

BACKGROUND REPORT

CALIFORNIA CANNABIS AUTHORITY

The Need for Data

The data platform will aggregate data from multiple sources including cultivation sites, point of sale, taxation and socioeconomic data. By combining all of these data points, Mendocino County will be provided with targeted and defensible data, ensuring that what is being reported and what is occurring truly coincide.

The data platform can be used to ensure that adequate tax payments are being made; assist County departments with information updated in “real time” which will help the speed of compliance; provide public health officials with product information, including product origin and product flow; and inform community planning efforts by understanding locations, concentrations and potential past or future land use patterns. In addition, as more jurisdictions use this tool and the data platform is populated with data, CCA members will have a broader picture of cannabis activity throughout the state and access to information outside of their jurisdiction.

For Mendocino County, compiling this critical data into one location will not only make it easier to ensure public safety guidelines are being met, but it could serve as a critical link to Cannabis Related Businesses (CRBs) and help the long-term viability of an industry that is linked to Mendocino’s future.

Linking Data and Financial Institutions

In addition to the cannabis and finance tracking aspects of the CCA, the CCA is also intended to help solve another industry problem: Banking. Because of the existing federally prohibited status of cannabis, most banking institutions (chartered at the federal level) are unable or unwilling to open accounts for operators in the cannabis industry, despite its legality in the State of California.

To work with CRBs, financial institutions must comply with the rigorous monitoring and reporting requirements needed to potentially utilize banking functions. Institutions must make sure CRBs are not violating state laws or engaging in activities that the federal government considers law enforcement priorities. For each cannabis customer, financial institutions must complete special money laundering and suspicious activities reports. These are onerous requirements that demand extensive staff time.

The CCA hopes to ease this burden by providing detailed information on each CRB to contracting financial institutions, formatted to fit the institution’s regulatory reporting requirements. Providing financial institutions with comprehensive licensing and regulatory data on CRBs is the single most important step California can take to increase banking among CRBs.

The State Treasurer’s Office has also worked with CSAC regarding these banking issues for CRBs, and the Mendocino County Treasurer-Tax Collector, Shari Shapmire, has participated with the Tax Collector’s association to help identify solutions to solve the cannabis cash banking problem that Mendocino County and other jurisdictions continue to face.

Governance

The data platform will be developed and managed by the JPA, which is a contract between two or more public agencies to exercise, jointly, all power(s) common to each of them, for the purpose of accomplishing specific shared goals. As set forth in the JPA agreement – as drafted and proposed by CSAC dated January 12, 2018 – member counties will comprise the governing body of the organization. Cities and other public entities will be allowed to participate in the JPA and access data,

but will not be part of its governance structure. Financial institutions will have access to CCA data by contract. Non-member, public entity participants will be allowed to join CCA by contract as well.

The Board must execute the Agreement to join the JPA. It should be noted that jurisdictions desiring CCA data access must require cannabis businesses operating within their jurisdiction to provide specific information to the JPA. By agreeing to join the CCA, and pursuant to the terms of the JPA agreement, the county may need to adopt new ordinances and/or change or conform existing ordinances in order to implement the JPA agreement. For example, the CCA would like all CRBs within a jurisdiction to participate in sharing their data with the CCA, and Mendocino County may need to alter its current ordinances to ensure compliance from CRBs.

As of the date of this report to your Board, Humboldt, Monterey and San Luis Obispo counties have already execute the JPA agreement and join the CCA. The first meeting of the CCA Board of Directors is being planned for March 22, 2018.

It is recommended that Mendocino County Board of Supervisors executive the Agreement to join the CCA at this time, so that Mendocino County may benefit from being an “early adopter” by having a seat at the table as the JPA gets underway, particularly in discussion of financing parameters (e.g., approving costs of operation and membership fees) and other issues typically taken up when an organization is first formed (e.g., the development and approval of Bylaws).

Appointment

Each member county must have at least one individual designated to serve on the CCA Board of Directors. Monterey and San Luis Obispo counties recently passed resolutions to join the CCA and assigned their respective Treasurer-Tax Collectors to serve on the Board. Monterey County appointed two of its supervisors to serve as alternates. Humboldt County appointed Supervisor Estelle Fennel as the member and the Treasurer-Tax Collector as the alternate. Shari Schapmire, Mendocino County Treasurer-Tax Collector, has expressed her willingness to serve on this board.

It is recommended that the Board designate one official, as well as an alternative, concurrent with your approval of the execution of the JPA Agreement so that the designated Mendocino County official may begin participating in the CCA Board of Directors meetings.

Funding

Start-up funding will be provided by CSAC, but the desired model recommended by CSAC for ongoing funding is fee-based. Currently, CSAC has recommended that membership fees be paid by each city or county, and will be dependent upon the total sales within the jurisdiction. The current recommendation by CSAC would have each member agency pay a fee equal to 0.35 percent of sales (or \$3,500 for every \$1 million in retail and cultivation sales) within their jurisdiction. While this is the current proposed model, it should be noted that the CCA Board of Directors must eventually decide how it will fund itself and this revenue model could be rejected. In addition, please note that there may be changes to the amount of membership fees that will be paid by Mendocino County as the CCA becomes more established and as more members join the CCA. This item recommends the county’s membership fees be paid using revenues derived from the Cannabis Business Tax; however, the Board may also consider alternative funding sources to pay the CCA-associated membership fees.