

## **ATTACHMENT E – Board of Supervisors Report – December 11, 2018**

### **Update on State and Local Cannabis Regulations:**

#### **Bureau of Cannabis Control (Bureau)**

The Bureau is currently issuing temporary licenses for cannabis event organizers cannabis distributors, retailers, testing laboratories, microbusinesses. The Bureau is now allowing individual cannabis businesses to apply for and obtain one license to serve both the medicinal and recreational markets. On October 19, 2018, the Bureau released proposed changes to the draft permanent regulations for a 15-day public comment period; the proposed regulations can be found at the following link: <https://cannabis.ca.gov/cannabis-regulations/>. These regulations are expected to be the permanent regulations once the draft is approved.

#### **California Department of Food and Agriculture (CDFA) – CalCannabis Cultivation Licensing**

CDFA is responsible for issuing 18 types of cannabis cultivation licenses including indoor/outdoor/mixed-light cultivation licenses, nursery and processor licenses (cultivation site that does trimming, drying, curing of non-manufactured cannabis). On October 19, 2018, CDFA released proposed changes to the draft permanent regulations for a 15-day public comment period; the proposed regulations can be found at CalCannabis Cultivation Licensing website at <http://cannabis.cdфа.ca.gov/>. These regulations will replace the emergency regulations that the CDFA is currently operating under.

CDFA/CalCannabis is currently in the process of holding public workshops throughout California to solicit input on establishing the framework for the CalCannabis Appellations Project. CDFA is required to develop a process that would allow state licensed cultivators to establish an appellation to cannabis grown in certain geographical areas.

CDFA set a deadline of December 1, 2018 for current holders of temporary licenses to apply for extensions. The CDFA is moving from temporary licenses to provisional licenses until annual licenses are authorized. Provisional licenses are acting as a bridge from temporary licenses to annual licenses. These provisional licenses are to expire January 1, 2020.

#### **California Department of Public Health (CDPH) - Manufactured Cannabis Safety Branch (MCSB)**

The MCSB is currently issuing temporary licenses for four types of cannabis manufacturing:

Type 7 – produce an extract or concentrate using a volatile solvent

Type 6 – produce an extract or concentrate using a mechanical method or non-volatile solvent such as CO2 and ethanol

Type N – produce edible or topical products other than extracts or concentrates

Type P – package cannabis products or label cannabis product containers/wrappers only

As of July 1, 2018, all cannabis goods must meet all the statutory and regulatory requirements for testing, packaging and labeling, THC limits for edible and non-edible cannabis products as proposed in MAUCRSA (Medical Adult-Use Cannabis Regulatory and Safety Act). On October 19, 2018, CDPH published proposed changes to the draft permanent regulations for a 15-day comment period; the proposed changes may be found at [www.cdph.ca.gov/mcsb/rulemaking](http://www.cdph.ca.gov/mcsb/rulemaking). These regulations will replace the emergency regulations that the MCSB is currently operating under.

CDPH is continuing to expand on its “Let’s Talk Cannabis” initiative to share science-based cannabis awareness information (<https://www.cdph.ca.gov/Programs/DO/letstalkcannabis/Pages/LetsTalkCannabis.aspx>).

### State Enforcement

State enforcement actions are taking place by all three state agencies – hotlines have been established to report illegal cultivation – 1-800-WEED-TIP and there are online forms available on the CDPH website for anyone wishing to report an unlicensed operator or unsafe product. There have been a number of press releases stating the types of enforcement action being taken on unlicensed operators as well as the destruction of unlicensed cannabis and cannabis products.

### California Department of Tax and Fee Administration (CDTFA)

As of August 2018, the CDTFA has reported revenue of \$74.2 million from cannabis sales beginning January 1, 2018 which includes the state cultivation tax of \$4.5 million, 15% excise tax of \$43 million and sales tax of \$26.3 million.

The state's cultivation tax rates are:

- \$9.25 per dry-weight ounce of cannabis flowers,
- \$2.75 per dry-weight ounce of cannabis leaves, and
- \$1.29 per ounce of fresh cannabis plant (must be weighed within two hours of harvesting)

The state's excise tax rate is:

- 15% of the "average market price" when purchased at retail

California City and County Sales and Use Tax:

- applies to retail sales of cannabis and cannabis products after the excise tax has been added
- does not apply to medicinal cannabis purchased by a holder of a California Medical Marijuana Identification Card issued by a county health department

### **Summary of Solano Cities Cannabis Ordinances**

Since January 2018, cities within Solano County have been holding community meetings and developing their own cannabis regulations.

#### City of Fairfield

The City of Fairfield adopted a ban on all commercial cannabis activities and allows personal cultivation as defined by State law; 6 plants grown within a private residence or within an accessory structure located on the grounds of a private residence.

#### City of Vacaville

The City of Vacaville continues their moratorium on commercial cannabis activities. On November 13, 2018, the City Council approved the first reading of a home cannabis cultivation ordinance allowing 6 plants to be grown indoors in a private residence or an accessory structure. A second reading is scheduled for December 11, 2018. City of Vacaville staff anticipates a draft commercial/industrial cannabis ordinance will be developed in 2019.

#### City of Vallejo

The City of Vallejo has had medical cannabis dispensaries operating for a number of years, they have currently approved the sale of recreational cannabis within the existing medical dispensaries. There is an emergency ordinance allowing cultivation, distribution and manufacturing of medicinal cannabis by existing licensed dispensaries. Vallejo continues to study the possibility of regulating other medicinal and recreational cannabis businesses.

#### Cities of Dixon and Rio Vista

The cities of Dixon and Rio Vista have approved cannabis retail stores, cannabis cultivation and manufacturing businesses including a microbusiness in Rio Vista. There is a retailer in operation in Dixon and a microbusiness in operation in Rio Vista. At an October 2018 Dixon City Council meeting, the Council took the first step in revoking a Development Agreement and Conditional Use Permit for a commercial cannabis development to be located off Vaughn Road due to failure to follow the conditions of the agreement.

#### City of Suisun

The Suisun City Council recently approved cannabis regulations which would allow a retailer and other cannabis activities in certain zoning districts. The zoning districts approved for retailers are along Railroad Avenue. Future locations of other commercial cannabis businesses would require proposal by developer.

The voters in Suisun passed Measure C on November 6, 2018 which would allow up to a 15% tax on gross receipts for commercial cannabis businesses and a \$25.00 per square foot for commercial cannabis activities.

#### City of Benicia

Benicia has approved an ordinance that would allow up to two retailers, one microbusiness and other cannabis businesses in certain areas of the city. The City of Benicia recently held an RFP process for the two retail operations and nine applications were received.

On November 6, 2018, Benicia voters approved Measure E which allows up to 6% tax on cannabis business gross receipts and a \$10.00 per square foot of canopy for cultivation operations.

#### **Overall Statewide Trends**

Because 2018 is an election year, there were a number of cannabis tax measures on the ballot on November 6<sup>th</sup>. There were a total of 78 cannabis tax measures statewide; of those, 73 tax measures passed and 5 failed. The 5 that failed were citizens measures that also include cannabis legalization provisions.

In overall cannabis sales, cannabis flower (41%) and vapor pens (33%) make up the majority of cannabis sales in California. Edibles, concentrates (tinctures), and pre-rolled cannabis products make up the smallest percentage of sales.