File No. 190115 Committee Item No. 5
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee **Date** February 13, 2019

Board of Supervisors Meeting **Date** _____

Cmte	Board	
☐	☐	Motion
☒	☐	Resolution
☐	☐	Ordinance
☐	☐	Legislative Digest
☐	☐	Budget and Legislative Analyst Report
☐	☐	Youth Commission Report
☐	☐	Introduction Form
☒	☐	Department/Agency Cover Letter and/or Report
☐	☐	MOU
☐	☐	Grant Information Form
☐	☐	Grant Budget
☐	☐	Subcontract Budget
☐	☐	Contract/Agreement
☐	☐	Form 126 – Ethics Commission
☐	☐	Award Letter
☐	☐	Application
☐	☐	Public Correspondence

OTHER **(Use back side if additional space is needed)**

☒	☐	Senate Bill 1294
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	

Completed by: Linda Wong **Date** February 8, 2019
Completed by: Linda Wong **Date** _____

[Authorization to Apply for State Grant Funding - California Cannabis Equity Act of 2018 - Office of Cannabis]

Resolution authorizing the Office of Cannabis, on behalf of the City and County of San Francisco, to apply for state grant funding under the California Cannabis Equity Act of 2018.

WHEREAS, The State of California has enacted the California Cannabis Equity Act of 2018, codified in relevant part at Business and Professions Code Sections, 26240 through 26250, to further state efforts to support local jurisdictions' equity programs; and

WHEREAS, In connection with Cannabis Equity Act, the State has appropriated $10,000,000 of funds to the Bureau of Cannabis Control to issue grants to assist local equity applicants and local equity licensees, to be administered through grants to local jurisdictions' equity programs; and

WHEREAS, The Cannabis Equity Act authorizes local jurisdictions to apply to receive such grant funding from the Bureau, which shall review applications for such grant funding pursuant to criteria specified by statute (Business and Professions Code, Section 26244(a)(2)); and

WHEREAS, The City is well qualified to receive grant funding under these criteria, which include, but are not limited to, whether the local jurisdiction is an eligible local jurisdiction; whether the local jurisdiction has adopted or operates a local equity program; whether the local jurisdiction has identified a local equity applicant or a local equity licensee that the local jurisdiction could assist through use of the grant funding; whether the local jurisdiction has demonstrated the ability to provide, or created a plan to provide, services such as support for rent, leases, local and state application and licensing fees, regulatory adherence, testing of cannabis, equipment, capital improvements, and training and retention of a qualified workforce; and the number of existing and potential local equity applicants and

local equity licensees in the local jurisdiction (Business and Professions Code, Section 26244(a)(2)); and

WHEREAS, A local jurisdiction that receives grant funding pursuant to the Cannabis Equity Act shall use grant funds to assist local equity applicants and local equity licensees in the local jurisdiction to gain entry to, and to successfully operate in, the state's regulated cannabis marketplace (Business and Professions Code, Section 26244(a)(2)); and

WHEREAS, If San Francisco receives a grant pursuant to the Cannabis Equity Act, it shall in fact use grant funds to assist local equity applicants and local equity licensees in that local jurisdiction to gain entry to, and to successfully operate in, the state's regulated cannabis marketplace; and

WHEREAS, Such assistance may include loans or a grant to assist applicants with startup and ongoing costs such as rent, leases, local and state application and licensing fees, regulatory adherence, testing of cannabis, equipment, capital improvements, and training and retention of a qualified and diverse workforce as assistance that could qualify for this funding; and

WHEREAS, The Act allows no more than 10% of the grant funds to be used to assist the administration of the local equity program, including employing staff or hiring consultants to administer grants and the program; and

WHEREAS, If San Francisco successfully secures grant funding through The Act, the City will be responsible for submitting to the Bureau of Cannabis on or before January 1 of the year following receipt of the grant an annual report on how the grant funds are expended, including but not limited to details associated with how grant funds were dispersed, how San Francisco identifies and verifies local equity applicants, the number of equity applicants that were served by the grant funds, and any aggregate data associated with demographics on equity applicants, equity licensees, and other applicants and licensees in the jurisdiction,

including, but not limited to, race, ethnicity, gender, sexual orientation, income level, prior convictions, and veteran status; and

WHEREAS, The Board of Supervisors previously passed, and the Mayor signed, an ordinance (Ordinance No. 230-17, Approved December 6, 2017, Effective January 5, 2018) creating San Francisco's Cannabis Equity Program; and

WHEREAS, As of January 10, 2019, the San Francisco Office of Cannabis has verified over 230 individuals for purposes of allowing them to seek Cannabis Business Permits as an eligible applicant; and

WHEREAS, More than 220 Cannabis Business Permits are being sought by Verified Equity Applicants; and

WHEREAS, On January 18, 2019, the San Francisco Office of Cannabis convened Equity Applicants and internal and external stakeholders to discuss the pressing resource and funding needs of the City's equity applicants in order to inform the City's application and distribution of these grant funds; now, therefore, be it

RESOLVED, That the Board of Supervisors of the City and County of San Francisco authorizes the Director of the Office of Cannabis or his or her designee to execute for and on behalf of the City and County of San Francisco any actions necessary for the purpose of obtaining state grant funding provided through the California Cannabis Equity Act of 2018 to support the San Francisco Cannabis Equity Program and Equity Program participants; and, be it

FURTHER RESOLVED, That after the award of any grant funding, the Office of Cannabis shall return to the Board of Supervisors to seek approval, by further resolution, to formally accept and expend grant monies.

STATE OF CALIFORNIA
AUTHENTICATED
ELECTRONIC LEGAL MATERIAL

Senate Bill No. 1294

CHAPTER 794

An act to add Chapter 23 (commencing with Section 26240) to Division 10 of the Business and Professions Code, relating to professions and vocations.

[Approved by Governor September 26, 2018. Filed with Secretary of State September 26, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1294, Bradford. Cannabis: state and local equity programs.

The Control, Regulate and Tax Adult Use of Marijuana Act (AUMA), an initiative measure approved as Proposition 64 at the November 8, 2016, statewide general election, authorizes a person who obtains a state license under AUMA to engage in commercial adult-use cannabis activity pursuant to that license and applicable local ordinances. The Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), among other things, consolidates the licensure and regulation of commercial medicinal and adult-use cannabis activities.

This bill would enact the California Cannabis Equity Act of 2018. The bill would authorize the Bureau of Cannabis Control, upon request by a local jurisdiction, to provide technical assistance, as defined, to a local equity program that helps local equity applicants or local equity licensees. The bill would, upon appropriation of funds by the Legislature, authorize an eligible local jurisdiction to submit an application to the bureau for a grant to assist local equity applicants and local equity licensees through that local jurisdiction's equity program. The bill would require the bureau to review an application, and to grant funding to an eligible local jurisdiction, based on specified factors. The bill would require an eligible local jurisdiction that receives grant funds pursuant to these provisions to use the grant funds to assist local equity licensees in that local jurisdiction to gain entry to, and to successfully operate in, the state's regulated cannabis marketplace. The bill would require an eligible local jurisdiction that receives grant funds pursuant to these provisions to, on or before a specified date, submit an annual report to the bureau that contains specified information on the use of the grant funds and specified demographic data.

This bill would require, on or before July 1, 2019, the bureau to, among other things, publish approved local equity ordinances and model equity ordinances created by advocacy groups and experts, as specified, and to submit a report to the Legislature regarding the progress of local equity programs that receive funding pursuant to these provisions.

The Control, Regulate and Tax Adult Use of Marijuana Act, an initiative measure, authorizes the Legislature to amend the act to further the purposes

and intent of the act with a ⅔ vote of the membership of both houses of the Legislature, except as provided.

This bill would declare that its provisions further the purposes and intent of the Control, Regulate and Tax Adult Use of Marijuana Act.

The people of the State of California do enact as follows:

SECTION 1. This act shall be known and may be cited as the California Cannabis Equity Act of 2018.

SEC. 2. The Legislature finds and declares the following:

(a) In 2016, California voters approved Proposition 64, the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA). In its statement of purpose and intent, AUMA calls for regulating cannabis in a way that "reduce[s] barriers to entry into the legal, regulated market."

(b) Cannabis prohibition had a devastating impact on communities across California and across the United States. Persons convicted of a cannabis offense and their families suffer the long-term consequences of prohibition. These individuals have a more difficult time entering the newly created adult-use cannabis industry due, in part, to a lack of access to capital, business space, technical support, and regulatory compliance assistance.

(c) During the era of cannabis prohibition in California, the burdens of arrests, convictions, and long-term collateral consequences arising from a conviction fell disproportionately on Black and Latinx people, even though people of all races used and sold cannabis at nearly identical rates. The California Department of Justice data shows that from 2006 to 2015, inclusive, Black Californians were two times more likely to be arrested for cannabis misdemeanors and five times more likely to be arrested for cannabis felonies than White Californians. During the same period, Latinx Californians were 35 percent more likely to be arrested for cannabis crimes than White Californians. The collateral consequences associated with cannabis law violations, coupled with generational poverty and a lack of access to resources, make it extraordinarily difficult for persons with convictions to enter the newly regulated industry.

(d) Offering technical support, regulatory compliance assistance, and assistance with securing the capital necessary to begin a business will further the stated intent of the AUMA by reducing barriers to licensure and employment in the regulated industry.

(e) Offering these supports will also aid the state in its goal of eliminating or reducing the illicit cannabis market by bringing more people into the legal marketplace.

(f) It is the intent of the Legislature in enacting this act to ensure that persons most harmed by cannabis criminalization and poverty be offered assistance to enter the multibillion dollar cannabis industry as entrepreneurs or as employees with high quality, well-paying jobs.

(g) It is the intent of the Legislature in enacting this act that the cannabis industry be representative of the state's population, and that barriers to

entering the industry are reduced through support to localities that have created local equity programs in their jurisdictions.

(h) The Legislature finds and declares that this act furthers the purposes and intent of the Control, Regulate and Tax Adult Use of Marijuana Act, enacted as Proposition 64 of 2016.

SEC. 3. Chapter 23 (commencing with Section 26240) is added to Division 10 of the Business and Professions Code, to read:

CHAPTER 23. THE CALIFORNIA CANNABIS EQUITY ACT

26240. For purposes of this chapter, the following definitions apply:

(a) "Eligible local jurisdiction" means a local jurisdiction that has adopted or operates a local equity program.

(b) "Local equity applicant" means an applicant who has submitted, or will submit, an application to a local jurisdiction to engage in commercial cannabis activity within the jurisdictional boundaries of that jurisdiction and who meets the requirements of that jurisdiction's local equity program.

(c) "Local equity licensee" means a person who has obtained a license from a local jurisdiction to engage in commercial cannabis activity within the jurisdictional boundaries of that jurisdiction and who meets the requirements of that jurisdiction's local equity program.

(d) "Local equity program" means a program adopted or operated by a local jurisdiction that focuses on inclusion and support of individuals and communities in California's cannabis industry who are linked to populations or neighborhoods that were negatively or disproportionately impacted by cannabis criminalization. Local equity programs may include, but are not limited to, the following types of services:

(1) Small business support services offering technical assistance to those persons from economically disadvantaged communities that experience high rates of poverty or communities most harmed by cannabis prohibition, determined by historically high rates of arrests or convictions for cannabis law violations.

(2) Tiered fees or fee waivers for cannabis-related permits and licenses.

(3) Assistance in paying state regulatory and licensing fees.

(4) Assistance securing business locations prior to or during the application process.

(5) Assistance securing capital investments.

(6) Assistance with regulatory compliance.

(7) Assistance in recruitment, training, and retention of a qualified and diverse workforce, including transitional workers.

(e) "Transitional worker" means a person who, at the time of starting employment at the business premises, resides in a ZIP Code or census track area with higher than average unemployment, crime, or child death rates, and faces at least one of the following barriers to employment: (1) is homeless; (2) is a custodial single parent; (3) is receiving public assistance; (4) lacks a GED or high school diploma; (5) has a criminal record or other

involvement with the criminal justice system; (6) suffers from chronic unemployment; (7) is emancipated from the foster care system; (8) is a veteran; or (9) is over 65 years of age and is financially compromised.

26242. (a) The bureau may, upon request by a local jurisdiction, provide technical assistance to a local equity program that helps local equity applicants or local equity licensees. When determining whether to provide technical assistance, the bureau shall make individual determinations based on the reasonableness of the request and available resources.

(b) "Technical assistance" includes providing training and educational sessions regarding state cannabis licensing processes and requirements to equity applicants or equity licensees that are coordinated with the local equity program.

26244. (a) (1) Upon appropriation of funds by the Legislature, an eligible local jurisdiction may, in the form and manner prescribed by the bureau, submit an application to the bureau for a grant to assist local equity applicants and local equity licensees through that local jurisdiction's equity program.

(2) The bureau shall review an application based on the following factors:

(A) Whether the local jurisdiction is an eligible local jurisdiction.

(B) Whether the local jurisdiction has adopted or operates a local equity program.

(C) Whether the local jurisdiction has identified a local equity applicant or a local equity licensee that the local jurisdiction could assist, as defined in subdivision (b), through use of the grant funding.

(D) Whether the local jurisdiction has demonstrated the ability to provide, or created a plan to provide, the services identified in subdivision (b).

(E) The number of existing and potential local equity applicants and local equity licensees in the local jurisdiction.

(F) Any additional relevant and reasonable criteria the bureau deems necessary.

(3) The bureau shall grant funding to an eligible local jurisdiction based on its review of the factors in paragraph (2). If applications for funding are greater than the amount appropriated for this grant program, the bureau shall prorate the funding as necessary.

(b) An eligible local jurisdiction that receives a grant pursuant to subdivision (a) shall use grant funds to assist local equity applicants and local equity licensees in that local jurisdiction to gain entry to, and to successfully operate in, the state's regulated cannabis marketplace. For purposes of this subdivision, "assist" includes, but is not limited to, any of the following methods:

(1) To provide a loan or a grant to a local equity applicant or local equity licensee to assist the applicant or licensee with startup and ongoing costs. For purposes of this paragraph, "startup and ongoing costs" include, but are not limited to, rent, leases, local and state application and licensing fees, regulatory adherence, testing of cannabis, equipment, capital improvements, and training and retention of a qualified and diverse workforce.

(2) To support local equity program efforts to provide sources of capital to local equity applicants and local equity licensees.

(3) To provide direct technical assistance to local equity applicants and local equity licensees.

(4) To assist in the administration of local equity programs.

(c) An eligible local jurisdiction that receives a grant pursuant to subdivision (a) shall, on or before January 1 of the year following receipt of the grant and annually thereafter for each year that grant funds are expended, submit an annual report to the bureau that includes all of the following information:

(1) How the local jurisdiction disbursed grant funds.

(2) How the local jurisdiction identified local equity applicants or local equity licensees, including how the local jurisdiction determines who qualifies as a local equity applicant or local equity licensee.

(3) The number of local equity applicants and local equity licensees that were served by the grant funds.

(4) Demographic data on equity applicants, equity licensees, and other applicants and licensees in the jurisdiction, including, but not limited to, race, ethnicity, gender, sexual orientation, income level, prior convictions, and veteran status. This information will be consolidated and reported without the individual's identifying information.

(d) An eligible local jurisdiction that receives a grant pursuant to this section shall use no more than 10 percent of the state grant for administration, including employing staff or hiring consultants to administer grants and the program.

26246. To facilitate greater equity in business ownership and employment in the cannabis market, the bureau shall do all of the following:

(a) Serve as a point of contact for local equity programs.

(b) On or before July 1, 2019, publish approved local equity ordinances and model local equity ordinances created by advocacy groups and experts to the bureau's Internet Web site. Advocacy groups and experts may include, but are not limited to, minority business owners and entrepreneurs, organizations with expertise in addressing barriers to employment and licensure for low-income communities or persons with prior arrests or convictions, and unions representing cannabis workers.

(c) To the extent feasible, coordinate with the relevant local jurisdictions to carry out the responsibilities described in this section.

26248. (a) On or before July 1, 2020, the bureau shall submit a report to the Legislature regarding the progress of local equity programs that have received funding pursuant to Section 26244.

(b) The report shall include, but is not limited to, the following information:

(1) The cities, counties, and cities and counties that have enacted local equity programs.

(2) The number of local equity applicants and general applicants applying for and receiving licenses in the jurisdictions that received grants.

(3) Information collected pursuant to subdivision (c) of Section 26244.

(c) The bureau shall post the report required by this section on its Internet Web site.

(d) The report required by this section shall be submitted in compliance with Section 9795 of the Government Code, and shall apply notwithstanding Section 10231.5 of the Government Code.

26250. The provisions of this chapter are severable. If any provision of this chapter or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 4. The Legislature finds and declares that this act furthers the purposes and intent of the Control, Regulate and Tax Adult Use of Marijuana Act.

O

OFFICE OF THE MAYOR
SAN FRANCISCO

LONDON N. BREED
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Kanishka Karunaratne Cheng KKC
RE: Authorization – Application for State Funding – Office of Cannabis
DATE: January 29, 2019

Resolution authorizing the Office of Cannabis to seek state grant funding under the California Cannabis Equity Act of 2018.

Please note that Supervisor Walton is a co-sponsor of this legislation.

Should you have any questions, please contact Kanishka Karunaratne Cheng at 415-554-6696.

BOARD OF SUPERVISORS
SAN FRANCISCO
2019 JAN 29 PM 4:15

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141