

# NOTICE OF MEETING & AGENDA

**Friday, June 7, 2024  
1:00 p.m. – 2:00 p.m.**

**1100 K Street, Suite 101  
Sacramento, CA 95814**

## REMOTE LOCATIONS

Yolo County  
625 Court St., Room 103  
Woodland, CA 95695

Humboldt County  
825 5th Street  
Eureka, CA 95501  
Room 111

San Luis Obispo County  
Auditor-Controller-Treasurer-Tax Collector  
1055 Monterey St. Rm D-290  
San Luis Obispo, CA 93408

Santa Barbara County Admin building  
105 E Anapamu Street  
Santa Barbara, CA 93101  
4<sup>th</sup> floor – Room 413

Inyo County  
Office of the Treasurer-Tax Collector  
168 N. Edwards Street  
Independence, CA 93526

## Zoom Access

<https://zoom.us/j/97941067547?pwd=8vISM40maGkSxUJWDpnm7uSj6YVPdE.1>

Meeting ID: 979 4106 7547

Passcode: 989746

Call in Number: +1 (669) 900-9128

## PUBLIC COMMENT:

The Board welcomes and encourages public participation in its meetings. The public may take appropriate opportunities to comment on any issue before the Board. If public comment is not specifically requested, members of the public should feel free to request an opportunity to comment. Each speaker is limited to two minutes. If you are addressing the Board on a non-agenda item, the Board may briefly respond to statements made or questions posed as allowed by the Brown Act (Government Code Section 54954.2). However, the Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report.

If you would like to receive Notices and Announcements from CCA, please send an email to [subscribe@cca.ca.gov](mailto:subscribe@cca.ca.gov) and a subscription form will be sent to you or fill out our online subscription form at <http://cca.ca.gov/subscribe/>

## AGENDA

- I. 1:00 pm Opening Remarks & Roll Call *Tom Haynes, President*
- II. 1:05 pm Approval of Minutes (See Attached) *Tom Haynes, President*
- III. 1:10 pm Organizational Update *Stacie Frerichs, Executive Director*
  - A. 2024-2025 Proposed Budget
  - B. 2024-2025 Work Plan
  - C. Contracts for Consideration
    - 1. Consulting Services Agreement, Townsend Consulting LLC
    - 2. Agreement For Services of Independent Contractor, Public House Consulting
    - 3. Statement of Work-Audit Services, Clifton Larson Allen (CLA)
  - D. Thank outgoing Executive Director, Greg Turner
- IV. 1:30 am Legislative Update / Regulatory Update, *Cara Martinson, Public House Consulting*
- V. 1:40 am Platform / Federal Update Adam Crabtree, NCS Analytics
- VI. 1:55 pm Public Comment
- VII. 2:00 pm Adjourn

June 7, 2024 Board Meeting  
Agenda Item II. Approval of Minutes



CCA Board Meeting  
Via Video / Teleconference Call/In-Person  
May 10, 2024  
**MINUTES**

**May 10, 2024 via Video / Teleconference Call/In Person** - Meeting called to order at 11:03am by Tom Haynes.

**1. Roll Call**

- Rex Bohn , Supervisor Humboldt County
- X Jim Hamilton, Treasurer-Tax Collector, San Luis Obispo County, CCA Treasurer
- X Tom Haynes, Chief Financial Officer, Yolo County, CCA President
- Alisha McMurtrie, Treasurer-Tax Collector, Inyo County
- X Brittany Odermann, Deputy CEO Santa Barbara County

Others: Justin Cooley, San Luis Obispo County  
Greg Turner, Executive Director  
Adam Crabtree, Technology Consultant  
Christy Higgins, CSAC FC  
Tim Townsend, Communications Consultant  
Cara Martinson Legislative Consultant  
Stacie Frerichs CSAC FC  
Alan Fernandes, CSAC FC

Tom Haynes suggested moving the order of the agenda items to make sure there is enough time to discuss the organizational update. The agenda was reordered: 2. Minutes, 5. Organizational Update, 3. Legislative/Regulatory Update, 4. Platform/Federal Update, 6. Public Comment 7. Adjourn

**2. Approval of Minutes**

Minutes from BOD Meeting – March 8, 2024 presented and reviewed. Tom Haynes advised his title needs to be revised to Chief Financial Officer. Motion to approve with change by Jim Hamilton with second by Tom Haynes. Vote was unanimous.

**5. Organizational Update – Greg Turner, ED/Counsel CCA**

**A. Budget Update**

Greg Turner advised all is as expected with the budget however, there are several Accounts Receivable that are aged and asked the counties to look into them. He advised Inyo County will not be continuing with CCA at the end of the fiscal year. He also proposed an additional CCA BOD meeting for June 7<sup>th</sup> at 1pm to approve the new FY 24/25 budget. All agreed this date/time for BOD meeting works.

**B. DRAFT CSAC FC – ED/CFO Contract**

The contract was presented. Jim Hamilton requested a provision be added to the scope of services which will provide the development of an annual work plan/performance measures to be reviewed annually. Also, Tom Haynes confirmed the legal services are not included and will be billed on a per hour basis in the future. Jim Hamilton made the motion to approve the contract with the added provision. Brittney Odermann seconded the motion. Vote was unanimous.

- C. DRAFT CSAC FC – Admin Svc Contract  
The contract was presented. Tom Haynes confirmed the understanding of net positive income in section 6.2 = more revenue than expenses. Requested edit for section 6.3 to clarify it refers to net positive income as well. Brittney Odermann made the motion to approve the contract with the requested edit. Jim Hamilton seconded the motion. Vote was unanimous.
- D. DRAFT “Participant Agreement”  
The Participant Agreement was presented and reviewed.

### **3. Legislative/Regulatory Update – Cara Martinson, Public House Consulting**

Cara Martinson advised she has met with Ada Waelder, Legislative Advocate with CSAC regarding cannabis legislation. Cara suggested CCA can become more proactive with legislative action in conjunction with CSAC and suggested they could pursue positions on issues regarding counties and cannabis.

AB223 – Cara reviewed the bill which is meant to crackdown on intoxicating hemp. It is sponsored by most in the industry.  
SB1059 – Cara reviewed the bill regarding tax collection. It excludes sales tax from gross receipts.  
Cara requested board members investigate positions on these bills and discuss them in the next CCA board meeting.

### **4. Platform/Federal Update – Tim Townsend**

Tim Townsend advised the DEA has decided to move forward with moving cannabis to a Schedule 3 drug. With this change, the IRS rule 280E would no longer apply to cannabis. The change will need to go through public comment, regulatory checks and likely to go into effect later this year. Also Tim advised, the Safe Banking Act is getting more and more support.

### **6. Public Comment - None**

### **7. Adjourned at 12:03pm**

June 7, 2024 Board Meeting  
Agenda Item III. A. Proposed Budget

## **Agenda Item III. a. 2024-2025 Proposed Budget**

### **Budget Narrative**

The California Cannabis Authority (CCA) is entering our 7<sup>th</sup> year of existence. Despite being seven years old, the youthfulness of California cannabis regulations means we are also a youthful organization, still trying to get an understanding of how best to serve our current and future member jurisdictions. Over the previous year, CCA has worked to grow our access to a larger suite of services. Based on the work of the consultant team, we are now ready to launch many of these services, including policy consulting, office hours for JPA members, monthly newsletters, and weekly newsclips.

The California cannabis environment has also changed, possibly ushering in more favorable conditions for CCA. Some of these changes include a general interest in enforcing regulations, not just for tax purposes but to also create a robust legal market to help reduce the illegal market. The state budget deficit and the likely need for more revenues for local jurisdictions also means that there may be more interest in the services of CCA. Additionally, after an initial foray into the regulatory space, jurisdictions are looking to expand their numbers or types of licenses or if they are just starting their licensing journey, looking to enact best practices if only to save on future litigation.

2023-2024 was a year of ups and downs for CCA. The JPA members who use the data platform report that it is useful to each of you to enforce your cannabis regulations. Additionally, CCA sponsored Assembly Bill 687, which partially achieved its goal (despite not being signed) of creating more access to data for local regulators from the State of California. One notable change is the availability of zip codes on data to help enforce both gross receipts and square footage tax plans. This foray into the legislative space continues to give us a voice with state legislators. It was also a challenging year, one which started with the withdrawal (although not formally) of Monterey County and ended with the withdrawal of Inyo County as JPA members as well as a Board of Supervisors reduction of the fee structure for Santa Barbara County.

CCA will retain a friend in our outgoing Executive Director, Greg Turner, who stewarded CCA in our youthfulness and through a pandemic, staying far longer than he imagined when he took the role in 2020. A sincere thank you to Greg and his keen lawyerly insight who guided us these past 4 years.

### **Estimated Actuals**

The estimated actuals show a significantly larger annual loss (-167,206) than that was budgeted (-48,243). The loss used up all the reserve funds available making the start of Fiscal Year 2024-2025 challenging. The loss is made up by both failures to meet revenue targets and a lack of adjustment of the expenses to meet the loss of revenue. Revenue was \$126,125 less than budgeted and CCA's expenses were \$8,362 less than budgeted. CCA's current estimate is that we will have approximately \$10,000 in fund balance as of July 1, 2024.

Despite not meeting revenue targets, there remains optimism that CCA, by bringing in a variety of benefits to members will reverse this trend and has the potential to be able to both be a benefit to counties and other cannabis enforcement jurisdictions as well as bring in revenue to meet our expenses needed to provide these services.

### **Budget**

The proposed CCA budget, if achieved, would bring CCA into positive net income and a foothold in a sustainable financial future. It is reliant on bringing in both jurisdictions as participants and strong support from the current JPA members. JPA members can support this plan by sustaining their use of JPA services and by word of mouth about how useful we are and the value of our services.

Here are some of the assumptions of the presented budget:

Revenue of \$659,000 which is made up of membership dues, platform usage, policy consulting and other participant revenue, including access to the transparency portal. This is further broken down into the following categories:

- 4 JPA members, including 3 with access to the data platform
- Between 5 and 10 participants purchasing the Transparency Portal
- 3 policy consulting contracts

Just as a comparison, the \$455,000 revenues of the FY2023-24 included approximately \$140,000 in JPA fees and \$315,000 in platform usage. This revenue came from 5 JPA members, 3 of which use the data platform.

The total expenses budgeted are \$648,000. This includes:

- a reduced level of spending with communications and legislative consultants through December 2024, with a chance to evaluate the level of need in December (hopefully by this time, there will be more need!),
- the CSAC FC contract approved by the CCA Board at the May 10, 2024, meeting,
- fees for the platform (including the transparency portal),
- fees for policy consulting,
- office expenses, insurance, audit, and website management.

Under separate agenda items at the June 7, 2024, meeting, a workplan will be presented that details the steps that will be taken to meet our revenue targets for Fiscal Year 2024-2025 and contracts for audit services, and communication and legislative consultants.

Attachment:  
2024-2025 Proposed Budget



**California Cannabis Authority  
2024-2025 Proposed Budget**

June 7, 2024

Item III. A. 2024-2025 Proposed Budget

	2019-2020	2020-2021	2021-2022	2022-2023	Estimated 2023-24	Adopted 2023-24	Proposed 2024-2025
	Actuals	Actuals	Actuals	Actuals	Actuals	Budget	Budget
<b>Income</b>							
4350400 Administrative Services Revenue	155,480	435,787	967,755	945,000	455,000	581,125	659,000
Total Income	155,480	435,787	967,755	945,000	455,000	581,125	659,000
Gross Profit	155,480	435,787	967,755	945,000	455,000	581,125	659,000
<b>Expenses</b>							
5050010 Program Marketing			5,000	123	0	3,600	0
5050030 Audit	7,500			24,250	10,000	10,300	14,000
5050095 Credit Card Fees - Bank Charges	672	705	835	695			
5050100 Website Management	4,443	5,013	4,744	5,412	5,500	5,500	6,000
5050125 Board Meetings	608		5,622	1,097	0	768	0
5050160 Insurance	2,500	4,938		4,853	0	2,500	3,000
5050270 Sponsorship Fees (Misc Exp)			675	1,000	2,790	0	0
5050280 Office Expenses	809	2,120	2,690	5,487	7,000	7,000	6,000
5050320 Outside Legal Services	96,000	96,000	96,000	96,000	88,000	96,000	0
5050340 Professional Services	40,000	29,000	135,800	242,405	196,050	202,950	240,000
5050341 Data Platform Fees (Data Communications)	78,869	275,797	638,091	615,678	312,866	297,450	379,000
5050440 Telephone/Telecommunications	0				0	0	0
5050450 Board Travel	1,161			359	0	4,500	0
Total Expenses	232,562	413,574	889,456	997,359	622,206	630,568	648,000
Net Operating Income	-77,083	22,213	78,298	-52,359	-167,206	-49,443	11,000
Other Income							
4150000 Interest Revenue	2,506	817	843	3,007	4,000	1,200	0
Total Other Income	2,506	817	843	3,007	4,000	1,200	0
Net Other Income	2,506	817	843	3,007	4,000	1,200	0
<b>Net Income</b>	<b>-74,577</b>	<b>23,030</b>	<b>79,141</b>	<b>-49,352</b>	<b>-163,206</b>	<b>-48,243</b>	<b>11,000</b>

June 7, 2024 Board Meeting  
Agenda Item III. B. 2024-2025 Work Plan

**Agenda Item III. b.**  
**2024-2025 Fiscal Year Workplan**

Communication

- C1. Distribute monthly newsletters to CCA JPA members.
- C2. Distribute weekly news clips highlighting key media stories to CCA JPA members.
- C3. Publish case study highlighting benefit of CCA, attempt distribution in various sources: CSAC bulletin, conference, other county publications . . . ideas?

Strategic Outreach

- S1. Complete analysis of jurisdictions meeting core criteria for JPA membership.
- S2. Meet with 10 potential participant jurisdictions highlighted in core criteria analysis.
- S3. Interview Cannabis and Tax staff from three additional counties to find out about CCA awareness and benefits.

Member Services

- M1. Bring contract for consideration with CPPC for policy consulting.
- M2. Bring contract for consideration with NCS for transparency portal.
- M3. Find partner county to apply for a grant for benchmarking study on local regulations.
- M4. Apply for grant.
- M5. Explore alternatives for other CCA benefits (including benchmarking clearinghouse, Treasurer Tax Collector Association, AI policy and training expertise).
- M6. Develop a rate sheet for CCA services.

Policy/Legislative

- P1. Develop and present to the board a legislative position policy and develop a procedure for support or oppose legislation.
- P2. Provide quarterly legislative updates via newsletter or Board meeting.

June 7, 2024 Board Meeting

Agenda Item III. C. Contracts for Consideration

1. Consulting Services Agreement, Townsend Consulting LLC
2. Agreement For Services of Independent Contractor, Public House Consulting
3. Statement of Work-Audit Services, Clifton Larson Allen (CLA)



**Townsend Consulting LLC  
Consulting Services Agreement**

THIS AGREEMENT (the "Agreement"), is entered into on this date June 7, 2024 by and between Townsend Consulting LLC ("The Company") with a mailing address of 18 Minnow Ct Sacramento CA 95833 and;

California Cannabis Authority, (the "Client") whose address is: 1100 K Street, Suite 101, Sacramento, CA 95814 (collectively, the "Parties").

The Client and The Company agree as follows:

**1. The Services.**

The services to be provided by The Company are as follows:

- Draft Weekly News Clips highlighting key media stories for distribution to CCA Board Members and staff
- Draft Monthly Newsletter summarizing key cannabis policy developments for federal, state and local developments for distribution to CCA Board Members and staff
- Attend Weekly CCA staff meeting
- Assist with CCA communications needs and marketing materials

Ability to provide services may be dependent on information, direction or action from the Client. In the event a service is not delivered due to the Client's failure to provide requested actions, the Company shall not be held at fault.

**2. Compensation and Payment.**

- A. Monthly Retainer: For the Services described in Section 1, The Client will pay \$1000 per month covering June 1, 2024 to December 31, 2024.
- B. The Client shall not be required to pay installments of the monthly retainer before the end of the month for which the services are rendered. The payment for services rendered shall be due within 30 days of receiving a written invoice from the Company.
- C. Any expenses to be reimbursed by the Client must be agreed to in writing by the Client before the expenses are incurred.

### **3. Term.**

This Agreement will commence on June 1, 2024 and will continue until December 31, 2024.

### **4. Termination.**

This agreement may be terminated by either party. In the event that the Client desires to terminate the Services hereunder, the Client must submit a written request to The Company at least thirty (30) days prior to the desired date of termination. Written requests to terminate may be made by mail or e-mail. If Client chooses to terminate this agreement in writing, all monies owed to The Company will be due within two weeks.

### **5. Ownership of Materials**

Except for rights expressly granted under this agreement, each party will retain exclusive interest in and ownership of its Intellectual Property and materials developed before this agreement or developed outside the scope of this agreement. Any Intellectual Property and materials developed solely by a party under this agreement without the participation of the other party is and will remain the sole and exclusive property of the developing party.

The Client shall own materials and deliverables developed for services described in Section 1. The Company shall be allowed to use such materials and deliverables for internal and marketing purposes. Any materials used for internal and marketing purposes shall not contain any confidential or Intellectual Property that is property of the Client.

For Intellectual Property beyond materials and deliverables developed for the services described in Section 1, the parties will engage in good faith negotiations to establish their respective rights. In the event the parties cannot reach an agreement with regard to such jointly developed property, each party will have equal ownership and rights in such intellectual property, without further obligation and without a duty to account to the other party.

### **6. Limitation of Liability.**

The Company shall not be liable for any incidental, consequential, indirect or special damages, or for any incidents caused or alleged to have been caused by the performance or nonperformance of the Services. Client agrees that, in the event The Company is determined to be liable for any such loss, Client's sole remedy against The Company is limited to a refund of payments made by Client for said Services, less expenses paid to subcontractors or to third parties. The Company is not responsible for errors which result from faulty or incomplete information supplied to The Company by Client. Client also agrees to not seek damages in excess of the contractually agreed upon limitations directly or indirectly through suits by or against other parties. The Company shall not be liable to Client for any costs, damages or delays due to causes beyond its control.

### **7. Entire Agreement.**

This Agreement is the final, complete and exclusive Agreement of the Parties. No modification or amendment to this Agreement shall be effective unless in writing and signed by each of the Parties.

**8. Severability.**

If any provision of this Agreement shall be held to be illegal, invalid or unenforceable, such provision shall be fully severable, and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, the remaining provisions of this Agreement shall remain in full force and effect.

**By their signatures below, the parties hereby understand and agree to all terms and conditions of this Agreement.**

**Client**

**The Company**

**Tom Haynes**

**Tim Townsend**

**Board President, California Cannabis Authority**

**Townsend Consulting LLC**

**Signature: \_\_\_\_\_**

**Signature: \_\_\_\_\_**

**Date: \_\_\_\_\_**

**Date: \_\_\_\_\_**

## AGREEMENT FOR SERVICES OF INDEPENDENT CONTRACTOR

**THIS AGREEMENT** (hereafter Agreement) is made by and between the CALIFORNIA CANNABIS AUTHORITY (“CCA”) and PUBLIC HOUSE Consulting, Inc. having its principal place of business at 1017 L Street, No. 534, Sacramento, CA 95814 (hereafter CONTRACTOR), wherein CONTRACTOR agrees to provide and CCA agrees to accept the services specified herein.

**WHEREAS CONTRACTOR** represents that it is specially trained, skilled, experienced, and competent to perform the special services required by CCA and CCA desires to retain the services of CONTRACTOR pursuant to the terms, covenants, and conditions herein set forth;

**NOW, THEREFORE**, in consideration of the mutual covenants and conditions contained herein, the parties agree as follows:

**1. DESIGNATED REPRESENTATIVES.** Stacie Frerichs at phone number (530) 304-2880 is the representative of CCA and will administer this Agreement for and on behalf of CCA. Cara Martinson at phone number 916-267-5536 is the authorized representative for CONTRACTOR. Changes in designated representatives shall be made only after advanced written notice to the other party.

**2. NOTICES.** Any notice or consent required or permitted to be given under this Agreement shall be given to the respective parties in writing, by first class mail, postage prepaid, or otherwise, or via electronic mail, delivered as follows:

TO CCA	California Cannabis Authority ATTN: Stacie Frerichs 1100 K Street, Suite 101 Sacramento CA 95814 <a href="mailto:stacie@csacfc.org">stacie@csacfc.org</a>
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TO CONTRACTOR	Public House Consulting, Inc. ATTN: Cara Martinson 1017 L Street, No. 534 Sacramento CA 95814 <a href="mailto:cara@publichouseconsulting.net">cara@publichouseconsulting.net</a>
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or at such other address or to such other person that the parties may from time to time designate in accordance with this Notice section. Notices and consents under this section, which are sent by mail, shall be deemed to be received five (5) days following their deposit in the U.S. mail. This Notices section shall not be construed as meaning that either party agrees to service of process except as required by applicable law.

**3. SCOPE OF SERVICES.** CONTRACTOR agrees to provide CCA consulting and legislative services regarding legislation, budget and policy issues impacting counties.

Duties include:



## Legislative Duties

- Monitor legislation and budget items related to state and local cannabis regulation and policy issues.
- Maintain a bill tracking list of legislation impacting county government with respect to cannabis regulation and taxation.
- Provide updates to CCA Membership regarding bills and budget items, including drafting articles for the CCA newsletter.
- Propose bill positions based on CCA member and CSAC feedback.
- Draft letters and legislative correspondence as directed.
- Provide direct advocacy on priority bills and budget issues as directed.

## Outreach Duties

- Attend and participate in weekly CCA team calls, CCA Board meetings and other CCA meetings as necessary.
- As needed, participate in CSAC Legislative, Annual and other meetings as directed.
- Participate in the engagement of local government officials to provide education and outreach as directed.

**4. TERM.** This Contract shall be a Monthly Retailer that shall take effect June 1, 2024- December 31, 2024, unless the terms have been extended by mutual agreement or unless earlier terminated as provided herein.

**5. COMPENSATION OF CONTRACTOR.** In full consideration for CONTRACTOR's services, CONTRACTOR shall be paid on a monthly basis in the amount of \$4,000 for the month beginning June 1, 2024 and ending December 31, 2024. CONTRACTOR shall submit to the CCA Designated Representative an invoice or certified claim for the service performed over the period specified. Approval for the incursion of costs shall be approved in advance by the Designated Representative and included on the next occurring billing. Payment will be prompt after the presentation of an invoice.

**6. INDEPENDENT CONTRACTOR.** It is mutually understood and agreed that CONTRACTOR (including any and all of its officers, agents, and employees) shall perform all of its services under this Agreement as an independent contractor as to CCA and not as an officer, agent, servant, employee, joint venturer partner, or associate of CCA. Furthermore, CCA shall have no right to control, supervise, or direct the manner or method by which CONTRACTOR shall perform its work and function. However, CCA shall retain the right to administer this Agreement so as to verify that CONTRACTOR is performing its obligations in accordance with the terms and conditions hereof. CONTRACTOR understands and acknowledges that it shall not be entitled to any of the benefits of a CCA employee, including but not limited to vacation, sick leave, administrative leave, health insurance, disability insurance, retirement, unemployment insurance, workers' compensation and protection of tenure. CONTRACTOR shall be solely liable and responsible for providing to, or on behalf of, its employees all legally required employee benefits. In addition, CONTRACTOR shall be solely responsible and hold CCA harmless from all matters

relating to payment of CONTRACTOR's employees, including compliance with Social Security withholding and all other regulations governing such matters. It is acknowledged that during the term of this Agreement, CONTRACTOR may be providing services to others unrelated to the CCA or to this Agreement.

**7. STANDARD OF PERFORMANCE.** CONTRACTOR represents that it has the skills, expertise, and licenses/permits necessary to perform the services required under this Agreement. Accordingly, CONTRACTOR shall perform all such services in the manner and according to the standards observed by a competent practitioner of the same profession in which CONTRACTOR is engaged. All products of whatsoever nature which CONTRACTOR delivers to CCA pursuant to this Agreement shall be prepared in a professional and workmanlike manner and shall conform to the standards of quality normally observed by a person practicing in CONTRACTOR's profession. CONTRACTOR shall correct or revise any errors or omissions at CCA's request without additional compensation. Permits and/or licenses shall be obtained and maintained by CONTRACTOR without additional compensation.

**8. CONFLICT OF INTEREST.** CONTRACTOR covenants that CONTRACTOR presently has no employment or interest and shall not acquire any employment or interest, direct or indirect, including any interest in any business, property, or source of income, which would conflict in any manner or degree with the performance of services required to be performed under this Agreement. CONTRACTOR further covenants that in the performance of this Agreement, no person having any such interest shall be employed by CONTRACTOR. CCA retains the right to waive a conflict of interest disclosed by CONTRACTOR if CCA determines it to be immaterial, and such waiver is only effective if provided by CCA to CONTRACTOR in writing.

**9. TERMINATION.** CCA or CONTRACTOR may, by written notice to the other, terminate this Agreement in whole or in part prior to December 31, 2024, upon written notice to the other at least thirty days in advance of termination date. Upon termination, CCA shall pay CONTRACTOR for services performed through the date of termination.

**10. ENTIRE AGREEMENT AND AMENDMENT.** In conjunction with the matters considered herein, this Agreement contains the entire understanding and agreement of the parties and there have been no promises, representations, agreements, warranties or undertakings by any of the parties, either oral or written, of any character or nature hereafter binding except as set forth herein. This Agreement may be altered, amended or modified only by an instrument in writing, executed by the parties to this Agreement and by no other means. Each party waives their future right to claim, contest or assert that this Agreement was modified, canceled, superseded, or changed by any oral agreements, course of conduct, waiver or estoppel.

**11. SUCCESSORS AND ASSIGNS.** All representations, covenants and warranties set forth in this Agreement, by or on behalf of, or for the benefit of any or all of the parties hereto, shall be binding upon and inure to the benefit of such party, its successors and assigns.

**12. EXECUTION OF COUNTERPARTS.** This Agreement may be executed by digital signature or in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an

original; and all such counterparts, or as many of them as the parties shall preserve undestroyed, shall together constitute one and the same instrument.

**13. AUTHORITY.** All signatories and parties to this Agreement warrant and represent that they have the power and authority to enter into this Agreement in the names, titles and capacities herein stated and on behalf of any entities, persons, or firms represented or purported to be represented by such entity(ies), person(s), or firm(s) and that all formal requirements necessary or required by any State and/or federal law in order to enter into this Agreement have been fully complied with. Furthermore, by entering into this Agreement, CONTRACTOR hereby warrants that it shall not have breached the terms or conditions of any other contract or agreement to which CONTRACTOR is obligated, which breach would have a material effect hereon.

**14. HANDLING OF CONFIDENTIAL INFORMATION.** CONTRACTOR understands and agrees that certain information which CONTRACTOR may have access to while performing services under this Agreement will be confidential information. This information is to be subject to the following special provisions:

a. CONTRACTOR shall not disclose confidential information to any other persons or entities, except with the express written consent of CCA. CCA will identify information as confidential at the time of disclosure to CONTRACTOR.

b. CONTRACTOR will take all steps necessary to prevent disclosure of the information to any person except those personnel of CONTRACTOR working on the project who have a need to have access to the information. No reproduction or duplication of the information shall be made without the express written consent of CCA. CONTRACTOR shall notify CCA promptly if to CONTRACTOR's knowledge the confidentiality of any information is compromised. CONTRACTOR's obligation under this paragraph shall survive termination of the Agreement.

c. CONTRACTOR will not have any obligation with respect to information that is already rightfully known to CONTRACTOR, is or becomes publicly known through no wrongful act of CONTRACTOR or is rightfully obtained by CONTRACTOR from a third party without similar restrictions and without breach of this Agreement.

d. CONTRACTOR shall return all confidential information to CCA or certify to CCA its destruction upon conclusion of CONTRACTOR's work.

e. CONTRACTOR understands and agrees that any party who has provided confidential information which is disclosed to CONTRACTOR by CCA and identified by CCA as proprietary information as required by Subsection (a) above, shall be a third-party beneficiary to this Agreement and, as such, shall have the benefit of all legal rights to protect any such confidential information it has provided CCA and which CCA has disclosed to CONTRACTOR.

**15. INSURANCE.** During the term of the Agreement, the Consultant shall maintain the following insurance policies:

- comprehensive general liability insurance, including personal injury and bodily injury coverage

The Consultant agrees to provide the Client certificates of said policies of insurance showing said policies to be in force prior to commencing of services and annually thereafter for so long as this Agreement remains in effect.

These obligations shall bind CONTRACTOR both during and after the term of the Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective on the date when fully executed by both parties.

California Cannabis Authority (“CCA”)

Public House Consulting, Inc.

By: \_\_\_\_\_

By: \_\_\_\_\_

Tom Haynes, President California Cannabis Authority

Cara Martinson, President



## Statement of Work - Audit Services

May 29, 2024

This document constitutes a statement of work ("SOW") under the master service agreement ("MSA") dated August 11, 2022, or superseding MSA, made by and between CliftonLarsonAllen LLP ("CLA," "we," "us," and "our") and California Cannabis Authority ("you," "your," or "the entity"). We are pleased to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services CLA will provide for the entity as of and for the period ended June 30, 2023.

Rich Gonzalez, Principal is responsible for the performance of the audit engagement.

### **Scope of audit services**

We will audit the financial statements of the governmental activities and the major fund, which collectively comprise the basic financial statements of California Cannabis Authority, and the related notes to the financial statements as of and for the period ended June 30, 2023.

The Governmental Accounting Standards Board (GASB) provides for certain required supplementary information (RSI) to accompany the entity's basic financial statements.

The following RSI will be subjected to certain limited procedures, but will not be audited.

- Budgetary comparison schedules.

### **Nonaudit services**

We will also provide the following nonaudit services:

- Preparation of your financial statements and the related notes.
- Preparation of the required supplementary information (RSI).

### **Audit objectives**

The objectives of our audit of the financial statements are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards

generally accepted in the United States of America (U.S. GAAS) will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Our audit will be conducted in accordance with U.S. GAAS and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require us to be independent of the entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. Our audit will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinions.

We will apply certain limited procedures to the RSI in accordance with U.S. GAAS. However, we will not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. We will also perform procedures to enable us to express an opinion on whether the supplementary information (as identified above) other than RSI accompanying the financial statements is fairly stated, in all material respects, in relation to the financial statements as a whole.

We will issue a written report upon completion of our audit of your financial statements.

Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph to our auditors' report, or if necessary, withdraw from the engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming opinions on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express opinions or issue a report, or withdrawing from the engagement.

We will also provide a report (which does not include an opinion) on internal control over financial reporting and on compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements, as required by *Government Auditing Standards*. The report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the entity is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit conducted in accordance with U.S. GAAS and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

## Auditor responsibilities, procedures, and limitations

We will conduct our audit in accordance with U.S. GAAS and the standards for financial audits contained in *Government Auditing Standards*.

Those standards require that we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. As part of our audit, we will:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and evaluate whether audit evidence obtained is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the amounts and disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on our evaluation of audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

Although our audit planning has not been concluded and modifications may be made, we have identified the following significant risk(s) of material misstatement as part of our audit planning:

- Management's ability to override of controls is considered a fraud risk
- Implementation of new accounting standards pose a higher risk of error in the first year of implementation. For the year ended June 30, 2023, significant accounting standard implementations include GASB 96 - Subscription-Based Information Technology Arrangements.

There is an unavoidable risk, because of the inherent limitations of an audit, together with the inherent limitations of internal control, that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards*. Because we will not perform a detailed examination of all transactions, material misstatements, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity, may not be detected. Because the determination of waste and

abuse is subjective, *Government Auditing Standards* do not require auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management and those charged with governance of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management and those charged with governance of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting fraud or errors that are material to the financial statements and to preventing and detecting misstatements resulting from noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. An audit is not designed to provide assurance on internal control or to identify deficiencies, significant deficiencies, or material weaknesses in internal control. However, we will communicate to you in writing significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audit that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the entity's compliance with the provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

We will include in our report on internal control over financial reporting and on compliance relevant information about any identified or suspected instances of fraud and any identified or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements that may have occurred that are required to be communicated under *Government Auditing Standards*.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

### **Management responsibilities**

Our audit will be conducted on the basis that you (management and, when appropriate, those charged with governance) acknowledge and understand that you have certain responsibilities that are fundamental to the conduct of an audit.

You are responsible for the preparation and fair presentation of the financial statements and RSI in accordance with U.S. GAAP.



Management's responsibilities include the selection and application of accounting principles; recording and reflecting all transactions in the financial statements; determining the reasonableness of significant accounting estimates included in the financial statements; adjusting the financial statements to correct material misstatements; and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for 12 months beyond the financial statement date.

You are responsible for the design, implementation, and maintenance of effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including evaluating and monitoring ongoing activities and safeguarding assets to help ensure that appropriate goals and objectives are met. You are responsible for the design, implementation, and maintenance of internal controls to prevent and detect fraud; assessing the risk that the financial statements may be materially misstated as a result of fraud; and for informing us about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for implementing systems designed to achieve compliance with applicable laws and regulations and the provisions of contracts and grant agreements; identifying and ensuring that the entity complies with applicable laws, regulations, contracts, and grant agreements; and informing us of all instances of identified or suspected noncompliance whose effects on the financial statements should be considered. You are responsible for taking timely and appropriate steps to remedy any fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we may report.

You are responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including amounts and disclosures, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters, and for the accuracy and completeness of that information (including information from within and outside of the general and subsidiary ledgers); (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

You agree to inform us of events occurring or facts discovered subsequent to the date of the financial statements that may affect the financial statements.

Management is responsible for providing us with a written confirmation concerning representations made by you and your staff to us in connection with the audit and the presentation of the basic financial statements and RSI. During our engagement, we will request information and explanations from you regarding, among other matters, the entity's activities, internal control, future plans, specific transactions, and accounting systems and procedures. The procedures we will perform during our engagement and the

conclusions we reach as a basis for our report will be heavily influenced by the representations that we receive in the representation letter and otherwise from you. Accordingly, inaccurate, incomplete, or false representations could cause us to expend unnecessary effort or could cause a material fraud or error to go undetected by our procedures. In view of the foregoing, you agree that we shall not be responsible for any misstatements in the entity's financial statements that we may fail to detect as a result of misrepresentations made to us by you.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies to us of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the "Audit objectives" section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

#### **Responsibilities and limitations related to nonaudit services**

For all nonaudit services we may provide to you, management agrees to assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience to understand and oversee the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services. Management is also responsible for ensuring that your data and records are complete and that you have received sufficient information to oversee the services.

#### **Use of financial statements**

Should you decide to include or incorporate by reference these financial statements and our auditors' report(s) thereon in a future private placement or other offering of equity or debt securities, you agree that we are under no obligation to re-issue our report or provide consent for the use of our report in such a registration or offering document. We will determine, at our sole discretion, whether we will re-issue our report or provide consent for the use of our report only after we have performed the procedures we consider necessary in the circumstances. If we decide to re-issue our report or consent to the use of our report, we will be required to perform certain procedures including, but not limited to, (a) reading other information incorporated by reference in the registration statement or other offering document and (b) subsequent event procedures. These procedures will be considered an engagement separate and distinct from our audit engagement, and we will bill you separately. If we decide to re-issue our report or consent to the use of our report, you agree that we will be included on each distribution of draft offering materials and we will receive a complete set of final documents. If we decide not to re-issue our report or decide to withhold our consent to the use of our report, you may be required to engage another firm to audit periods covered by our audit reports, and that firm will likely bill you for its services. While the successor auditor may request access to our workpapers for those periods, we are under no obligation to permit such access.

If the parties (i.e., you and CLA) agree that CLA will not be involved with your official statements related to municipal securities filings or other offering documents, we will require that any official statements or other

offering documents issued by you with which we are not involved clearly indicate that CLA is not involved with the contents of such documents. Such disclosure should read as follows:

CliftonLarsonAllen LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP also has not performed any procedures relating to this offering document.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website or submitted on a regulator website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

We may issue preliminary draft financial statements to you for your review. Any preliminary draft financial statements should not be relied on or distributed.

#### **Engagement administration and other matters**

We understand that your employees will prepare all confirmations, account analyses, and audit schedules we request and will locate any documents or invoices selected by us for testing. A list of information we expect to need for our audit and the dates required will be provided in a separate communication.

We will provide copies of our reports to the entity; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing confidential or sensitive information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the sole and exclusive property of CLA and constitutes confidential and proprietary information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to State Controller, or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of CLA personnel. Furthermore, upon request, we may provide copies or electronic versions of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the State Controller. If we are aware that a federal or state awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could

impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our audit engagement ends on delivery of our signed report. Any additional services that might be requested will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific SOW for that service.

Government Auditing Standards require that we make our most recent external peer review report publicly available. The report is posted on our website at [www.CLAconnect.com/Aboutus/](http://www.CLAconnect.com/Aboutus/).

### **Fees**

Our professional fees are outlined in the table below:

<b>Service</b>	<b>Fee</b>
Financial Statement Audit	\$10,000

We will also bill for expenses including travel, internal and administrative charges, and a technology and client support fee of five (5%) of all professional fees billed which is included in our not to exceed fees listed above. Our fee is based on anticipated cooperation from your personnel and their assistance with locating requested documents and preparing requested schedules. If the requested items are not available on the dates required or are not accurate, the fees and expenses will likely be higher.

### **Unexpected circumstances**

We will advise you if unexpected circumstances require significant additional procedures resulting in a substantial increase in the fee estimate.

### **Changes in accounting and audit standards**

Standard setters and regulators continue to evaluate and modify standards. Such changes may result in new or revised financial reporting and disclosure requirements or expand the nature, timing, and scope of the activities we are required to perform. To the extent that the amount of time required to provide the services described in the SOW increases due to such changes, our fee may need to be adjusted. We will discuss such circumstances with you prior to performing the additional work.

### **Agreement**

We appreciate the opportunity to provide to you the services described in this SOW under the MSA and believe this SOW accurately summarizes the significant terms of our audit engagement. This SOW and the MSA constitute the entire agreement regarding these services and supersedes all prior agreements (whether oral or written), understandings, negotiations, and discussions between you and CLA related to audit

services. If you have any questions, please let us know. Please sign, date, and return this SOW to us to indicate your acknowledgment and understanding of, and agreement with, the arrangements for our audit of your financial statements including the terms of our engagement and the parties' respective responsibilities.

Sincerely,

**CliftonLarsonAllen LLP**

**Response:**

This letter correctly sets forth the understanding of California Cannabis Authority.

CLA  
CLA

*Rich Gonzalez*

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Rich Gonzalez, CPA, Principal

SIGNED 6/3/2024, 10:21:52 AM PDT

**Client**  
California Cannabis Authority

SIGN:

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Stacie Frerichs, Executive Director

DATE:

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June 7, 2024 Board Meeting  
Agenda Item IV. Legislative Update/Regulatory Update

June 2, 2024

To: CCA Board of Directors  
From: Cara Martinson, Public House Consulting  
**Re: June 2024 Legislative Update**

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We are midway through the Legislative year and bills that made it through their House of Origin and the Appropriations Committee gauntlet are currently being scheduled for June policy hearings. The Legislature will have until July 3<sup>rd</sup> to hear all bills in their various policy committees before taking a summer recess- July 4- August 4<sup>th</sup>. That leaves August for Appropriations Committees and Floor Hearings only.

The state's dire budget scenario will make passing bills that have any state revenue impact very challenging. Only 60% of bills introduced in the Assembly made it to the Senate, while 75% of bills introduced in the Senate made it to the Assembly. Despite the state budget focus, there are several bills moving through the legislative process that would have a significant policy impact.

The following are bills that we are tracking:

1. [AB 2223](#), by Assembly Member Aguiar-Curry passed off of the Assembly Floor and has been double referred to the Senate Business and Professions and Health Committee. The bill is the latest attempt to resolve issues around hemp-derived cannabinoids, including addressing THC derivatives that are sold outside of the licensed cannabis regulatory system. Specifically, the bill would:

- Expressly allow for the integration of industrial hemp into the licensed cannabis supply chain.
- The bill imposes a number of requirements, including,
  - Only allowing cannabis licensees to obtain industrial hemp from individuals registered with the CA Department of Public Health.
  - Hemp would be tracked as a separate batch throughout the manufacturing process in order to document the disposition of that hemp or hemp product.
  - Manufactured cannabis products incorporating hemp would be required to comply with state cannabis laws (MAUCRSA).
  - The Department of Cannabis Control (DCC) would be required to implement a process by which a licensee that is also a registered hemp manufacturer may use the same premises.

According to the [Floor Analysis](#), “whether hemp and cannabis products should be allowed to coexist in a regulatory context has been debated consistently over the past several years. Because both plants contain the same cannabinoids, it is often the case that two essentially identical products—CBD gummies, for example—are regulated and sold differently based on whether the CBD was derived from cannabis or industrial hemp. Many cannabis retailers may



wish to also sell products derived from hemp. However, some in the cannabis industry may see hemp as an unwelcomed competitor, and concerns have been expressed that the difference in regulatory systems and consumer safety requirements should keep the two products separated.”

The bill also provides that the DCC adopt emergency regulations to implement hemp integration into the cannabis supply chain and provides for a limited exemption from the Administrative Procedure Act for those regulations. This bill is sponsored by the California Cannabis Industry Association (CCIA). It is also supported by other cannabis groups, including California Norml, Untied Cannabis Business Association, and Weedmaps. Opponents include the Public Health Institute, Humboldt County Grower’s Alliance and the Origins Council, among others. Opponents argue that hemp products do not face the same requirements for product design, packaging, marketing, and advertising and warning labels, including limits on attractiveness to children and not being easily confused with non-cannabis foods.

2. [SB 1059](#), by Senator Bradford, passed off the Senate floor and is currently pending Committee referral in the Assembly Rules Committee. This bill would exclude the amount of any cannabis excise tax or sales and use tax from the definition of gross receipts for purposes of local cannabis taxes. This bill was amended on 4/24 to remove the provision that eliminated the monetary penalty under Prop. 64 for non-payment of taxes.

According to the [bill’s analysis](#), generally, local cannabis taxes apply to the sales price of cannabis before the state cannabis excise tax and the sales and use tax are applied. However, some jurisdictions, including the City of Los Angeles, define the tax base for its gross receipts tax to include all receipts, which includes the state excise tax but not the sales and use tax, in its tax base if the retailer passes through the tax to the consumer. SB 1059 would preempt local control in the interest of lower prices in the regulated market.

Senator Bradford introduced an identical measure last year, SB 512, but that bill was held in the Assembly Appropriations Committee. No local government associations or individual cities or counties are currently on record opposing the bill. The bill is sponsored by CCIA.

3. [SB 1064](#), by Senator Laird passed of the Senate Floor and is currently pending Committee referral in Assembly Rules. SB 1064 makes significant licensing reforms to California’s cannabis licensing structure. The bill revises the current licensing framework for retail, distribution, processing and manufacturing of cannabis or cannabis products for commercial cannabis activity by creating a uniform license to be implemented by 2028.

According to the [bill analysis](#), “In an effort to streamline the licensing process, this bill revises the current licensing structure by creating a state “operator” license for purposes of conducting designated commercial cannabis activities at a location that has applied for and received a new “premises” license from the DCC. The “operator” license is to be applicable statewide and not be site specific or tied to any location. The aim is to allow a potential licensee to obtain a state license to operate, without the need to first find a location to conduct business and pay the

location costs prior to receiving an authorization from both the state and local jurisdiction. A separate “premises” license will be required to conduct commercial cannabis activity at a location, which may only be issued if the applicant has first obtained the “operator” license.”

Separately, this bill creates a “unified” license, which will authorize commercial cannabis activities without the need to obtain a separate “premises” license from the DCC. However, in order for a “unified” license holder to engage in the designated commercial cannabis activities at more than one location, they will be required to obtain a separate “unified” license for each location where engaging in commercial cannabis activity. The provisions proposed in this bill make it clear that the DCC is not to approve any application for a “premises” license in violation of any local ordinance.

This bill is supported by RCRC and CCIA. This bill passed the Senate Appropriations Committee despite the note that, “The bill will result in unknown significant costs ranging in the millions of dollars for DCC to modify its existing cannabis licensing framework.” Whether or not it can survive the Assembly Appropriations Committee remains to be seen.

Other bills we are tracking:

- [AB 1775](#)- *Referred to the Senate Business and Professions Committee*- Allows food sales in cannabis consumption lounges.
- [AB 2643](#) – *Currently set for hearing on 6/11 in the Senate Natural Resources & Water Committee*- This bill would require the Department of Fish and Wildlife (DFW) to study and report on cannabis site restoration projects and illicit cultivation on public lands.
- [SB 820](#)- *Currently set for hearing on 6/11 in the Senate Business and Professions Committee*- This RCRC- sponsored bill increases local government authority to seize property from unlicensed operators.