in SF Logo mentioned in her presentation. Sophia Kittler, legislative aide for Supervisor Cohen, explained that Land Use Loan Fund is her own language for an idea they have to extend or create something to help businesses with improvements and coming into compliance, similar to the Rental Loan Improvement Fund. She said there's no SF Made platform, but that they do try to put forward SF businesses at City Hall.
- Through a straw poll, the Task Force decided not to amend or suggest further recommendations regarding the local tax. Terrance Alan, Task Force chair, Seat 19, invited members to make any final comments related to the tax before moving on
- Barbara Fugate, Task Force Member, Seat 16, said that as a neighborhood representative, she'd like to see revenue allocations dedicated.
- Duncan Talento Ley, Task Force Member, Seat 1, stated that he likes the idea of the implementation of the tax being moved to 2020.
- Jesse Stout, Task Force Member, Seat 9, said he thinks it could be helpful for the Task Force to revise and resend their letter to the Board of Supervisors with greater emphasis on the areas where we see differences or need for clarification. Terrance Alan, Task Force Chair, Seat 19, said that is within their power.

4. Action Item: Cannabis Commission

25 min

Discussion and potential action regarding the proposed ballot initiative and take questions from the Task Force members.

- Supervisor Fewer presented the following update on her proposal to create a cannabis commission: She said they are no longer putting it on the November ballot and explained that the commission she proposed was a 9-person commission with seats at the table for labor, industry, and workforce development. She explained that she wanted an oversight body with relevant expertise to let the Board of Supervisors

know when their good intentions are wrong, to raise challenges and barriers, and to explain what's not working, particularly around issues of taxation, permitting, and equity. She said she did not support the continuance of the Task Force and that the proposed commission would allow for citizen oversight and pushback to the supervisors.

- Jen Garcia, Task Force co-chair, Seat 20, asked for questions and comments from Task Force members.
- Christopher Pepper, alternate for Erica Lingrell, Seat 8, said that he appreciated the ideas for potential membership and said that SFUSD would love to be included in an advisory role in the future, given the school's role in cannabis education. Supervisor Fewer said that she was on school board in San Francisco for 8 years and she thinks the education piece is huge and that she believes education undertaken in schools will serve to educate parents too.
- Barbara Fugate, Task Force Member, Seat 16, thanked Supervisor Fewer for her explanation and asked whether she planned to have a seat for a neighborhood commission person on the commission. Supervisor Fewer said she would write down the idea of putting a neighborhood person on the commission and stated that they had also neglected to include a patient on the commission, but now they know they should.
- Sarah Shrader, Task Force Member, Seat 21, thanked Supervisor Fewer for her efforts in drafting recent. She asked what the difference is between the commission and the Task Force in regards to powers and authority. Supervisor Fewer responded that the commission would actually have oversight over the OOC, which would become a department. Permits would remain an administrative responsibility and would still be done by Planning. The Commission would provide expertise for points of contention but leave most administrative tasks to the Department.
- Sara Payan, Task Force Member, Seat 12, thanked Supervisor Fewer for coming and said that if there's going to be another body formed, she requests that it include people with knowledge of compassion programs. Supervisor Fewer agreed that the expertise of individuals involved with compassion programs is needed.
- Terrance Alan, Task Force Chair, Seat 19, thanked Supervisor Fewer for coming to speak.

5. Public Comment: Proposed Cannabis Commission

Public comment related to Item 4.

- Perry Jones, 3rd generation San Francisco resident, union member, painter, trying to enter the cannabis business. Thank you, Eugene and Ray, for your approachable aspect, for letting me come and get information and letting me know where to go. This is my first time coming to an event and I'm coming from a different perspective. I'm from the black market and disenfranchised. The conversations here are bubbly and sometimes confusing. I'm not a legitimate business owner like some of you all but I do have friends applying. I have a friend who was killed, a minor,

due to trying to medicate his PTSD. I want to commend you all for the progress. This has got me thinking more corporate and more about safe measures. Even my grandma used medication and my mom. It was never a taboo, and it was a way to educate me on the difference between dispensaries and dealers. It's just the way they do things. When I see a drug dealer doing things illegitimately, and that's the difference between the kids I work with and Juvenile Hall, there's a big distinction. I appreciate your work. Thank you for all your efforts and for the equity programs.

6. Break **10 min**

7. Spotlight Presentations: Workforce **45 min**

- State representatives—Don Merrill (Area Administrator, Division of Apprentices Standards) and Jon Ulrich (Chairperson, California Cannabis Workers Commission)—presented on the state's apprenticeship programs.
- Please refer to the slides presented by Don Merrill for an overview of the presentation.
- Don Merrill, Area Administrator, Division of Apprentices Standards, explained we are currently at the intersection of two paradigm shifts: an emerging industry that is brand new—occupations haven't even been established yet—and, apprenticeship is making a resurgence. He explained that the first laws related to apprenticeship were enacted in America in 1937, then in California in 1939. Since 2014, the state of California and the federal government are investing in apprenticeship in response to the level of educational debt. He stated that in apprenticeship, you earn while you learn, and that it's been a proven success for over 75 years in CA. There are over 1000 apprenticeable occupations in California. He estimated that in this new industry there will be a minimum of 10 new trades, probably more like 25-50. He explained that apprenticeship is monitored and certified by the State of CA and that there is current legislation toward us regulating pre apprenticeship also. He said they can negotiate those agreements with apprenticeship programs to target certain segments of the population and promote diversity. He stated that there are now 4 unions involved looking at different aspects of the industry: Teamsters, Labors, Longshoremen, and United Fruit Commercial Workers.
- John Ulrich, Chairperson, California Cannabis Workers Commission, explained that people recognized that you can't necessarily give someone with a headache the same type of cannabis as a person with Stage 4 cancer, and that people wanted to come up with a system for training people to work in the dispensaries. He explained that the state has a program for

- apprenticeship that can do this training for free. He explained that you have to start from zero with a new industry like this and you have to talk to experts to get consensus on how things should go across the state. He said there are now over 160,000 workers in the state that do this and that other unions have gotten involved as well. The Teamsters are experienced with delivery and distribution. The Longshoremen are involved in the cannabis industry in the East Bay. He said no other apprenticeship program has different unions involved—but in this case, they all work together.
- Don Merrill, Area Administrator, Division of Apprentice Standards, explained that apprenticeship programs have always had a focus on diversity. He explained that they have five offices in the state that will work with committees to do outreach to target any portion of population for which they are not meeting those goals. He estimated the state now has about 84,000 apprentices, and the majority of them are minorities, while also acknowledging that they have failed to meet their goals in targeting women. Right now 8% of the apprentices are women, whereas the minimum should be 23%. Based on the population statewide, he said this proportion should be closer to 50%.
 - John Ulrich, Chairperson, California Cannabis Workers Commission, said that apprenticeship's connection to promoting diversity in the workplace goes back to the civil rights movement during the '60s and '70s. He also stated that apprentice programs have always done what they could for veterans.
 - Don Merrill, Area Administrator, Division of Apprentice Standards, explained that one reason the governor recommended that a master committee oversee the cannabis industry on apprenticeship is because of public safety, as well as worker safety. He said it's important for people to be trained uniformly throughout the state, and that the industry needs to step up and establish those guidelines, which is part of what the Task Force is doing.
 - Q&A:
 - Israel Nieves, acting as an alternate for Tomas Aragon, Task Force Member, Seat 1, asked whether they are working with Occupational Safety and Health Administration (OSHA), because they set industry standards. He asked what the general labor rights are we should know and whether they educate apprentices to those laws.
 - Don Merrill, Area Administrator, Division of Apprentice Standards said that there's the basic labor code and there's also the California Code of Regulations, Title 8, Section 200. He explained that there's lengthy history of additional protections for apprentices. He said they don't have regular OSHA inspectors but they do work with one branch of OSHA at a high level. He pointed out that this industry has been in the gray market for 40 years, and said that he thinks the

Department of Industrial Relations is the place, or the Department of Labor, to help workers get employment and to make sure they are protected, and at the same time meet the needs of employers without being burdensome.

- John Ulrich, Chairperson, California Cannabis Workers Commission, said that worker safety and rights are a big priority and gave an example of the need to educate people that they have a right to be paid in cash rather than bags of cannabis.
 - Jen Garcia, Task Force co-chair, Seat 20, explained that even in states where cannabis is not legal, workers are still protected with all their rights, and they can come forward to raise issues.
 - John Ulrich, Chairperson, California Cannabis Workers Commission, said that since they started, Oregon, Washington and Minnesota have taken their model to their states, and that their apprenticeship model has now been brought to 28 or 29 states.
- Terrance Alan, Task Force chair, Seat 19, introduced Kat Daniel, Deputy Director of the Office of Economic and Workforce Development, to give an overview of the First Source Hiring program.
 - Please refer to the slides for an overview of the presentation.
 - Q&A:
 - Sarah Shrader, Task Force Member, Seat 21, asked how we can prevent people from losing their jobs as a result of these requirements and whether businesses are supposed to meet these requirements solely through new hires. Kat Daniel, Deputy Director, San Francisco Office of Economic and Workforce Development, said that they don't want to lose any jobs and that they want the requirements to be achieved through new hires.
 - Thea Selby, Task Force Member, Seat 14, said she agrees that working with apprenticeships makes perfect sense and she think it's an inspiring idea that people who have suffered in the past will be paid while learning about a new sector. She asked whether First Source is also working with City College of San Francisco and San Francisco State University. Kat Daniel, Deputy Director, San Francisco Office of Economic and Workforce Development, said that City College of San Francisco (CCSF) is an integral partner for them overall.
 - Israel Nieves, acting as an alternate for Tomas Aragon, Task Force Member, Seat 1, stated how important it is to make sure businesses are continuing to demonstrate progress toward these goals. He said

the Department of Health is getting a lot of extension requests and that they won't issue them if the businesses don't show progress.

- Terrance Alan, Task Force Chair, Seat 19, said that it's important to recognize the huge shift the cannabis industry has been undergoing, from a focus on not getting caught to now filling out significant amounts of paperwork. He requested patience as the industry navigates this process.

8. Implementation and Legislative Discussion 10 min

Task Force members to share feedback regarding the implementation of current cannabis regulations in San Francisco and discuss any related, emergent legislative items pending before the Board of Supervisors.

- The Task Force did not get to this item.

9. Spotlight Presentation: First 5 San Francisco 10 min

- Terrance Alan, Task Force Chair, Seat 19, invited Ingrid Mezquita, the Executive Director of First 5 San Francisco to provide a brief presentation on the potential impacts of the cannabis industry on children and their families.
- Please refer to the slides for an overview of the presentation.
- Ingrid Mezquita, Executive Director, First 5 San Francisco, presented an overview of First 5 San Francisco and children's development more generally. She shared that First 5 San Francisco is a county department that is funded by the state's tobacco tax. Their revenue has declined from about \$11 million to \$6 million annually. Their focus is to ensure sound public policies for children in the first 5 years of life. 90% of brain development occurs in the first 3 years of life. They have 3 key investment areas: high-quality early education, family support, and universal screening to identify children for developmental delays. But, disparities for school readiness are very severe. For us, equity means we need to interrupt this pattern. The cannabis industry is benefitting from something that will have long lasting impact on communities. The War on Drugs goes back to Jim Crow and slavery and so this is the time and moment where the cannabis industry and others can look at doing some reparations, and we hope that as the Task Force looks at how you craft your policies related to the priorities of how local sales tax is used, we hope that you take this into consideration, to make sure that kids, early on, before being weighed down, that investments are made early, like at the prenatal stage. We can do short-term fixes but we need to look at long-term systemic changes to interrupt patterns that have been established by a long legacy of poor policy building.
- No time was available for Q&A.

10. Public Comment: Youth Education

Public comment related to Item 11.

- No comments were provided.

11. Small Group Activity: Develop Youth Education Recommendations 35 min

Task Force to review their youth and education recommendations from Years 1 and 2 as well as the key points from the June 13, 2018 meeting. Small groups will then develop updates / additions to past recommendations.

- Task Force did not get to this item.

12. General Public Comment

- Dayan Baron: I do a payments system for the cannabis industry to be used for tracking revenue. I built software for this purpose and I can save people a lot of pain and tax dollars, so you can track where sales go. I would love to talk to you if you want to meet. If you want to know more, please let me know.

13. Wrap-Up and Next Steps 5 min

- Eugene Hillsman, Deputy Director, Office of Cannabis, explained that Nicole Elliott was not there because she was meeting with federal representatives. He offered a brief update from the Office of Cannabis, stating that they have opened up their equity applications, and have received 80 applications so far, the majority on Day 1. He said there are currently 71 incubators interested in supporting equity applications, and thanked the Task Force members, encouraging them to go to the OOC website for more updates and information.

Meeting Materials

- Agenda
- Slide deck
- Legislative digest regarding local tax ballot measure and Cannabis Commission ballot measure
- Youth and education recommendations table (from Task Force Years 1 and 2)
- Summary of youth and education presentations from June 13, 2018 meeting

Upcoming Task Force Meeting

DATE	TIME	LOCATION
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September 12, 2018

1PM – 4PM

25 Van Ness, Room 610

Meeting Accessibility

Wheelchair Accessibility

The September 12th meeting of the Cannabis State Legalization Task Force will be held at 25 Van Ness, Room 610. The building is accessible by wheelchair on Van Ness Avenue. The 6th floor is accessible by elevator and room 610 is accessible by a chair lift.

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Other

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