TO: Honorable Board of Supervisors
FROM: Supervisor Jim Holmes, District 3
SUBJECT: Cannabis Policy Workgroup Update

DATE: August 15, 2017

ACTION REQUESTED
Receive an update on the Medical Cannabis Policy Workgroup and provide direction as appropriate.

BACKGROUND
On November 22, 2016 your Board adopted an ordinance that prohibited all commercial cannabis activities and created a comprehensive set of rules for personal cultivation. At that meeting, your Board also requested the formation of a Cannabis Policy Workgroup (Workgroup) to be chaired by Supervisor Holmes. The purpose of the Workgroup was to further explore issues associated with providing safe patient access to medical cannabis.

Following that Board direction the Workgroup was formed, comprised of the following Placer County participants: District 3 Supervisor Jim Holmes, Board of Supervisors Chair and District 5 Supervisor Jennifer Montgomery; Public Health Officer Dr. Robert Oldham; Agricultural Commissioner Josh Huntsinger; Director of Environmental Health, Public Health, and Animal Services Wesley Nicks; Deputy County Executive Officer Bekki Riggan; Chief Building Official Timothy Wegner; and Children’s System of Care Public Educator Christina Ivazes; as well as non-Placer County participants: Kimberly Cargile, Patient Advocate and CEO of A Therapeutic Alternative; and Casey Brown, Board Director for Placer County Growers Association.

The workgroup was facilitated by Matt Eaton, Cannabis Compliance Manager for HDL Companies, who is a 20 year retired law enforcement officer with 5.5 years working for Colorado’s Marijuana Enforcement Division. Mr. Eaton was contracted to develop key topics of discussion, facilitate Workgroup meetings, and prepare a final report. The Workgroup met in a series of eight meetings from March 8th through August 2nd 2017. Key topics discussed included: cultivation and manufacturing, transportation, distribution and testing facilities, edible and concentrate production, product safety and packaging, inventory tracking, safety and packaging, and dispensaries and mobile delivery services.

At the conclusion of the meetings, a survey was prepared and distributed to Workgroup participants seeking input on the key discussed. In addition, Workgroup members were asked to provide their concerns and/or cautions for any future discussions related to medical cannabis policy.

Key Survey Results:
The survey reflected that 100% of participants believe that Placer County’s current ordinance only allowing for personal cultivation does not provide safe access to medical cannabis for all patients. 90% of participants believe that a regulated commercial medical cannabis program best protects public health and safety, rather than continuing the ban on all commercial medical cannabis activities. 70% of participants responded that indoor cultivation best protects public health and safety.
While 100% of participants believe that dispensaries are necessary to ensure safe access for all patients, the workgroup was divided on the issue of mobile delivery services.

Workgroup participants provided their concerns and cautions regarding a variety of key elements:

- Ensure proper zoning to reduce or address nuisance complaints and neighborhood conflicts.
- Address environmental concerns such as water theft, water quality impacts, and odor issues.
- Ensure proper use and storage of hazardous materials such as pesticides, fertilizers and volatile chemicals.
- Enact regulations that ensure access only by qualified patients, with particular emphasis placed on reducing access to youth.
- Provide strict limitations on the size and scope of any commercial cannabis industry.

ATTACHMENTS
Attachment 1 - Medical Cannabis Policy Workgroup Survey Results
Attachment 2 - HDL Report
Placer County Medical Cannabis Policy Workgroup
Survey Results - July 2017

Q1
Considering all topics discussed in the workgroup sessions, how do you define “safe patient access”?

The ability for patients in Placer County to access medicine that has been responsibly cultivated, manufactured, tested and distributed within an industry with proper oversight and regulations in place. 8/3/2017 12:06 PM

Properly tested and labeled high quality products available within reasonable proximity to medical patients, staffed by trained and knowledgeable employees. 7/27/2017 4:16 PM

The County providing a comprehensive regulatory structure for a license types in State regulations. 7/27/2017 12:57 PM

Safe patient access is defined as the ability for a patient to receive their medication safely without risk. 7/27/2017 6:59 AM

Strong regulation from seed to sale 7/26/2017 10:34 AM

Safe patient access is a means of ensuring the product reaches the intended user in a way that does not create hazards or risks for the unsuspecting community by controlling the product from origin to point of sale. 7/25/2017 8:38 AM

Regulated system to ensure all patients have reasonable access to cannabis products. 7/20/2017 11:07 AM

Safe patient access means that all residents who have a medical need for cannabis are able to obtain what they need either through their own cultivation, or by purchasing products in a safe, regulated, and legal manner. 7/20/2017 10:17 AM

All patients who have a legitimate medical need are able to access a regulated medical cannabis. Accessibility (time and distance) should be similar to other medical service. 7/19/2017 8:26 PM

Access that is clearly regulated and controlled--but also readily available to those with identified medical needs. 7/19/2017 5:23 PM

Q2

Does Placer County’s current “personal cultivation only” ordinance ensure safe access to medical cannabis for all patients?

100%
80%
60%
40%
20%
0%

Yes
No
Q3

On a scale of 1-3 please rate how well the current ordinance achieves the following criteria related to safe patient access to medical cannabis:

1. Reliable Testing for Potency and Contaminants
2. Reliable Package Labeling for Potency / Uses and Dosage
3. Safe and Regulated Retail / Dispensary Access
4. Clear Distinctions between Black Market and Ethical Operators
5. Safe Access for those with Physical/Health Limitations or Whose Housing Prevents Personal Cultivation
6. Reasonable Safeguards for Preventing Youth Access (Controlled Access Point, Childproof Packaging, etc.)
7. Proper Zoning and Safety Regulations

• 1 - Does not achieve this criteria  
• 2 - Somewhat achieves this criteria  
• 3 - Best achieves this criteria

Q4

Which policy position best protects public health and safety?

- Continue to ban all commercial medical cannabis activities.  
- Develop a regulated commercial medical cannabis program.
Q5

On a scale of 1-3 please rate how well each method of cultivation protects public safety and quality of life:

![Graph showing rating scale for different cultivation methods.]

- **Indoor Cultivation**
  - 3 - Best Protects Public Safety and Quality of Life
  - 2 - Somewhat Protects Public Safety and Quality of Life
  - 1 - Does not Protect Public Safety and Quality of Life

- **Outdoor Cultivation**

- **Mixed-Light Cultivation**

Q6

Please describe your primary concerns or cautions related to the following aspects of a regulated medical cannabis program:

**Concern or caution related to Cultivation**

Proper zoning, setbacks, safeguards, inspections, and oversight 8/3/2017 12:06 PM

I do not want to see huge open fields of cannabis growing in remote or urban areas 7/27/2017 4:16 PM

The criminal elements associated with the unregulated "black" market. 7/27/2017 12:57 PM

Increasing cultivation will increase youth access and acceptance of cannabis use for non-medical purposes because "if it is ok for patients, and recreational use, it must be ok for me; especially if our government supports it." 7/27/2017 6:59 AM

Land use policy 7/26/2017 10:34 AM

Limit impacts to neighbors (odor); reduce crime; reduce environmental impacts; reduce indoor air impacts 7/25/2017 8:38 AM

Hazardous materials use/storage. Water impacts and use, sewage and solid waste management 7/20/2017 11:07 AM

Odor, attractive nuisance, neighbor perception, environmental impacts 7/20/2017 10:17 AM

Proper zoning, setbacks, security, and scale (small scale should be adequate to meet the total medical cannabis demand for Placer County) 7/19/2017 8:26 PM

A hard limit, that is enforced, would need to be placed on commercial cultivation. 7/19/2017 5:23 PM
Concern or caution related to **Manufacturing Facilities**

Proper zoning, setbacks, safeguards, inspections, and oversight 8/3/2017 12:06 PM

That they are well regulated, properly trained and licensed. 7/27/2017 4:16 PM

Not providing regulations for this with a market demand in place provides supply to come from only the "black" market. 7/27/2017 12:57 PM

I do not see the value to Placer County's quality of life by manufacturing a highly addictive psychoactive drug that can cause mental health risks such as psychosis, schizophrenia & other mental health challenges. BHO with 90% & above THC is an extremely dangerous drug akin to heroin today and there is no value that any tax dollars could bring in that would compensate for increasing access to high THC products; especially edibles which offer no medicinal necessity. Increasing the amount of cannabis products manufactured in CA will only increase negative social impacts that every county will be burdened by. 7/27/2017 6:59 AM

Zoning 7/26/2017 10:34 AM

Limit unauthorized access; create clean/safe food facilities; exclude youth oriented products 7/25/2017 8:38 AM

Hazardous materials use, potable water supply, waste management, product QA/QC 7/20/2017 11:07 AM

no concerns if properly regulated, significant safety concerns in current unregulated status 7/20/2017 10:17 AM

Proper zoning, setbacks, security, and scale (small) 7/19/2017 8:26 PM

Generally accepted safety practices—both public and personal safety—would need to be put in place as well as full background checks. 7/19/2017 5:23 PM

Concern or caution related to **Testing Facilities**

Proper zoning, setbacks, safeguards, inspections, and oversight 8/3/2017 12:06 PM

I think this is a huge economic growth opportunity for the county, providing job opportunities for professional, highly educated individuals. 7/27/2017 4:16 PM

Not having any facilities in Placer County. 7/27/2017 12:57 PM

Testing facilities, along with manufacturing, distribution and cultivation increase the opportunity for theft and crime. Consider maintaining the ban: all of these activities will increase in other counties across the state. Those counties will be part of this social experiment and experience the impacts. People wishing to participate will move to those counties, reducing the impacts on Placer County. Then we can assess the risks and benefits over next 5 years to decide whether or not we should also participate which will reduce county impacts by taking a "wait and see" attitude. 7/27/2017 6:59 AM

High Tech testing 7/26/2017 10:34 AM

Without testing, the consumer is unaware of bi-products (pesticides and fertilizers) and product component identification which may lead to ingestion of toxins and/or overdose 7/25/2017 8:38 AM

Hazardous materials management, testing QA/QC 7/20/2017 11:07 AM

no concerns if properly regulated 7/20/2017 10:17 AM

Security, standards 7/19/2017 8:26 PM

Same as manufacturing comments. 7/19/2017 5:23 PM
Concern or caution related to **Transportation / Distribution**

The ability to audit and track the product. Proper zoning, setbacks, safeguards, inspections, and oversight. 8/3/2017 12:06 PM

Well regulated through track and trace so that seepage into the black market does not occur. 7/27/2017 4:16 PM

This part is needed for the regulated system to function. 7/27/2017 12:57 PM

By banning all of the above, including dispensaries, and focusing intense regulation on only medical delivery services from outside counties, we will mitigate the impacts on county regulatory agencies with this "wait and see" approach and can ensure the few patients that cannot grow, cannot drive, have delivery options without exposing the entire county to the impacts of commercial access to medical cannabis. This number of true patient needs to provide safe access is a very small percentage of Placer County residents that already are finding the access they need to their "medicine." The others are actually addicted to a psychoactive drug and the relief they receive is from their addiction, not from the medicinal value. If we are not going to allow heroin cultivation, manufacturing, testing, dispensaries, etc. why would we do this for people who are addicted to THC? The research is very clear and every treatment facility across the US will confirm this. 7/27/2017 6:59 AM

Tighter regulation 7/26/2017 10:34 AM

Without an identified transportation and distribution program/process the product may not reach the intended end user without risk to others or alteration of testing/manufacturing products. 7/25/2017 8:38 AM

QA/QC to ensure all products available are part of the approved regulatory system. 7/20/2017 11:07 AM

no concerns if properly regulated 7/20/2017 10:17 AM

Security 7/19/2017 8:26 PM

Same as above. 7/19/2017 5:23 PM

Concern or caution related to **Dispensary Facilities**

Proper zoning, setbacks, safeguards, inspections, and oversight. 8/3/2017 12:06 PM

Should look more like a dispensary and less like a nightclub. 7/27/2017 4:16 PM

Regulated dispensaries should be a top priority to provide the citizens of Placer County with safe access. 7/27/2017 12:57 PM

Dispensaries are not needed when online activity and very strict delivery access will provide this access from adjacent counties. There is no benefit to society by increasing access to high THC products which actually increase addiction and inflammation. Patients that truly benefit from this that are near death or with terminal illness can get it delivered without exposing the entire county to these risks. 7/27/2017 6:59 AM

Located in appropriate zoning 7/26/2017 10:34 AM

Without dispensaries, the black market will prevail where there is no point of sale controls to reduce crime or ensure safe packaging and labeling to the end user. 7/25/2017 8:38 AM

Ensure all products are part of the regulatory system, edible product preparation is done in a safe sanitary way. 7/20/2017 11:07 AM

very important to regulated correctly to ensure that look, feel, and location is proper for Placer County 7/20/2017 10:17 AM

Proper zoning, security, standards, and scale (small scale should be adequate to meet the total medical cannabis demand for Placer County) 7/19/2017 8:26 PM

Since the dispensary in Colfax proved to operate safely and in the best interests of public safety, my only concern would be to place dispensaries in commercially zoned areas near population centers that meet all the public and private safety guidelines. 7/19/2017 5:23 PM
Q7
Please provide your recommendations regarding any potential medical cannabis dispensary facility design, number, location, or operations.

Design; A building that is well visible with proper lighting, parking, setbacks and security. One that would allow for safe handicap access. 3-5 dispensary locations allow for manageable driving distances for patients. Multiple locations would foster a healthier atmosphere in order to provide the most consistent, safest, well ran, and welcoming environment. Proper zoning is most important. 8/3/2017 12:06 PM

Enough to ensure competitive pricing and operations, at least one per supervisorial district, signage and marketing that does not target youth 7/27/2017 4:16 PM

Continue the ban and allow strict delivery to patients with medical "necessity" that benefit from cannabis products. We do not have control over the state but we can "wait and see" without experiencing the future "boom and bust" that will occur when a glut of cannabis products enters our state along with individual grows. In order to continue any tax benefits from local production and manufacturing, there will have to be an increase in cannabis use and sustained use, which will only create negative impacts on the quality of life for all Placer County residents, minus the very few that would not be able to access delivery services, if any. 7/27/2017 6:59 AM

All these need to go through proper channels with public input 7/26/2017 10:34 AM

Like any other retail location dispensaries should be developed with a sufficient number of locations to serve the demand. Locations should be in retail/commercial areas and should be designed to limit unauthorized access. Hours of operations should align with retailers in the area but no later than 10p to reduce after dark crime. 7/25/2017 8:38 AM

Medical dispensary appearance as clearly not a recreational point of sale. Number and location limited to the appropriate zoning. 7/20/2017 11:07 AM

Should look like a cross between a pharmacy and a Starbucks. Not too clinical, but not a bar or club either. Zoning and design standards should ensure that they are placed in appropriate locations (high end retail, not industrial) 7/20/2017 10:17 AM

2-3 max, at least 1000 feet from sensitive locations 7/19/2017 8:26 PM

I think there are excellent examples of this that already exist (such as Kimberly's), the number needs to be adequate to meet demand--likely one per Supervisorial District at a minimum since Districts are based on population. 7/19/2017 5:23 PM

Q8
How should the appropriate number of allowed medical cannabis dispensaries be determined?

Good question. Allow for 2-3 in the early stages. Analyze how those locations are performing and handle incoming dispensary request on a case by case basis through the planning department. 8/3/2017 12:06 PM

One per supervisorial district to start 7/27/2017 4:16 PM

Based on a percentage of population. 7/27/2017 12:57 PM

By not allowing at this point and waiting 5 years to "wait and see" what state impacts are. 7/27/2017 6:59 AM

Should be determined by a strict regulation & permit fees 7/26/2017 10:34 AM

Each geographical area requires points of access to reduce the risk of travel with the product. The number should be determined by patient demand, geographical area, with a limited number (like one) in each area allowing for annual expansion based on identified demand. 7/25/2017 8:38 AM

Number allowed for the appropriate zoning requirements 7/20/2017 11:07 AM

Based on some sort of population ratio, avoid monopolies, but also not unlimited 7/20/2017 10:17 AM

Based on demand and community support 7/19/2017 8:26 PM

See answer above. 7/19/2017 5:23 PM
Are dispensaries and/or mobile delivery services for medical cannabis necessary to ensure safe access to all patients?

Dispensaries: 100%
Mobile Delivery Services: 0%

Q10
Please provide any additional comments.

I feel the most important take away from this working group is that we all were able to sit in the same room at the same table and have an open discussion about a sometimes uncomfortable topic. We all come from many different backgrounds and have our own beliefs surrounding cannabis yet we all were able to sit through 8 sessions and discuss all aspects of this topic with care, compassion, and understanding. Not only did we accomplish that without biased but we did it together as concerned members of our community. A community that I feel each of us have a tremendous amount of pride in and that is special. I feel it gave us the ability to hear and understand concerns and perspectives that we may not have otherwise considered. This to me was an exceptional experience. One I will never forget and remain proud that I was a part of it.

8/3/2017 12:06 PM

The war on drugs is over. It's time to take a proactive stance in allowing the testing, development, packaging, and uses for cannabis to be fully explored. The public has spoken. Government needs to figure this out.

7/27/2017 4:16 PM

Thank you for addressing this issue.

7/27/2017 12:57 PM

The decision to either allow or ban any/or dispensaries, commercial cultivation, testing, transportation and/or manufacturing of cannabis in Placer County will be the most impactful decision ever made for our county. I do not feel the facilitation process was inclusive of all stakeholders considering this. The process was skewed towards the industry and patronizing at best regarding risks to youth and community. Please consider these costs to taxpayers: In 2014, 72% of youth receiving drug treatment in Placer County listed marijuana as their drug of choice compared to 9.7% for heroin or alcohol. Legalization will automatically increase these numbers by increasing access and acceptance. 30 days of adolescent residential treatment is approx. $17,500, adult in-patient $7500 for 30 days, Adult outpatient, $5030- 1 year, 6 mo. adolescent outpatient: $3340. By increasing access and acceptance through any future regulation, these costs will only increase and they are only 1 cost to Placer County's superior quality of life. 1 treatment round is almost never sufficient, where several is the norm.

7/27/2017 6:59 AM

The building Dept., Ag Dept., Code Enforcement and Environmental Health must work closely and collaboratively and be supported in order to be successful in implementing an effective regulatory program.

7/20/2017 11:07 AM

Placer County's current ordinance does a lot to curb rampant bad practices by unregulated cultivators. That should reduce the number of neighborhood nuisance issues. However, it is very possible to create a regulatory system tiered off of the state law that allows commercial cannabis activities and also improves public safety and reduces youth access.

7/20/2017 10:17 AM
I firmly believe that by properly addressing the structure of the various licensing points for cannabis, we can safely provide safe access for our medical cannabis patients in the County. I feel we actually have a moral, legal and ethical obligation to do so. 7/19/2017 5:23 PM
Report on the
Placer County Cannabis Policy Workgroup

March 8, 2017 through August 2, 2017

Prepared for
The County of Placer
August 15, 2017
Background: California Cannabis Legislation

In 1996, the voters of the State of California approved Proposition 215, codified as California Health and Safety Code Section 11362.5 and entitled The Compassionate Use Act of 1996 (CUA). The CUA was intended to enable persons in need of medical marijuana for specified medical purposes, such as cancer, anorexia, AIDS, chronic pain, glaucoma and arthritis, to obtain and use marijuana under limited circumstances, and where recommended by a physician. The CUA does not address land use or other impacts that are caused by the cultivation of medical cannabis, and it does not create a constitutional right to obtain cannabis.

In 2003, the California State Legislature enacted Senate Bill 420, also known as the Medical Marijuana Program (MMP) (California Health and Safety Code Section 11362.7 et seq.), which clarified the scope of the CUA, created a state-approved voluntary medical marijuana identification card program, authorized cities to adopt and enforce rules and regulations consistent with the MMP, and provided qualified patients and primary caregivers who cultivate cannabis for medical purposes with a limited defense to certain specified State criminal statutes. Subsequent Assembly Bills 2650 (2010) and 1300 (2011) amended the MMP to expressly recognize the authority of counties and cities to “adopt local ordinances that regulate the location, operation, or establishment of a medical marijuana cooperative or collective” and to civilly and criminally enforce such ordinances.

In 2013, the California Supreme Court, in the case of City of Riverside v. Inland Empire Patients Health and Wellness Center (56 Cal. 4th 729), found the CUA and MMP do not preempt a city’s local regulatory authority and confirmed a city’s ability to prohibit medical marijuana dispensaries within its boundaries. In 2013, the California Third District Appellate Court further held that state law does “not preempt a city’s police power to prohibit the cultivation of marijuana within the city.”

In September 2015, the California State Legislature enacted the Medical Marijuana Regulation and Safety Act (MMRSA), which was signed into law in October 2015. The MMRSA was a package of three separate bills (AB 243, AB 266 and SB 643) that established a comprehensive dual state licensing framework for the cultivation, manufacture, retail, sale, transport, distribution, delivery, testing, and taxation of medical cannabis in California.

In June 2016, Governor Edmund G. Brown signed SB 837, which changed the name of the MMRSA to the Medical Cannabis Regulation and Safety Act (MCRSA) and made substantive changes to applicable state laws. The changes affect the various state agencies involved in regulating cannabis businesses as well as potential licensees.

On November 8, 2016, California voters passed Proposition 64, also known as the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA), by a vote of 56.1% in favor and 43.9% against. Locally, Placer County voters rejected Proposition 64 by a vote 52% against and 48% in favor. Proposition 64 legalized the nonmedical use of cannabis by persons 21 years of age and over, and the cultivation of not more than six (6) living cannabis plants for personal use, subject to reasonable regulations adopted by local jurisdictions. AUMA also created a state regulatory and licensing framework governing the commercial cultivation, manufacture, testing and distribution of nonmedical cannabis.

The CUA, MMP, MCRSA and AUMA do not confer on individuals, qualified patients and/or their caregivers the unfettered right to cultivate or dispense cannabis anywhere they choose. Furthermore, the CUA, MMP, MCRSA, and AUMA do not require or impose an affirmative duty or mandate upon local
governments, such as the County of Placer, to allow, authorize or sanction cannabis cultivation or the operation and establishment of facilities dispensing medical cannabis within its jurisdiction.

Health and Safety Code Section 11362.81 (d) authorizes the Attorney General to "develop and adopt appropriate guidelines to ensure the security and non-diversion of cannabis grown for medical use by patients qualified under" the CUA. On August 25, 2008, California Attorney General Edmund G. Brown issued "Guidelines for the Security and Non-Diversion of Marijuana Grown for Medical Use" (the Guidelines), which established regulations intended to ensure the security and non-diversion of cannabis grown for medical use by qualified patients. Nothing in the Guidelines imposes an affirmative mandate or duty upon local governments, such as the County of Placer, to allow, sanction or permit the establishment or the operation of facilities cultivating or dispensing medical cannabis within their jurisdictional limits.

On June 27, 2017, Governor Brown signed into law the Legislature-approved Senate Bill 94 (SB 94). SB 94 combined elements of the MCRSA and AUMA to establish a single, streamlined regulatory and licensing structure for both medicinal and adult-use cannabis activities, since there were discrepancies between the MCRSA and AUMA. The new, consolidated provisions under SB 94 are now known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), to be governed by the California Bureau of Cannabis Control. MAUCRSA notably refers to medical cannabis as "medicinal cannabis" and nonmedical/recreational cannabis as "adult-use cannabis." Following are a summary of the changes to the cannabis regulations:

1. The governing bureau will now be the Bureau of Cannabis Control ("the Bureau").
2. Cities and counties retain full land use authority as to cannabis businesses; cities and counties may prohibit such businesses entirely, allow only some, or allow them with locally developed regulations that fit local needs. SB 94 also establishes that local jurisdictions retain the authority to regulate cannabis businesses and to take enforcement action concerning fire and building codes, conduct inspections, and implement audits.
3. Retains the requirement that a qualified patient possess a State Medical Marijuana I.D. Card to be exempt from paying sales and use tax on cannabis purchases.
4. The state must notify a local jurisdiction when it receives an application for commercial cannabis activity in that jurisdiction. The city or county then has 60 business days to notify the state whether the applicant is in compliance with local regulations.
5. Cities and counties will be required to submit copies of local ordinances and regulations on cannabis uses to the state. In addition, they must provide the State agency with a contact name for the verification of the regulatory permits.
6. Through July 1, 2019, SB 94 exempts from the California Environmental Quality Act ("CEQA") the adoption of an ordinance or regulation by a local jurisdiction if the ordinance or regulation requires discretionary review and approval of local permits or licenses for commercial cannabis activity.
7. The types of licenses available for commercial adult-use cannabis activity and commercial medicinal cannabis activity will be the same. MAUCRSA establishes 20 license types, including 14 cultivation licenses, two manufacturing licenses, one testing license, one retailer license, one distributor license, and one microbusiness license. With the exception of the testing license, the state will designate each license with an "M" or an "A" to indicate whether it is a medical or an adult-use license. The licenses available under both the MCRSA and AUMA will continue to be available for both kinds of activity, and for specialty cottage cultivation licenses and microbusiness licenses, and, commencing on January 1, 2023, licenses for large outdoor, indoor, and mixed-light cultivation will also be available for both medicinal and adult-use cannabis activity.
8. Producing dispensary and transporter licenses will not be available.
9. Those with a retail cannabis license or delivery operations will now be allowed to operate from a physical location that is closed to the public; they no longer shall be required be affiliated with a dispensary.

10. Quality assurance, inspection, and testing requirements of cannabis and cannabis products prior to retail sale will change. Distributors will be required to store cannabis batches on their premises during testing; testing lab employees will be required to obtain samples for testing and transport those samples to testing labs; and distributors will be required to conduct a quality assurance review to ensure compliance with labeling and packing requirements, among other things.

11. Though the MCRSA limited the combinations of medicinal cannabis licenses a person may hold until January 1, 2026, the MAUCRSA will not apply these limits (other than that testing laboratory licensees are prohibited from obtaining licenses to engage in any other commercial cannabis activity).

12. The residency requirement in AUMA is now repealed. Those who reside in other states or countries can now be allowed to own a cannabis business in California.

13. Additional advertising requirements, including regulation of online advertising and the creation of a universal symbol for edible cannabis products will be implemented.

14. The cannabis excise tax will be measured by the average market price (as defined) of the retail sale, instead of by the gross receipts of the retail sale.

15. Applicants for cultivation licenses will need to identify the source of water supply.

16. The Bureau will no longer have the authority to regulate and control industrial hemp.

17. The state may issue temporary event licenses allowing people 21 and older to consume cannabis and cannabis products at a county fair or district agricultural association event. These event licenses may only be issued if the local jurisdiction allows the events.

The Federal Position
Cannabis remains an illegal substance under the Federal Controlled Substances Act (21 USC Section 801 et seq.). Under the Federal Controlled Substances Act, it is unlawful at the Federal level for any person to cultivate, manufacture, distribute or dispense, transport, or possess with intent to manufacture, distribute or dispense, cannabis. The Federal Controlled Substances Act does not exempt the cultivation, manufacture, distribution, dispensation, transportation, or possession of cannabis for medical purposes. Also at the Federal level, cannabis is classified as a Schedule I Drug, defined as a drug or other substance that has a high potential for abuse, that has no currently accepted medical use in treatment in the United States, and that has not been accepted as safe for use under medical supervision. Despite the prohibition, the United States Department of Justice issued a memorandum (the Cole Memo) in August 2013 stating that, notwithstanding the federal classification of marijuana as a Schedule I controlled substance, one can reasonably expect the federal government to stand down and defer to state and local marijuana regulations that are strict and robust. The current and future stance of the federal government regarding cannabis is unclear. President Trump previously expressed support for medical marijuana and states' rights to legalize, but Attorney General Jeff Sessions has expressed the desire to eliminate protections for states' medical marijuana programs and prosecute drug crimes to the fullest extent of the law.

The Challenge with Collecting Accurate Cannabis Related Data
Cannabis legalization has long been a divisive topic, with advocates and opponents each painting different pictures of the impacts that legalization will have on overall usage, youth, public health and safety, crime, and the local economy. Across the nation, reports regarding the impact cannabis has on public safety differ greatly. The challenge to collecting accurate crime statistics stems from inadequate historical data and poorly collected pre-commercialization data. Adding to the lack of baseline data, cannabis related
crime reporting is hindered by decreasing social stigma and the challenges law enforcement faces when dealing with the conflict between federal and state cannabis policies.

When researchers consider the growing cannabis industry and its impact on public safety, published studies report conflicting results. Data show both increases and decreases in overall crime, property crimes and violent crimes in states that have established commercial cannabis models. Local agencies wishing to examine the public safety impact cannabis is having on their county agencies have had to show patience. States like Colorado and Washington are only recently beginning to establish accurate baseline data capable of differentiating between crimes that occur both within and outside the regulated industry. Until recently, all cannabis related incidents were documented as drug related events, making it hard to distinguish between the two.

As local agencies examine the impact the regulated industry is having on their community, one issue that should be considered is the size of the cannabis industry and its correlation to changes in reported crime. In 2011, Colorado started issuing their first medical cannabis business licenses. This is during a period that the regulated cannabis industry cultivated an average of 800,000 plants per month, and as the Marijuana Enforcement Division has reported, sold an average of 153,000 lbs. of flower and 4.3 million items of edibles in a six-month period. A recently published survey by the Gallup Poll reports that, “13% of U.S. adults tell Gallup they currently smoke marijuana, nearly double the percentage who reported smoking marijuana only three years ago.” It was anticipated that the increase in production and sales would dramatically increase crime rates, however the current data doesn’t support that notion.

Comparing crime statistics between municipalities that ban commercial cannabis and those that allow commercial cannabis is a complicated task. In Colorado, 68% of local municipalities have a complete ban on commercial cannabis activities while 33% have licensed either one or both Medical and Retail businesses. When analyzing the available data between the municipalities, the Colorado Department of Public Safety reports declines in overall cannabis related arrests in nearly every reporting agency.

The Impact Cannabis is Having on Homelessness

Another issue Colorado municipalities are addressing is the increase of homelessness as it relates to the cannabis industry. The Denver Rescue Mission reported that it has experienced an 8% increase in homelessness since 2013. Although there is no direct correlation, the mayor of Denver has repeatedly attributed the increase to the out of state individuals coming to the state for employment in the industry who are unable to maintain employment for whatever reasons. Researchers warn that there are many social and economic factors to consider when examining the reasons for homelessness. Drug addiction, unemployment, lack of low cost housing and mental illness are among the most frequently sited reasons.

The impact cannabis has had on the homelessness population is difficult to establish because of the lack of baseline data reported by local municipalities, however national studies could also be used to paint a picture. In researching the subject, the U.S. Interagency Council on Homelessness was consulted and its data was used to compare homelessness rates between states with cannabis regulations and those without. Between 2013 and 2016, Washington (pop 6.72 million), which has both recreational and medicinal cannabis, reported an increase of homelessness of 17.3%. Colorado (pop 5.02 million) similarly reported an increase of 8.2%. This is during the same period that Indiana (pop 6.48 million), a state that does not allow either medical or recreational cannabis, reported a decrease in homelessness by 4.9%. California by comparison (pop 37.25 million), which at the time allowed medical cannabis only, reported a decrease of .3% during the same period. The percentage of change is based on a population of 100,000.
As with many of the other cannabis related statistics, it is still too early to draw any conclusions about the correlation between the change in homelessness and the commercialization of cannabis.

The Impact Cannabis is Having Around Counties and Local Municipalities

Boulder County, Colorado, has a population of 319,000 and has 10 incorporated municipalities. The unincorporated portion of the County has within it approximately 80 licensed cannabis businesses which are managed by two civilian employees assigned to the business licensing division. Boulder County's approach to regulatory oversight is totally reactive ("complaint-driven"), having no proactive enforcement activities conducted by the licensing staff. Between 2012 to 2014, the County reported a 47% decrease in marijuana related crimes and experienced two violent crimes directly related to licensed dispensaries. This decrease can be compared to Douglas County, which has maintained a complete ban on all cannabis related businesses. Douglas County reported a 47% decrease in marijuana related crimes during the same period. This uniform decrease in counties with dissimilar cannabis policies shows that cannabis policy may not be a factor.

The Colorado Department of Public Safety stated in their March 2016 report, *Marijuana Legalization in Colorado: Early Findings*, that between the years of 2012 and 2014 the “Ten major Colorado counties (Adams, Arapahoe, Boulder, Broomfield, Douglas, El Paso, Jefferson, Larimer, Mesa and Weld) [counties with mixed cannabis policies] showed a decrease in marijuana related arrests, ranging between 30% (El Paso) and 63% (Adams). The average decrease across these 10 counties was 46%.” Furthermore, cannabis “possession arrests, which make up the majority of all marijuana arrests, were nearly cut in half (~47%).” Sales arrests decreased by 24%, while production related activities decreased by only 2%. Cannabis arrests that were unspecified, meaning the specific reason for the arrest was not noted by law enforcement, went down by 42%. It should be noted that the reported decline in cannabis related arrests occurred during the initial years of legalization and so were mainly attributable to the fact that what would have resulted in an arrest prior to legalization was no longer a crime under Colorado law.

According to *Marijuana Legalization in Colorado: Early Findings, A Report Pursuant to Senate Bill 13-283* issued in March 2016, Colorado, citing Colorado Bureau of Investigation crime statistics, reported that between 2010 (one year prior to commercialization) and 2014, seven of the ten major Colorado counties experienced declines in violent crimes (Adams, Boulder, Broomfield, Douglas, El Paso, Jefferson and Larimer). Violent crimes decreased by an average of 11%. The decreases ranged from 4% (Boulder) to 49% (El Paso). Conversely, three of the ten counties experienced increases during the same period, Weld 27%, Mesa 19%, and Arapahoe 5%. This appears less directly attributable to the legalization and may be an indicator of a decreasing black market for cannabis. (https://www.colorado.gov/pacific/dcj-ors/ors-crimestats)

Colorado crime statistics also show property crimes decreased by an average of 9%. The decreases ranged from 5% (Boulder) to 24% (Douglas). The only reported increase in property crimes was 8% (El Paso). Of the ten counties in this data set, Arapahoe, Broomfield, Douglas, Jefferson, Mesa and Weld, have each maintained a total ban on all cannabis business activities.

A survey of crime patterns from non-government research reveals similar data. As published in the *Journal of Primary Prevention*, Ohio State University researchers discovered that although crime in the immediate neighborhood surrounding a licensed cannabis business did not increase, the neighborhood adjacent to the cannabis businesses did. An examination of violent crime, property crime, and marijuana industry specific crime in the City of Denver showed a measurable increase in the neighborhood adjacent to the cannabis business. Further exploration by one of the authors of the study, Bridgette Freisthler, found
comparable results. Her work was conducted in Long Beach, California, and in it researchers suspect the reason for the results are the robust security measures licensed business are required to maintain at the business premises. The study speculates that crime tended to increase in areas just outside the view of security and surveillance.

The Cato Institute Policy Analysis
A 2016 policy analysis entitled *Dose of Reality: The Effect of State Marijuana Legalizations* by the Cato Institute assesses the legalization of cannabis (which it refers to as marijuana) and related policies in Colorado, Washington, Oregon, and Alaska. It concludes that state cannabis legalizations have had minimal effect on state-wide cannabis use and related outcomes. However, it states that based on its analysis, it cannot rule out the effects of legalization and can make limited inferences from the studies included because insufficient time has elapsed since the four states initially legalized cannabis.

The Cato analysis examined reports from all four states, including drug use surveys, admissions for drug abuse treatment, suicide rates, crime and highway safety reports, school expulsion rates and test scores, unemployment rates and other economic data. On claims of increased cannabis use, the analysis found that the data does not “show dramatic changes in use rates corresponding to either the expansion of medical marijuana or legalization,” and that available data reviewed in the analysis on cannabis use by youth “...show no obvious effect of legalization on youth marijuana use.” Similarly, the analysis found little evidence to support any association between legalization and either suicide rates, overdoses, or drug treatment admissions.

Regarding crime rates, the Cato Institute reported that an examination of monthly crime rates from before and after legalization in each state found no noticeable changes. In Denver, Colorado, rates for property or violent crime “remain essentially constant after 2012 and 2014; we do not observe substantial deviations from the illustrated cyclical crime pattern.” In Fort Collins, Colorado, data “...reveal no increase in violent or property crime.” In Seattle, Washington, monthly reports from the Seattle Police Department show, “All told, crime in Seattle has neither soared nor plummeted in the wake of legalization.” In Oregon, the report found “...no discernible changes in crime trends before and after legalization or medical marijuana liberalization.”

The Cato analysis also looked at various highway safety indicators by studying rates for auto-related fatalities in the four states. Data from Washington revealed “the fatality rate for drug-related crashes virtually went unchanged after legalization.” In Oregon, the presence of retail cannabis stores does “not seem to materially affect road fatalities in Oregon in either direction.” Data from Alaska shows “no discernible increase after legalization and may even decline slightly.” Research from Colorado found “highway fatalities in Colorado are at near-historic lows.”

The Cato analysis states that the trendlines within the states showing increased use were consistent before and after legalization, leading the analysis to conclude that the increase may have less to do with legalization and may be more of an effect of increased acceptance and use (which prior to legalization was done despite it being illegal). The report states: “rising marijuana use may not be a consequence of legalization, but a cause of it.”

Impacts on Highway safety
A study entitled *Drug and Alcohol Crash Risk: A Case-Control Study* by the National Highway Traffic Safety Administration (“NHTSA”) attempts to look at drug-impaired driving. The study looks at driving under the influence of THC as being synonymous with driving under the influence of cannabis. It states that other
than alcohol, marijuana is the most frequently detected drug in crash-involved drivers. Because marijuana is known to impair psychomotor skills, attention, lane tracking, and cognitive function, it can impair driving. However, the NHTSA case study finds that there is insufficient data, and challenges in interpreting existing data, to qualitatively or quantitatively identify the role of cannabis in contributing to the occurrence of crashes.

To more clearly show the difficulty in identifying the true effects of commercial cannabis legalization, a study titled *Recreational Marijuana and Collision Claim Frequencies* by the Insurance Institute for Highway Safety (IIHS) looked at crash rates in Colorado, Oregon and Washington for the 24-month period straddling legalization and the period following, and compared those rates to neighboring “control” states. The analysis found that the advent of legal sale of marijuana was correlated with increased collision claims in every case. Claim frequencies in Colorado were 13.9% higher than in the control states of Nebraska, Utah and Wyoming. Claim frequencies in Washington state were 6.2% higher than in Montana and Idaho, and claim frequencies in Oregon were 4.5% higher than in Idaho, Montana and Nevada. The results varied significantly depending upon which control states the claim frequencies were compared with. For example, Oregon’s claim frequency rate was 5.5% higher than Montana’s, but only 0.8% higher than Nevada’s for the same period. A single analysis that combined all three states compared with other western states found the legalization of retail sales was associated with a smaller yet significant increase of 2.7%. The study also noted that numerous past studies have been inconclusive, with some finding that cannabis could more than double crash risk, with others having failed to find any link between marijuana use and crashes.

Additionally, in May 2016, the AAA Foundation for Traffic Safety published a report which examined drug tests and fatal crashes among drivers in Washington. Researchers found:

- The percentage of drivers involved in fatal crashes who recently used marijuana more than doubled from eight to 17% between 2013 and 2014.
- One in six drivers involved in fatal crashes in 2014 had recently used marijuana.

“The significant increase in fatal crashes involving marijuana is alarming,” said Peter Kissinger, President and CEO of the AAA Foundation for Traffic Safety. “Washington serves as an eye-opening case study for what other states may experience with road safety after legalizing the drug.”

**Regulations and the Black Market**

There is no disputing the continued existence of the black market in the cannabis industry. The industry has repeatedly touted commercialization as a means to the end of the black market, however, the black market will never be fully eliminated for two reasons. First, there is great financial incentive to take inventory out of state. Cannabis grown in California can be sold for three times as much up and down the Eastern seaboard. The DEA currently estimates that 60 to 80% of the cannabis consumed nationally comes from California. Second, there will always be a segment of society too young to make legal purchases, and who will turn to the black market to supply their habit.

The best thing for policy makers and law enforcement to do, then, is to regulate the legal industry in a way that minimizes the desirability and impact of the black market. Officials would be wise to leverage the regulated industry against the black market. One way this can be done is by keeping prices down; if tax rates and overall costs remain competitive, there is less incentive to divert inventory out of the regulated model. Another idea of how this can be done, although its effectiveness has not been fully
researched, is to make commercial retail locations readily accessible to help reduce the number of home cultivations. The goal is to discourage patients from engaging in the time-consuming task of growing their own cannabis at home by making ready-made products and services more accessible. Reducing the number of home cultivations will aid in reducing the amount of cannabis entering the black market.

Another issue to consider when connecting the regulated cannabis industry to the black market is the amount of legally grown plant material being taken by way of employee theft. In 2014, burglary, attempted burglary and larceny accounted for 92% of marijuana industry-related crimes in the City of Denver. Of those crimes, greater than 80% were committed by employees, or were otherwise determined to be inside jobs. It makes sense: not only is it tempting for employees who work around cannabis to want to divert inventory for their own personal profit, but legal cannabis businesses are also prime targets for drug cartels to infiltrate. Rather than risk maintaining their own illegal cultivations, cartels simply need to have their people work at a location until just after a large harvest, at which time they conduct a burglary when inventory volume is at its peak.

Creating good policy is an ongoing endeavor necessary to control the regulated market and limit the black market. Moving forward, law enforcement needs to work with policy makers to get clear direction and guidance for prosecution. This collaboration will help bring clarity and transparency to future rulemaking sessions. Furthermore, to avoid the mistakes other states have made, officers and prosecutors must become intimately familiar with the regulated cannabis industry. This requires the creation of regional workgroups or task forces dedicated to sharing information directly related to industry trends which could pose the greatest impact on public health and safety.

**Placer County Cannabis Policy Workgroup**

From March 8 to August 2, 2017, the Workgroup, comprised of individuals from various Placer County departments, the cannabis industry and outside consultant HdL Companies, met in a series of meetings to review the range of issues confronting Placer County patients' safe access to medical cannabis and to identify and discuss the most promising methods of improving patient access in the County. The following presents a summary of topics covered during the workgroup sessions and key takeaways:

**Cultivation, Manufacturing**

The Workgroup asked the question, “Who are we talking about when we say ‘patient’ access?” and discussed what regulated cultivation and manufacturing facilities look like to ensure safe access to cannabis.

**Key takeaways:**

- A low estimate of patients in Placer County is 6,000.
- A Sacramento dispensary owner reported approximately 3,000-4,000 of their patients are from Placer County.
- Indoor cultivation best assures public safety and quality of life and is easiest to regulate in terms of time, place and manner.
- Placer County needs to determine the level of regulation needed to ensure safe patient access while not crossing the line into overregulation. Overregulation could lead to diversion to the black market.
- Zoning and regulation of time, place and manner are key to controlling odor, neighborhood nuisance issues, and environmental impacts.
Transportation, Distribution, Testing Facilities
The Workgroup discussed how the regulation of transportation, distribution and testing facilities allows for safe patient access to cannabis.

Key takeaways:
- Transportation, distribution and testing facilities are designed to assist in the seamless flow of the supply chain.
- Product testing increases safe patient access by assuring mold/mildews, pesticides, contaminants and residual solvents are within acceptable levels.
- If products are found to have unacceptable levels, regulators will be able to initiate product recalls.
- Proper education is vital to ensure patient and community safety.

Edible and Concentrate Production, Product Safety and Packaging
The Workgroup discussed the necessity of proper packaging and labeling to ensure safe access to edible and concentrate products.

Key takeaways:
- Public safety concerns are for everyone – adults, children, patients and residents.
- Packaging and labeling is important at all stages of the supply chain. If someone takes a product out of a package, it still needs to be identifiable as a cannabis product. For example, in Colorado, the universal symbol is required to be placed on all containers, packages and products.
- Public health and education officials warned of the normalization of cannabis and the message being spread around, especially among youth, that it is fun and not harmful. In fact, the psychoactive component of cannabis negatively impacts the development of the human brain, which is still developing until age 25. According to one member of the Workgroup familiar with the issue, 72% of youth who admitted to being in rehab said cannabis was their drug of choice.

Dispensaries, Public Safety
The Workgroup discussed the effect of regulated dispensaries on safe patient access to cannabis.

Key takeaways:
- Regulation helps speed up standardizing cannabis products and product names throughout the industry. The intended goal is to move away from names like, “AK47”, “Girl Scout Cookie” and “Green Crack”.
- Dispensaries are the most secure component of the supply chain since they’re immobile, secured with video monitors and alarms, and have numerous checks and balances (e.g., showing IDs to enter, purchase, etc.). Dispensaries are the most visible to the public so they go the farthest to make sure they are compliant.
- The Workgroup did not come to a clear consensus on how to determine the number of dispensaries to allow in Placer County. Members expressed their concerns regarding the County creating a monopoly by only licensing one or two businesses. The physical size and population of the County should require multiple retail outlets to ensure that medicinal products are accessible to all patients within the County. Many members believed there needs to be a sufficient number of dispensaries to meet the demand. Others suggested the number of dispensaries should be based on a percentage of the population or based on what is supported through zoning.
minority suggested a “wait and see” approach; ban dispensaries now and see what the State’s impacts are in the next several years before revisiting the issue.

Inventory Tracking
The Workgroup discussed inventory tracking systems as a way to facilitate safe patient access.

Key takeaways:
- It is important to track every single plant from the beginning to ensure patient safety. The plant can change forms many times throughout the supply chain and the only way to trace it, should there be a problem, is if it’s tracked from seed to sale.
- The State of California is mandating that every plant be tagged. One Workgroup member suggested defining “plant” in Placer County’s ordinance to make it easier to regulate. For example, a clone could be considered a plant when it is 8 inches high or 8 inches wide, or when its root system is fully established (approximately 14-16 days).
- Benefits of tracking inventory through the supply chain include:
  - Protecting inventory through detecting theft or diversion
  - Increased efficiency in reordering supplies
  - Forecasting cultivation productivity
  - Measuring current plant yields
  - Identifying patient preferences
  - Assessing extraction method effectiveness
  - Identifying sources of contaminants
  - Isolating product for recalls

Environmental Impacts
The Workgroup discussed how regulating cannabis to ensure safe patient access impacts the environment.

Key takeaways:
- The State is going to require that indoor cultivations get 42% of their energy from a renewable source. One member of the industry believed the renewable energy use requirement makes a lot of sense since the industry is moving towards a more efficient cultivation model. Currently, greenhouses and outdoor cultivations will easily be able to meet this requirement.
- An industry member suggested that if Placer County considers and regulates cannabis, water and power use will be reduced because illegal cultivations will be greatly reduced during the regulatory licensing process and the legal cultivators will be more willing to follow energy efficient growing methods. Good operators will reuse their water. The use of water from the water table will eventually be a thing of the past.
- There’s a belief that the cannabis industry uses an inordinate amount of energy, but there are other industries that use just as much, if not more, energy. Some examples include data centers, bottling companies, carwashes and indoor pool facilities. A member of the industry indicated that a pool and jacuzzi use the same power and water as a 50 sq. ft. cultivation.
- Placer County needs to consider overall energy usage when zoning, not just cannabis energy usage. While the energy used by a personal home cultivation may not seem significant, there could be a problem if every house on the block has a personal cultivation. The County should engage in discussions with PG&E to determine what level of energy usage their power grid can support.
• Odor is easy to mitigate in a greenhouse, but it comes at a cost in terms of energy usage because it takes energy to run carbon filters, air scrubbers, etc.

**What My Colorado Experience Taught Me**

Tasked with developing inspection protocols and enforcement strategies, we then set out to engage the local licensing authorities. This came with a mixed response. Some agencies embraced their responsibility for regulatory oversight while others chose to do nothing. Years later something interesting started to unfold. The cities and counties who took an active role developing reasonable local regulations and proactively enforced compliance mandates found a higher percentage of compliance. No matter the size of city or number of businesses, direct interaction at a local level resulted in a much higher level of voluntary compliance. This is not to say those cities didn’t encounter egregious violations. They did so less frequently and were able to successfully address problems with considerably less resources. Conversely, many of the worst businesses I encountered were in jurisdictions where no attempt was made to regulate the industry at a local level. The lack of direct supervision coupled with little to no local accountability allowed business owners to operate unnoticed until their activities raised to the level of criminal violations.

As local licensing authorities move forward with a robust and well-defined regulated industry, several things occur. Establishing well-defined expectations enable the businesses to move forward on a path to success. When businesses begin to see success and their worth begins to increase, they tend to have a greater incentive to voluntarily comply with regulatory mandates. This often means they start hiring compliance consultants, accountants and inventory tracking specialists each tasked with a specific responsibility. This success also helps to create a greater divide between the regulated industry and illegal operators in the area. Eventually, the industry will be law enforcement’s greatest asset when addressing the illegal cultivators and dealers. Colorado saw an increase in documented illegal cultivations all reported by regulated business owners trying to eliminate their competitors who were undercutting prices. Legitimate owners have an incentive to help local law enforcement address the black market.

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3 Mills, Goffard and Miron (September 2016) “Dose of Reality: The Effect of State Marijuana Legalizations” The Cato Institute