

September 17, 2019

To: Lassen County Board of Supervisors
Richard Egan, County Administrative Officer
From: Cara Martinson, CCA Executive Director

RE: California Cannabis Authority Overview

Background. The California Cannabis Authority (CCA) was established in beginning of 2018 with the passage of a Joint Powers Agreement by San Luis Obispo and Monterey counties. Since that time, CCA has grown to a total of six counties, including San Luis Obispo, Monterey, Humboldt, Mendocino, Yolo and Inyo, with more counties anticipated to join soon. The purpose of the organization is to develop and manage a statewide data platform that will gather, collect, and analyze cannabis information from a number of data sources into one dynamic resource, to help local governments ensure cannabis regulatory compliance in their community. CCA supports local government efforts to identify and eradicate the illicit cannabis market and ensure that licensed businesses are following all rules and regulations of the state and local governments.

The Need for Data. The data platform will aggregate data from multiple sources including track and trace, point of sale, taxation and socioeconomic data. By combining all of these data points, local governments will be provided with targeted and defensible information, ensuring that what is being reported and what is occurring truly coincide. The data platform can be used to ensure that adequate tax payments are being made; assist local law enforcement and code enforcement officers with accurate and defensible information; provide public health officials with product information, including product origin and product flow; and, inform community planning efforts by understanding locations, concentrations and potential past or future land use patterns. CCA's data platform provides local governments with a number of secure log-in connections to access clear, accurate and real-time data on cannabis activity within their jurisdiction. In addition, as more jurisdictions use this tool and the data platform is populated with data, CCA Members will have a broader picture of cannabis activity throughout the state and access to information outside of their jurisdiction as needed.

Connection Process. CCA is working with each individual CCA county to connect their local sources of information to the CCA data platform, in addition to other outside data sources. CCA is also in the process of negotiating the terms of an agreement with the state to directly connect to the state's track and trace system (METRC), and state sales tax data. CCA will work directly with businesses in your county to establish individual connections through either their 3rd Party Software provider, such as a point of sales or inventory system, or by manual upload.

Benefits to Cannabis Businesses. CCA is also working with interested financial institutions to help facilitate banking services to the cannabis industry. CCA will work with interested financial institutions and their prospective cannabis clients to provide accurate and cost-effective licensing and compliance information that ensures that the revenue generated from the client's commercial cannabis activity results from fully licensed and compliant activities. Consent from prospective cannabis clients must be obtained before information is shared with financial institutions that might wish to bank them.

Data Security. CCA will operate under a Memorandum of Understanding (MOU) with the state licensing agencies to ensure that all information that is confidential and not subject to the Public Records Act under Proposition 64 remains so. CCA will also sign confidentiality agreements before working with 3rd Party Vendors to ensure for secure data transmittal. Counties control user access, and only approved county employees will be issued a secure log-in connection through the CCA website. The data platform adheres to all federal security standards, including the Federal Risk and Authorization Management Program (FRAMP) process to conduct security assessments, authorizations and continuous monitoring of cloud services.

Fee. The CCA Board of Directors adopted a financing structure that includes a fee to be paid by each member county and participating entity that is based upon gross receipts within the jurisdiction. The fee was recently adjusted by the CCA Board of Directors at their June 2019 meeting, and is a charge of 25 basis points (.0025) on total sales within a jurisdiction. It is the decision of the member county to determine what source the fee will come from. CCA will only bill counties based on the data tracked in our system. Thus, if CCA is only tracking a portion of your applicant/licenses, CCA will only bill based on total sales tracked in our system. The basis point charge will go into effect when we are connected to your permit holders doing business in your county.

EXAMPLE OF CCA FEE STRUCTURE

County 4% gross receipts retail tax

County 1% gross receipts testing facility tax

Retail: Gross Receipts: Approximately \$1.5m, tax collected quarterly: \$60,000

Testing: Approximately \$1m tax collected quarterly: \$10,000

Total Gross Receipts: Approximately \$2.5 million quarterly

Quarterly CCA fee (based on 25 basis points of gross receipts): \$6,250

Governance & Timing The organization is governed by a Board of Directors comprised of one representative from each member county. Humboldt County Supervisor, Estelle Fennell is the current President of CCA. County Boards of Supervisors must pass a resolution to join the JPA, and adopt the JPA Agreement. In addition, jurisdictions must require cannabis businesses operating within their jurisdiction to provide specific information to the JPA. CCA is working concurrently with the state and member counties to connect systems. Before CCA can connect to individual permit holders in your county, notices from your county must be sent out. Once businesses are notified, CCA will work with your permit holders to connect through their 3rd Party Software Provider or through a manual submission process. The timing of notices is the decision of the member county.

Contact. Please contact Cara Martinson, CCA Executive Director at 916-526-7082 or cmartinson@cca.ca.gov. Or, visit our website, www.cca.ca.gov.