



Open Session Meeting Minutes

Wednesday, February 28, 2024
1:32 pm – 2:05 pm

Cannabis Control Appeals Panel
400 R Street
Sacramento, CA 95811

Members present via teleconference:

- Dr. Diandra Bremond, Chairperson (in Sacramento County)
- Sharon-Frances Moore, J.D. (in Sacramento County)
- Majority Leader Ian Calderon (in Orange County)

Staff present via teleconference:

- Anne Hawley, Executive Director, Cannabis Control Appeals Panel
- Christopher Phillips, Chief Counsel, Cannabis Control Appeals Panel
- Brian Hwang, Staff Attorney, Cannabis Control Appeals Panel
- Melita Deci, Administrative and Business Services Coordinator, Cannabis Control Appeals Panel

Others present via teleconference:

- Angela Hill, Deputy Director of Government Affairs, Department of Cannabis Control

Summary:

1. Call to Order and Establishment of Quorum.

Chairperson Diandra Bremond called the teleconference meeting to order at 1:32 pm.

Melita Deci took the roll call vote. Panel Members Diandra Bremond, Sharon-Frances Moore, and Ian Calderon were present. A quorum was established.

2. Approval of November 9, 2023 Meeting Minutes.

Chairperson Bremond asked the Panel if there were any additions or corrections to the minutes of the November 9, 2023 meeting. There were no additions or corrections. No comments from the public.

Motion (Moore): Approve the minutes of the November 9, 2023 meeting as submitted. Seconded (Calderon). Melita Deci took a roll call vote on the motion. Motion passed 3-0.

3. Presentation.

Angela Hill, Deputy Director of Government Affairs with the Department of Cannabis Control, made a presentation providing an update on the Department's activities relating to licensing, licensee compliance, and enforcement against the illegal market.

Chairperson Bremond reminded all those in attendance that CCAP is a quasi-judicial appellate body with jurisdiction over appeals from final decisions of the Department. The Panel is not a policymaking body. Hill is only offering an informational presentation to assist the Panel and the public with staying up to date with current cannabis policy in California.

Hill's presentation began with a discussion of the transition from provisional to annual licenses. In 2021, the legislature established milestone dates that provisional licensees must meet in maintaining licensure. There are two forthcoming deadlines. January 1, 2025 is the last day the Department may renew provisional licenses, and January 1, 2026 is the sunset date for most provisional licenses with the exception of equity retailers. Last year, Senate Bill 51 was signed into law allowing the Department to continue issuing provisional licenses for equity retail applicants until January 1, 2031.

As of February 2024, there were 5,806 active annual licenses and 3,846 active provisional licenses. The Department has been working to transition provisional licenses to annual licenses. Last fiscal year, 1,458 provisional licenses transitioned into annual licenses. Since consolidation, the Department has suspended or revoked 24 provisional licenses for failure to meet the requirements for transitioning into annual licensure.

In 2021, the state provided a \$100 million grant to help support the migration from provisional to annual licenses. This grant was spread out and awarded to 17 local jurisdictions holding the highest percentage of provisional licenses.

Currently, nearly two-thirds of California cities and counties prohibit the establishment of cannabis businesses. In the last year, there has been some relaxation from local jurisdictions that now allow some form of cannabis activity that had previously banned all forms of cannabis activity. The Department anticipates the number of local jurisdictions allowing for cannabis retail activity to grow in the future – leading to an increase in the number of equity retail provisional licensees due in large part to the Local Jurisdiction Retail Access Grant Program (Program).

The Program provides local governments with resources to create and implement cannabis retail licensing programs. So far, the Department has selected 15 jurisdictions to receive the first round of funding. Of these 15 jurisdictions, 12 have committed to issuing equity retail

licenses. The first round of funding shall begin in October 2024 and will be awarded to eligible jurisdictions based on the number of retail licenses they have issued.

Hill then transitioned to discuss the Department's other core functions: ensuring licensed operators remain compliant and enforcing against the unlicensed cannabis market.

The Department's Compliance & Laboratory Division (Division) is responsible for overseeing licensed operators and enforcing regulatory compliance across the entire supply chain. The Division's primary functions include, for example, routine and follow-up inspections of licensees, conducting investigations, executing product recalls, and providing outreach/education.

Since consolidation, the Department has taken the following disciplinary actions against licensees:

- Issued 107 letters of warning
- Issued over 3000 notices to comply
- Issued 20 administrative citations with penalties totaling over \$700,000
- Issued 179 embargoes
- Issued 13 recalls
- Suspended 18 licenses
- Revoked 43 licenses
- Processed over 13,000 complaints

The Department's Law Enforcement Division is responsible for conducting criminal investigations into unlicensed commercial cannabis activity in California. This Division partners with local, state, and federal law enforcement, as well as regulatory agencies, to combat illegal cannabis activity in California.

Since the Department's formation, this Division has seized over \$1.6 billion's worth in illegal cannabis products and expanded law enforcement actions by 98% from the prior fiscal year. In addition, they have:

- Led or assisted in the service of 386 search warrants
- Seized over 380,000 pounds of cannabis products
- Eradicated over 650,000 illegal cannabis plants worth around \$593 million
- Seized 152 firearms
- Made 107 arrests

Hill next discussed the Unified Cannabis Enforcement Taskforce. The Taskforce was established by the Governor in 2022 to increase cannabis enforcement coordination against the illegal market. It is co-chaired by the Department and the Department of Fish and Wildlife, and is coordinated by the Office of Emergency Services. The Taskforce's core functions include active coordination with federal, state, local, and tribal agencies to combat the illegal market. Since its formation, the Taskforce has:

- Seized over \$317 million in unlicensed cannabis products through 218 search warrants
- Eradicated over 340,000 illegal cannabis plants
- Seized 128 firearms

Hill closed the presentation by thanking the Panel and opening the floor for any questions.

Bremond asked Hill about how funds gathered from penalties or sanctions are being utilized by the Department. Hill responded that they can respond with additional information that day or at a later time. Bremond also commented it would be appreciated if Hill's PowerPoint presentation could be shared with CCAP.

No other comments from the Panel. No comments from the public.

4. Executive Management Report.

Executive Director Anne Hawley's report covered two topics: CCAP's Budget-To-Actuals for the second quarter and CCAP operations update.

First, Hawley began with an overview of CCAP expenditures for the first two quarters (July to December) of Fiscal Year 2023-24. Overall, CCAP was budgeted for \$2,575,000 for salaries and benefits, and has expended almost \$926,000. CCAP is projected to have additional cost savings because of panel member vacancies. Hawley provided an overview of specific categories:

- For general expenses, \$27,000 has been budgeted. There's been additional spending in this area, which will be covered in a future report on the third quarter. These expenditures have primarily consisted of dues and membership cost, advertising, and conference fees.
- The budget for printing expenses is \$8,000. Like general expenses, there have also been expenditures which will be reflected in a forthcoming third quarter report. If there are any cost savings, these funds will be spent on other areas of need.
- The budget for postage is \$1,000. Hawley stated she anticipates there will be cost savings in this area as well. If there is any surplus, it will be spent on other areas of need.
- For in-state travel, CCAP has been budgeted with \$20,000 for panel members traveling to Sacramento and for outreach events.
- For training, expenditures will increase in the third and fourth quarters due to trainings taken by staff members.
- For facilities, \$256,000 has been budgeted. Of that budget, \$102,000 has been spent so far. This budget line item will be exhausted by the fourth quarter.
- For interagency agreements, CCAP has been billed \$14,604 so far by the Department of General Services for HR services. Spending for the \$111,000 budgeted for services provided by the Business, Consumer Services and Housing Agency will be reflected in a forthcoming third and fourth quarterly report. Similarly, this will also be the case for IT services provided by the Department of Consumer Affairs.

- For external consulting services, \$5,000 has been budgeted for Westlaw (for legal research), \$5,000 for translation services, and \$3,000 for auditing fees (issued by controlling agencies such as the State Personnel Board and the California Military Department). These expenditures will be reflected in the third and fourth quarter report.
- For information technology, \$60,000 has been budgeted for CCAP's case management system with Salesforce, and \$10,500 has been budgeted for internet and cable services.
- When CCAP starts holding hearings, \$2,000 has been budgeted for security provided by the California Highway Patrol. Additionally, CCAP is reimbursed \$46,000 annually by the Alcoholic Beverage Control Appeals Board and will show up in the fourth quarter report.

Overall, the total for CCAP's budget – including operating expenses as well as salaries and benefits – is \$3,396,000. The second quarter expenditures were \$1,129,176. The remaining balance is \$2,267,800.

Before transitioning to an update on CCAP operations, Hawley reminded staff and panel members that Form 700 is due by April 2, 2024.

Next, Hawley provided an update on CCAP operations. First, the Legal Team has been assisting the California Privacy Protection Agency and the Commission on Asian and Pacific Islander American Affairs with legal work. They have also been updating CCAP's workplace violence prevention plan (WVPP) and injury and illness prevention program (IIPP) following the passage of SB 553, which requires employers to establish and implement a WVPP and IIPP.

Hawley then introduced Chief Counsel Chris Phillips to provide an update on potential appeals. Phillips stated the Legal Team continues to track potential appeals over at the Office of Administrative Hearings (OAH). As a reminder, before a case can get appealed to CCAP, there must first be an underlying appeal with OAH. There have been three administrative appeals that CCAP has been tracking. One case concluded earlier this month involving a cultivation license. There are two more appeals on OAH's calendar set in late March – both involving distribution licenses.

Based on the usual timeline, once the administrative hearing is held and case submitted, the Administrative Law Judge has 30 days to issue a proposed decision. Once this decision is issued, the Department of Cannabis Control has 100 days to act on this decision – e.g., adopt, reject, etc. Once the Department makes and issues their final decision, potential appellants generally have 30 to 60 days to appeal to CCAP. Altogether, there is roughly four-to-seven months from the time of the administrative hearing to when CCAP could receive an appeal.

In addition to OAH's docket, the Department of Cannabis Control publishes on their website a list of their final decisions and enforcement actions. The most recent final decision listed was from March 2023. There is nothing currently listed that has the potential of getting appealed to CCAP. The most recent enforcement action (against an annual license) was in July 2023. Most of the enforcement actions, however, are against provisional licensees and cannot be appealed to

CCAP. This is because provisional licensees do not have the same appeal rights as annual licensees. In sum, CCAP is still in a holding pattern for its first appeal. However, there are a few pending cases that could potentially become appeals.

No comments from the Panel. No comments from the public.

5. Election of the Chairperson.

After introducing the agenda item, Bremond handed the floor to Chief Counsel Phillips to conduct the election.

As this is the first panel meeting of the year, Phillips stated it is time for the annual election for Panel Chairperson.

Before conducting the election, Phillips recapped the election procedures. The first step is to identify all the candidates, including self-nominations. Once all candidates are determined, each one may provide a statement or speech in support of their candidacy. There will then be a roll call vote in which each Panel member may vote for only one candidate. If there is a tie, those procedures will be explained later.

Phillips then opened the floor for nominations. Panel member Calderon nominated Bremond to continue serving as Chairperson. Bremond thanked Calderon for the nomination and accepted the nomination. There were no other candidates.

Melita Deci then took a roll call vote on Bremond being re-elected as Chairperson. The Panel voted 3-0 in favor of Bremond's re-election.

6. Public Comments on Items Not on the Agenda.

Chairperson Bremond warned any comment should not involve pending or future appeals, complaints, applications, or any disciplinary actions that may come before the Panel. No comments from the public.

7. Future Agenda Items.

No comments from the Panel. No comments from the public.

8. Adjournment.

Motion (Moore). Adjourn the meeting. Seconded (Calderon). Meeting adjourned at 2:05 pm.