

To the Board of Supervisors:

We would like to take a moment to express our agreement with the recommendations proposed by the Mendocino Cannabis Alliance, of which we are members, in regards to the proposed cannabis fees being discussed by the board. Given the stated goal of the Board to treat cannabis more like agriculture, creating fee structures that provide parity for cannabis operators is an important component of that treatment.

As we continue to work down this regulatory path to full approval for annual permits, we within the industry continue to see prices drop and are finding it extremely difficult to get product to market. You can speak with a number of cannabis business folk across the whole state and everyone is experiencing the same thing. We are all stuck with a lot of product and it has nowhere to go. The market appears to be in a stand still with no way for us to get product to market. There are still many parts of California that have not opened up opportunities for the regulation of cannabis, making the market much smaller as producers continue to pump out more product. Those with vertical integration are having a way easier time getting their products on shelves while the rest, well... it appears like this year will be a hard one for many, as they will potentially end up sending all their top shelf flower to distillation, losing much of the value of their crop. We have to expect the market to continue to be unstable.

This being said, it will only get worse from here. And so we ask for fee structures to be reconsidered as it will push many out of the legal framework because the cost of production will not be level with the cost of regulation.

Please do yourselves a favor and continue to monitor the inner workings of the industry. We know it's a lot to handle when you are all involved in making decisions for many various communities and the various inner working of local government. Your hands are full and I'm sure the stresses of pleasing the many takes its toll. But staying properly informed on every decision you all have to make is quite important in every stage of the game.

I thank you for your taking the time to read my words on this page and for the hard work that has to continue to be accomplished by your staff.

If I may share this write up that came across my plate yesterday to help put some things in perspective:

“For better or worse, California has a notorious relationship with cannabis.

The Emerald Triangle not only is one of the largest cannabis-producing regions in the U.S., but its legacy farmers have crafted world-class harvests that represent a prototype for the present-day industry.

During the Summer of Love in 1967, when upward of 100,000 people converged in San Francisco's neighborhood of Haight-Ashbury, sex, drugs and music triggered a rippling social scene up and down the West Coast and across the U.S., stamping a chapter in history. But Californians and their cannabis communities were dubbed rebellious even before that social phenomenon attracted world attention.

Old habits die hard.

While California was the country's pioneer in the passage of Proposition 215—its 1996 voter-approved ballot measure to legalize medical cannabis—four other states beat California to the punch with adult-use legalization, including Pacific Coast sister states Washington (2012) and Oregon (2014). California voters passed their adult-use measure, Prop. 64, in 2016.

Nearly five years later, the legal market is still struggling to catch fire, which, in part, is because of a complicated regulatory framework, licensing hurdles and a heavy tax burden. The Legislative Analyst's Office (LAO)—a nonpartisan fiscal and policy research institute for California's Legislature—estimates that adult-use cannabis businesses operate in less than one-third of jurisdictions statewide.

Meanwhile, the illicit market continues to bloom. On July 7, the Los Angeles County Sheriff's Department announced the results of a 10-day sting operation that involved more than 400 law enforcement personnel, who seized \$1.2 billion of illegal cannabis last month in Southern California and arrested 131 Mexican, Chinese and Armenian cartel members.

Investigators said that the operation accounted for only 40% of the illegal outdoor grows in the county, where up to four harvests per year can materialize. If those illicit grows went uninterrupted by law enforcement, Los Angeles County alone would have shadowed the state-legal market, which brought in \$4.4 billion of retail sales in 2020.

In February, state Sen. Nancy Skinner introduced legislation to loosen some of the licensing and regulation constraints by expanding resources to help city and county governments that don't have the wherewithal to oversee legal cannabis operations access a state program that would manage certain bureaucratic functions for them. That legislation passed the Senate Appropriations Committee May 3.

Last month, the California Legislature approved a plan to funnel \$100 million toward its cannabis industry in an attempt to boost the legal market by helping businesses transition to more permanent licenses. According to Gov. Gavin Newsom's May budget summary, approximately 82% of California's cannabis licensees held provisional, or temporary, licenses as of April 2021.

The \$100 million in grant funding aims to help cities and counties assist cannabis businesses in completing time-consuming and complicated environmental studies around the impacts of their operations and how they can reduce potential harms—a required step toward securing a more formal annual license.

A mandate to move all businesses from temporary licenses to formal ones was meant to occur in 2019, but the deadline has since been bumped (twice) to Jan. 1, 2022. Newsom is now pushing for that deadline to be extended another six months.

Although the proposed extension has drawn opposition from various environmental groups, the absence of an extension could result in several licensees falling out of the legal cannabis system, curtailing the state's efforts to eradicate the illicit market.

But the environmental impacts associated with unregulated growers using banned pesticides, fertilizers and stolen water for their illegal crops are far worse.”

-Tony Lange, Associate Editor Cannabis Business Times

Sincerely,
Gerasimos and the Herbanology Team