

Dialogue4Health

How to Tax and to What End? Sharing a Model Ordinance for Initiatives for Local Marijuana Taxation and Prevention Funding in California

Thursday, January 18, 2018

Remote CART Captioning

Communication Access Realtime Translation (CART) captioning is provided in order to facilitate communication accessibility and may not be a totally verbatim record of the proceedings. This transcript is being provided in rough-draft format.

HOME TEAM
CAPTIONS

www.captionfamily.com

>> Dave Clark: Greetings and welcome to today's Dialogue4Health web forum on How to Tax and to What End, brought to you by the Hilton Foundation, the Robert Wood Johnson Foundation, and Public Health Institute.

Our moderator today is Dr. Alisa Padon, a research scientist at the Public Health Institute. Her past research focused on youth-targeted marketing and promotions of alcohol and tobacco products, examining the intersection between the unique vulnerabilities of youth and the psychosocial and neuro cog sieve appeals used in marketing. Translating that work into the relation of sugar sweetened beverages and legalized recreational marijuana. Alisa will be leading us through the rest of today's forum. Alisa, over to you.

>> Alisa Padon: My name is Alisa Padon, a research scientist at the Public Health Institute and could director of the Getting It Right From The Start.

Today our panelists are Dr. Lynn Silver and our legal consultant, Mr. Michael Colantuono, a leading law and revenue expert.

I want to start by warmly welcoming our audience. We have registrants from 42 states and Washington, D.C. with the majority in California. unsurprisingly and other states with legal use marijuana, Colorado, Washington, Massachusetts and probably some on the precipice of considering legalizing.

In terms of work sector, we have a large representation, nearly half from local government, as well as nonprofits and state government and a wide range of other sectors. We are very pleased to have you all here.

Our first panelist is Dr. Lynn Silver, director of the project. She is a pediatrician and public health advocate with over 30 years experience. She is a Senior Advisor at the Public Health Institute and clinical professor at the University of California San Francisco.

Her focus is on innovative policies to prevent disease by addressing risk factors such as unhealthy food and tobacco and inequitable impact on communities. Interest in marijuana regulation and interest in this project arose from this experience and the belief that public health oriented measures are urgently needed now to protect against future harm and inequity as this field emerges. She created the Getting It Right From The Start project and is Co-chair of the California Alliance for Prevention Funding. She received her medical, pediatric and other training at Johns Hopkins University. She served as assistant health officer in New York City and health officer in Sonoma County, California, as well as in academia and consumer protection.

Lynn?

>> Lynn Silver: Thank you very much, Alisa. It is a pleasure to be here this morning. I guess and this afternoon back east, with all of you to discuss our efforts to try and promote better policy on this issue. First to briefly describe the mission of the Getting It Right From The Start project. As we defined it, To collaboratively develop and test models of optimal marijuana policy with the goal of reducing harms, youth and problem use.

These Models are based on the best scientific evidence and protection of public health, social equity and safety.

Why are we focusing on local? California's Prop 64 which legalized recreational marijuana passed in November of 2016 and became effective this month, just a few days ago. This was a statewide ballot initiative that paid little attention to public health concerns. Fortunately it left broad leeway for local control, creating what we would call a window of opportunity to get it right, or at least do better at the local level. That's what today's talk is about.

The way we worked is we started with an initial round of extensive qualitative research with experts from around the country in places that were legalizing. We have been working with legal partners to carry out legal analysis of the authority at the local level to act. We have been with wide input drafting model laws to look at these questions at the local level. And beginning to provide technical assistance and trying to build engagement for action at the local level on these issues.

So I am going to talk a little bit about the basic approach and thinking behind the model ordinance that we issued in December and the taxation one that you'll hear about today. Basically marijuana is not the cause of reefer madness as it has been portrayed in the past. Yet at the same time it is not the best thing since sliced bread and carries with it still significant harms. To provide some examples of why we are concerned about 4 million Americans have cannabis use disorders in 2015. Over a million of the first time users of marijuana products in 2016 were teenagers, between the ages of 12 and 17.

The marijuana marketplace is not what it was -- I just turned 60. The marijuana of my youth and childhood is not the marijuana that is out there today. There are new products, new potencies and new routes of administration that are changing things. The tetrahydrocannabinol active ingredient in marijuana is ten, 20 times as high as traditional marijuana of many years ago. When we look at kids using, they start not only with smoking but also with food and drink containing marijuana. There are very high potency products like Shatter or Dab and Chocolates. We are concerned because marijuana has significant health impact especially when people start young and use heavily. While there are a small number of beneficial uses there is substantial evidence of harm in a variety of ways. Use during pregnancy is associated with low birth weight. Use as associated with schizophrenia and psychosis to a greater extent than in nonusers. Motor vehicle crashes increased, respiratory illnesses provoked understand early on set of use and frequency commonly leads to problem use. Those are the areas considered substantially clear, but there is growing evidence of use of harm in other areas including cognitive, academic and social effects, overdose injuries and leading cause of death, heart disease. Post legalization use has gone back and forth. Some of the recent data for Colorado suggests that it has risen in various age groups, but some other studies gave different results. That is a question to be studied in detail.

Nationally we are seeing a significant increase in youth over the last 15 years and significant increase in the percent of current users who use it daily or almost daily, which has increased from about 30 percent to 42 percent between 2002 and 2015.

So four out of ten users are using daily or almost daily, which is when you start getting into trouble.

Post legalization in the State of Washington, we also saw some other phenomena that are of concern and may contribute to thinking about taxation policy. So the median price per gram of flower marijuana in Washington fell from \$25 to ten dollars per gram between 2014 and 2016. And the market share of high

potency flower, flower with more than 20 percent active ingredient increased by over 48 percent in those two years. Now represents the majority of retail expenditures on flower marijuana.

This is just a graph showing that very striking decline in the price for cannabis flower after legalization. Cannabis also has its effects very particularly in two vulnerable periods of life: During pregnancy and during adolescence that we need to worry about.

And part of the problem is that people's perceptions of harm are changing. As I said it is not reefer madness, but there is harm. Too many Americans think it is safe to use marijuana during pregnancy, which it is not. Kaiser, the largest healthcare system in California, has seen an increase from four to 7 percent in pregnant women using marijuana during pregnancy and one in five young pregnant mothers, teenagers and young adults are positive for marijuana use in 2016.

The brain is still maturing into early adulthood, up to about age 25. Marijuana's effects prior to that age are particularly worrisome. Studies of people who began to use, particularly use heavily before age 17 and their outcomes at age 30 generate significant concerns with increases with frequent use in cannabis dependence and other I am list it drug use, suicide attempts and perhaps of greatest concern on a population level, people who use daily's high school graduation rate in this large study fell to less than half the rate for nonusers. So these results and their potential future social impact are of concern.

Additionally we see that with high potency cannabis products the risk of psychosis is greatly increased. The dark green bar on the right is Skunk, people who use Skunk which is a flower marijuana with high concentration, daily shows a five fold increase in the risk of psychosis compared to nonusers. It illustrates why we are concerned in particular about high potency products.

So as you are putting your regulatory framework together in your communities, people are talking a lot, regulators are talking about pesticide levels and quality control and things like that. But we should recall that really the biggest determinants of health impact of legalization in your community will be: One, how many people the industry gets to use cannabis, how intensely they use it and at what age they start.

And two, how many people still go to jail for cannabis related issues because incarceration is also a major cause of ill health, health inequity and social problems in the community.

So there is sort of potential spectrum we can think about about how legalization can proceed. On the left there is the traditional prohibition. On the right is what we might call a commercial free for all where we give free rein to the power and might of American entrepreneurship and innovation. That is kind of what we are seeing in main of the current legalization processes, where almost anything you can think up to make with cannabis is being made. We believe that there is a middle ground where we could start more modestly and more cautiously in the legalization process.

So we are promoting what I'm calling cautious legalization, effort to reduce the legal market and reduce drug related incarcerations through legalization and to do so more slowly and cautiously than perhaps is occurring in many communities.

The tools that we are working on to achieve this are model local laws. In December we circulated a model local ordinance addressing retailing and marketing which is available on our website. Today we are launching a model local ordinance for taxation.

The sort of philosophical underpinnings of those model ordinances, I'm going to describe those a little now. The first basic principle, while we should promote economic justice in this process, we should also recognize that this particular economic opportunity may come at a social cost that can include negative impacts in youth like not graduating high school or lower IQ from over use, one of the scientific areas being studied.

We want to prevent marijuana from becoming too expensive, we know from extensive literature that will increase the use by youth even if they can't purchase it legally.

We want to fight social normalization of marijuana. It took us many decades to denormalize tobacco use and we don't want to normalize marijuana use.

This is a sign on a bus. It says "Hello, marijuana. Good-bye, worries." You can see from the accident, this is not what happened. This is an effort to normalize marijuana use.

We think that communities need to learn from tobacco and alcohol experience, including about the need for relatively high taxation. And we want to prevent market practices that will increase consumption in general and attract youth specifically.

We think that local authority needs to be fully used, and it needs to be space for innovation and learning across communities.

Retail pricing will be a major determinant of how many young people use marijuana in spite of the prohibition on sales to people under 21. We have vast evidence from tobacco and alcohol research with youth that shows that this is very important.

This is the comment from researchers who evaluated what happened in Washington after legalization. They said Washington is allowing the potency and price of legal cannabis to be shaped by the market. Remember, this is a choice. Potential policy levers for controlling potency include potency driven taxes, price floors linked to potency or THC limits.

Although these may be challenging to enforce and no evidence yet exists on what threshold constitutes safe jurisdiction, jurisdictions looking at legalization may want to discourage consumption of high potency products until more is learned about their health effects. We think this is an important call to caution by the team that wrote this paper.

Taxation is allowed locally in California. It will affect price and use by youth and globally recognized as one of the most effective tobacco control policies. Of course, it raises money which is always important.

So some of the tough questions that we are going to try to address on taxation and that we are all working to understand better are: Who should we tax? How much should we tax? How should we tax? Are there products we should tax less or tax more? How do we balance promoting the shift to the legal market with not making cannabis so cheap that it increases use and harm?

And lastly, how should we use the proceeds of any taxation?

Let's get started. Today we are going to talk about the model local ordinance for cannabis taxation in California. It is available on our website. www.gettingitrightfromthestart.com as well as [Dialogue4Health](http://dialogue4health.com). We hope that you will use it and send us comments and input to make it better. So with this I'm handing back to Alisa Padon for the next poll.

>> Alisa Padon: Thank you so much. Yeah, so our first marijuana question that we are interested in the attendees' thoughts on is: What do you think a local marijuana tax should be?

The options are one to 5 percent, five to 10 percent, ten to 15 percent, 15 to 20 percent, or 20 percent or higher?

So go ahead and please answer that question and don't forget to click submit on the right side once you've made your choice.

So again, what do you think a local marijuana tax should be? So I think we can go ahead and close the poll and get the results up. And as Lynn alluded to, we are very interested in this question because the next section is where we talk about where we landed on how much and how marijuana should be taxed locally in California in order to protect against youth and problem use but while maximizing the transition from illegal to legal market.

There is some tension here. Most popular was five to 10 percent. Some landed on ten to 15 percent. And then we've got 16 percent of the audience thinks 20 percent plus. And another healthy chunk thinks 15 to 20 percent, with just 5 percent coming in one to 5 percent.

I'll turn it over to Michael to talk about where we landed on that question.

Michael has specialized in municipal law since 1989 after graduating Magna Cum Laude from Harvard University and receiving his law degree from California School of Law at Berkeley, graduating first in his class. Today Michael is California's leading expert on the law of local government revenues handling ten cases on that subject in the California Supreme Court since 2004. Two successive Speakers of the California Assembly appointed him as member of the Board of Trustees of the California State Bar, regulating the practice of law in California. And his fellow Trustees elected him Treasurer and President of the Bar. Michael has expertise in broad range of areas of concern to local governments of California, including a wide range of public finance issues involving taxes, assessments, fees and charges.

Michael currently serves as City Attorney for the Cities of Auburn and Grass Valley and as Agency or General Counsel for the Auburn Urban Development Agency Successor Agency, the Grass Valley Redevelopment Agency Successor Agency, the San Diego and Calaveras County LAFCOs, the First Five Yuba Commission, the Oak Tree Park and Recreation District, the Garden Valley, Higgins, North San Juan, Ophir Hill, Penn Valley, and Rough & Ready Fire Districts and the Tahoe Forest Hospital District, and held a number of other positions of service to local government. We are thrilled to have Michael joining us today.

Michael?

>> Michael Colantuono: Good morning and thank you for that lengthy introduction.

I should caution everyone, I do not speak for any of my clients today and I'm describing the law as I understand it as one public lawyer in California.

I'm going to walk you through a model ordinance that we prepared that will allow California cities and counties to impose taxes on either adult use, sometimes known as recreational marijuana commercial activity, as well as medical marijuana commercial activity.

Other local governments in California don't have this taxing power under our system. The state taxes have already been provided for. We start with our usual disclaimer. This is not legal advice. If you need legal advice, consult an attorney licensed in your state and much of what we are presenting today is specific to California law.

Here are the rationales for taxing marijuana locally. We want to raise revenue to meet community need. We want to help constrain consumption, especially by the young. And we want to use the ordinance to regulate marijuana commerce only in limited ways. Under California law, I think this is typical in other areas, there is a need to distinguish regulatory laws from taxing laws. Most communities regulate marijuana commerce via their zoning ordinance, their land use regulation and they also have business regulatory ordinances too. This tax will have regulatory consequences, but its primary motivation is taxation, money raising.

Under California law we have three kinds of local governments that can tax. We have counties, we have general law cities and charter cities, about 110 of California's cities have voter approved charters. The rest are general law cities that get their power from the general laws of California passed by the legislature. All three categories have the authority to tax marijuana.

The medical and adult use cannabis regulation and safety act, which is or MAUCRSA as we sometimes call it, is Prop 64 passed by California voters last year plus some amendments added by the legislature in the past year. That is the comprehensive regulatory body for this new legalized marketplace in marijuana in California.

It has a provision that I think was provided by the initiative drafters and not by the legislature that does something unusual in California in that it gives the county the power to impose a tax inside an incorporated city. But all local government taxes in California require voter approval. Some require 50

percent approval when they fund the general fund creating discretionary revenue. Special taxes are those which have restrictions on how the money can be spent. Those require two-thirds voter approval. It is usually not hard to build opposition to a tax. We have built in skepticism of government in our relatively Libertarian culture and built in skepticism of government, and nobody wants to be taxed and syntaxes are easier to sell. If the county tries to impose a tax in the city without the city's support, which probably can't be had without sharing some of the winnings with the city, you can expect opposition to your tax. I think people should assume and our model assumes that the jurisdictions are going to tax outside of areas outside of cities and we won't have counties taxing inside cities absent cooperative partnership with the cities. You can tax medical, you can tax recreational or tax them both. The model ordinance we are going to present taxes them both.

What kinds of taxes can local governments use for marijuana? We can use business privilege taxes, sometimes called an excise tax. That is what this model is. We can tax different products differently, putting higher taxes on high potency products and cannabis infused drinks because we think those are the products that have higher public health consequences. You can differentiate between businesses in a non-discriminatory way, with respect to the high potency, taxes we don't impose them on laboratories that do testing because we want testing. We want to encourage it and we want quality testing and good information for consumers and retailers. We don't think those folks are necessarily contributing to the problem that others would be.

What local governments in California cannot do is we cannot impose what is technically a sales tax. You are going to discover as I present this model ordinance that a consumer will understand it to be a sales tax, but technically it is not. It is anything that is technically a sales tax, a tax on a person for the privilege of selling and retail, is preempted by state law. Our existing sales taxes cannot be touched. Obviously local taxes can't interfere with state taxes from cultivators and paid on to the State. Those are state resources. We can't interfere with them and can't ask the state to administer taxes for us. We have to do it ourselves.

We can't -- we can tax outsiders who come into our jurisdiction to engage in commercial cannabis activities. There are services that deliver to your door, deliver product there, you can tax those delivery services but only to the extent of their activity in your jurisdiction.

There is a rule that a tax can be confiscatory, so high as to take property, the courts have never seen one. You can't make tax distinctions which are arbitrary, lacking rationale or discriminate in favor of or against people based on race, gender, creed, national origin and the like.

What types of marijuana businesses can be taxed? The short answer is all of them. If they are in your jurisdiction and making money on pot, you can tax them unless they are in the black market, where you can theoretically tax them but they are hard to fine.

The seed to sale, cultivation, including nurseries, manufacturers, anybody who manipulates marijuana in any way, whether they are going to turn it to Wax, reduce it to concentrate, make baked goods or sodas, anybody who converts agricultural product into another product for sale. Testing laboratories, those who distribute wholesale package and retail including delivery.

Is there any difference in the local taxes authority between medical and adult use marijuana? Short answer is no, but the statewide uniform sales tax is not applied to medical marijuana. So that means historically we have had a very low up take by consumers in the medical marijuana designated patient cards that you would get from the county health department. They have mild utility in protecting you from criminal prosecution, but most people didn't bother. It costs 100 bucks, have to go to the county to get fingerprinted and ID. There were barriers to entry and no perceived value. Now in the county the tax approaches 10 percent. There's incentive for the folks to get the card and we have to discriminate between medical and recreational use.

This model can be used for either adult use or medical or both. We've written it for both, but it could easily be adapted to one or the other. It also sets a ceiling on taxes rather than a tax amount. The reason for that is that there is much anticipation that the stacked taxes from the state and local governments are going to be so high at some point as to deter people from coming in from the black market into the legal market. You know, if illegal weed is 50 bucks an ounce and illegal weed is 30 bucks an ounce, there will be a surprising black market. We need to bring the tax rates down to keep people in the legal market and as the product gets really cheap, we may need to raise the tax rates again in order to discourage youth access and over use of dangerous products. The actual tax rate is set by the local government but the ceilings are set by voters. That is partly because California's initiative amendments to our constitution require that.

What are the basic steps to pass a new local tax in California? Those who don't have the initiative power, you live in a world in which government has the power to tax. They just have to take political responsibility for their decisions. In California we don't have the power to tax at the local level without voter approval. So things have to go on the ballot. That can get there by an initiative of voters. Citizen activism. It can get there by action of the City Council, or by an action of the county board of supervisors.

If you want to get a tax in front of voters in 2018, we have an election in June and November of every even numbered years. Things go on the ballot four months in advance. The window for the June election will close soon. For the November election it closes in July or August. We've Lexes in March or April and June and November in odd numbered years. You need to understand the difference between a special election, where a city board or council seat can be contested or any other action by that government where those seats are not contested. Under the California constitution special taxes which require two-thirds voter approval and are limited in how the money can be used can go on any ballot. General taxes must go on a general election ballot unless you declare a fiscal emergency by unanimous vote of the council members or the board of supervisors members who choose to be present when that vote is taken or we have a recent decision of our Supreme Court saying if a tax is proposed by initiative petition it is also exempt from this rule and you can get a general tax on a special election ballot.

If you want to know when a local government has its elections you can usually find that on the website of the city clerk or the city or the registrar of voters of accounting.

I've told you a couple times the difference between the general tax, general purpose money can be spent at the discretion of the legislative body. Special tax, restricted by the legislation to particular uses. Majority approval of general taxes. Two-thirds approval of special taxes. A hybrid worth considering that we will draft and make available after this webinar is a general tax that benefits from that low 50 percent approval standard, but encourages a particular use of funding without mandating it as was done in San Francisco and Oakland and Berkeley to pass soda taxes over the well-funded opposition of Big Soda.

What are the objections of the proposed model we are presenting to you today? Raise money, constrain consumption, inform use of fund. Get people to think about the public health implications of a marijuana market. Provide flexibility to adapt to changing market conditions.

The model circulated this week is for a special tax. We will strip that down and provide a similar model for a general tax with an advisory committee shortly. We are calling this version 1. You are all our beta testers and we welcome your input.

The first piece of the legislation you'll see in our package is a resolution placing the measure on the ballot. This assumes the measure is going on the ballot because the City Council or board of supervisors of the county is putting it there. If you are using a ballot initiative you would not use this.

In places the measure on the ballot. It provides what the elections code in California calls the ballot label. That is the question actually printed on ballots. It is the last thing voters read before deciding how to vote. It is crucial, important to tell people what they are voting on. It is limited to 75 words and the secretary of 78 recommends that you write at a fifth or sixth grade reading level which is hard to do. We have a new statute in California brought from a Libertarian perspective that has mandates on what the ballot label must tell people. What is the tax rate? Easy enough, cap of 15 percent. How long will it last? Usually we say until the voters otherwise decide. A nice way of saying permanently. What the purpose of the tax measure is and the estimated proceeds. Estimated proceeds is going to be challenging for a lot of local governments until we know more. We look to the state estimates because there is an estimate that is in the state governor's estimate that came out in January. We will look to the experience in other states. We have to have some estimate of the proceeds in the ballot label.

The next steps after your legislative body calls the election is that the city attorney or county council must prepare impartial analysis of the measure. 500 words or less which goes in the ballot book to tell voters what they are voting on and becomes a part of the legislative history of the measure. We allow in California arguments, yes or no arguments. Those are written by a person selected by the elections official. The elections official must use the following category: Class I, any legislator given the right to write the measure by the legislative body. Class II is associate, bona fide associate of the voters; three, individual voters. The clerks do a first to file rule. The purpose of including language in your resolution designating some measurements to write the yes arguments is to preserve their authority to do so, so you can make the argument yourself. We don't have to have rebuttal argument, which is a shorter argument printed after the argument it is rebutting, answering the argue. They are common, but if you have to -- if you want to do them, you have to authorize them. They make a higher printing bill for government. The model special tax ordinance starts with elaborate findings footnoted to the scientific literature. These are not legally required. Why did we include them? Primarily for policy reasons. But people have some consequences for court's review of tax because they establish the reasoning and cite evidence for it. If you are going to use them, they should be adopt adapted to local context and include local data on use by youth or incarceration. This is really about framing the political debate about the ordinance and it is about accomplishing our public health objectives by encouraging discussion on of these issues. So just the ordinance itself is itself a public health action item.

We provide definitions. These are crucial. Most of these are copied from MAUCRSA. The two definitions unique to this ordinance are the ones that drive the public health objectives. We define high potency products to mean cannabis flower containing more than 17 percent THC, or a cannabis product containing more than 50 percent THC, excluding edibles containing ten doses of less than 10-milligrams under the state regulations edibles have to be marked into doses and labeled how much is in each. We know from Colorado and Washington that people who are not familiar with these new products can easily overdose because the edibles in particular take a while before the psychoactive ingredients can take effect and people can eat too much.

We will define a sweetened cannabis beverage as a liquid cannabis product containing natural and artificial sweeteners sold in units intended for consumption exceeding 1 ounce. The purpose of the last phrase is we are trying to distinguish 1 ounce medal dose used for therapeutic purposes from soda. We would appreciate feedback from folks about how they think that definition in particular works.

What kind of a tax? This is a tax on gross receipts of businesses. It can appear on receipts. And if it does, the consumer will experience it as a sales tax. But because it is technically on the gross receipts of the business from the cannabis industry it is not preempted by the uniform sales tax law.

This one encourages consistent enforcement with the community's business license tax. We are piggybacking on an existing administrative system that cities and counties set up for their taxes for ease

of administration. Such taxes are commonly but not always based on gross receipts. There is a flat fee per employee, a square footage for the commercial space but it cannot be a percentage of the sales price per se if it is based on the percentage of the price it needs to be articulated as a tax on gross receipts. This has a flexible ceiling up to 15 percent of gross receipts. That is the number that we landed on. It is used in the California statewide tax, 15, plus a sales tax of ten, you are up to 50 percent of the price in taxes. That is why some of us fear the taxes may get too high. Here is the key taxing phrase: There is here by imposed on every cannabis business in the city or county, an annual you will maximum cannabis industry of tax.

We suggest 15, of the gross receipts, plus the amount of any tax paid under the paragraph B of this section and less the amount of any tax paid under paragraph C, that's a tax on cultivation. This model says we are going to tax at cultivation. But if they get gross receipts from elsewhere, the cultivation tax will be a credit against their gross receipts. We are not taxing growers twice, but we will tax those who only grow.

The basic tax recommendation is tax cannabis up to 15 percent of gross receipts. We propose ten dollars per square foot of cultivation area. These grow taxes based on the size of the canopy are common to those taxes in California. Whenever you have a flat dollar amount in legislation that you can't amend without voter approval, it makes sense to have that approval.

Because we had horrific fires in California this fall and lots of cannabis went up in smoke, no pun intended, there have been requests to credit folks for crop failure. I can see the argument for that in regular agriculture we insure people for crop failure. We don't tax them on it. We see the risk that people will claim a crop failure, bleed the product into the black market and avoid the tax.

The pros and cons of gross receipts on the tax. We can optimize the revenue, spread the tax burden across the whole industry and help moderate post legalization price declines. This is a familiar mechanism for local government. They know how to do it.

It can favor vertically integrated businesses because we only tax receipts. If you do everything from seedling to sale, you only get receipts at the very end. If you know anything about value added taxes in Canada and Europe, they tax every point along the way and gross receipts taxes do too if you have a grower selling to a distributor selling to a retailer. If you have a multinational that does all three, they only pay taxes on what comes in at the retail end. That is a characteristic of all gross receipts taxes. My impression is that it has not had large distorting impacts on the marketplace because there are other barriers to vertical integration in a variety of industries. It does mean more pay ors, more people for us to track. That's why California statewide taxes are collected by distributors so the California Department of Tax and Administration only has to manage a small number of distributors and leaves to them the cultivators and retailers.

Okay, time for our next poll. Do you believe that high potency marijuana products should be taxed more than other products in order to achieve.

A, public health result and public health conversation?

The options are yes, no, and I don't know. You'll find the bar for yes, no, and I don't know on the right side of your screen. Make a choice and click the submit button at the lower right.

Let's see. I think this is an easy question. We probably had enough time. Close the poll and it will take a few seconds for the positively centers to get the results for us. We have been pitching the virtues of yes, but let's see. 75 percent of you are persuaded. 6 percent of you are not and 12 percent of you don't know. Thank you for being brave enough to tell us so.

Okay. Can we tax different products differently? Yes. So long as there's a rational basis which is any good non-discriminatory or non-irrational reason and we can't tax differently based on race, gender, religion, protected, et cetera. We can tax differently based on Wax, low potency, any of those basis.

In addition to 15 percent, and ten dollars per square foot canopy of growers, we recommend two tax models for high potency products: 1 percent of gross receipts from each such product times the percent of THC. Up to 17 percent. A product with 50 percent THC pays 50 percent more and anything, if you have if you have something like Shatter, you are effectively doubling the price of the product. Meant to send a bright red flashing light: This product is dangerous. Only buy it if you need it. We propose that flower over 17 percent be taxed that way. Products over 50 percent are excluded because California's regulations are going to limit those to the 10-milligram per dose. That's the basic public health effect of this ordinance. We are suggesting 20 percent additional gross receipts tax on sweetened cannabis. You may have heard of alcopops, alcohol laden soda that has a high market in young adults. We expect the cannabis market to produce something similar appealing to young folks and we want to discourage it. The tax is a ceiling, not a floor. The county board of supervisors can lower it or raise it back. Any raising will require a new election. We deliberately create regulatory flexibility so you can increase, decrease or adjust across products, potency, business sectors to allow without returning to the voters, within a cap. It will allow local government to adjust the tax over time to respond to the market and create need to return to the governing body, this will give us the opportunity to drive the public health messages into the public consciousness.

cultivation tax. We tax by square feet of area rather than the product produced. Credit against tax receipts, it is intended to disincentivize, nonproductive land. We want few nuisance sites and use as much of the site as possible.

It is a disincentive to the black market. We are not going to please how much you police harvest in the dark of night but where you grow it. It's easier to regulate. This is a registration system that asks who is will growing and who is product, who to audit. It might not be necessary if you are applying this tax in a jurisdiction that already has a local licensing or permitting system. If you don't, it will be useful to you.

The administration of the tax will be done locally, like other local taxes, unlike the state tax we can't con script the state to collect our taxes for us. Cannabis businesses can separately identify it on receipts if they wish. Lay people will think it's a sales tax. Technically it is not.

Just to remind you, inform you who don't know it, California taxes are 15 percent excise tax collected by distributors from their retailers and their growers and paid on to the State. There is a cultivation tax of \$9.25 per dry weight ounce of flower and \$2.75 for dry weight leaves. Medical marijuana is except from state taxes but not local taxes. The proceeds go into a special account, lock box, so to speak, to remind you of Al Gore a few years ago. Requiring an independent audit annually made public. A, to build confidence in the public that we are going to spend the money the way we say we are going to and to tell those in the activist community that you are going to get what you are pressing for.

In those communities that have a Department of Public Health as all 58 counties in California do, and a few cities, this provides that the expenditure should be managed by that department. In the general tax model which is coming, the money could go to a general fund or could be accounted separately if you think this that separate accounting will help you.

This model and the general tax model to come provides for a special tax community advisory board to make advice and recommendations but not make binding decisions about how to spend the money.

This ordinance specifies when the ordinance takes effect, has 30 days after a business opens or the start of a calendar quarter or year that you fill in a blank in the ordinance. If you are going to have an election in June it might make sense to start in September. If you are going to have a election in November, start in January. You want to buy time between election day and when the tax is first due to give the tax community time to get up to speed on what their obligations are and to give local administrators to get their act together as well.

The advantage of this model is that this is flexibility. It can optimize revenue and builds on existing local tax administration mechanisms can spread the tax burden widely across the industry if you wish, narrow if you wish to. Dedicating the tax to public health objectives.

Disadvantages are the potential of vertically integrated businesses offer nonintegrated businesses. You could do that by concentrating the will tax at fewer levels. I high potency tax skips the investors. You might want to exempt or reduce the tax on testing laboratories to contribute to quality and safety and what might be viewed as a valuable business without the secondary effects of retail. This is where I hand the microphone to Alisa.

>> Alisa Padon: Thank you, Michael. The next question for the audience, what do you think tax revenue primarily should be spent on? Here you can select all that apply.

A, substance use prevention.

B, prevent other leading causes of illness, injury and premature death.

C, programs to reduce health inequities.

D, youth programs.

E, to reduce drug-related incarceration.

F, substance abuse treatment.

Or G, law enforcement.

Give everyone a minute to go ahead and put in their answer. Again, you can select all that apply. What do you think tax revenue primarily should be spent on. Don't forget to click submit in the lower right-hand side of your screen.

I think we can probably go ahead and close the poll now.

And wait until we see the results.

We are interested in this question as the next section is where we will present our own recommendations for where tax revenue should go. How a special tax advisory board should be composed. And others.

Okay. So we've got 80 percent of the audience indicating substance use prevention. The next most popular is youth programs. That's great. Actually, that we are talking about programs to reduce health inequities, that has been a big focus in California in particular. And then reducing drug related incarceration. The least popular is to prevent other leading causes of illness, injury and premature death, followed by law enforcement.

So I'm going to turn it over to Lynn now to talk about where we ended up on this question.

Lynn?

>> Lynn Silver: Thank you, Alisa.

So that question is what should tax funding go to? And again I'm going to talk about the basic philosophy behind the proposal. Cannabis taxation is coming on the heels of decades of unequal enforcement of the law and large scale consequences of the war on drug. George Schultz, a conservative politician actually wrote a recent article in the New York Times on this which I found fascinating.

But we believe the tax funds should be dedicated strategically to undoing what is really a very complex web of social and health factors that come together to perpetuate substance abuse that exacerbated consequences on people's lives, that diminished freedom, safety, health, wellbeing, people's ability to find jobs and in general to live a dignified life.

Obviously we won't solve all of these at once, but we look to find ways to try and address that complex interaction.

So as Michael pointed out this version that we circulated today is a dedicated or special tax. And we put the proposed dedications into two groupings. The first part is to create healthier communities that present substance abuse by assuring sustained funding to community-based prevention communities that

may include prevents cannabis consumption by youth, during pregnancy or in excessive or harmful ways. Preventing other forms of substance abuse or addiction and in particular you know we are in the midst of a major epidemic of opioid abuse. This could be a potential source of funding for that. Prevents other leading causes of illness, injury or premature death in the community. Promoting wellness and reducing inequity in health conditions.

We left this list somewhat broad so there could be flexibility to define the priorities of use over time and also because these risk factors interact in very complex ways and substance abuse drives people into poverty, incarceration drives people into poverty. Poverty is associated with higher rates of diabetes, heart disease, injury, suicide and many other causes of ill health in the community. We tried to leave the framing of this first group of expenditures broad enough to help build a healthier community in multiple ways.

Some examples of things you can do with this. Screening brief intervention of adolescents to understand and find out who is having problems with early substance abuse and get them taken care of, educated or treated as early as possible in the process.

We could spend to address California's opioid. We had 4100 people hospitalized for overdoses in 2016, nearly 2,000 deaths, huge demands on the medical, jail and foster care systems with this epidemic. Rural counties are hardest hit and had over 3600 exposed newborns in 2015. We need to work comprehensively to prevent this epidemic and reduce its scope.

We need to support activities that start early in communities, to nip these risks in the bud. To give one example, nurse family partnership or home visiting operate throughout California with high risk mothers. They are proven to prevent adverse childhood experiences, reduce maternal unemployment, substance abuse and other issues that lead to poor health and social outcomes for the mother and child. There is none funding for these initiatives and this can help. We can increase physical activity or other forms of engagement for youth, to help kids away from substance abuse. California Endowment has a campaign that says your zip code shouldn't predict how long you live, but it does. We have huge differences in life expectancies depending on where people live in California. And this definition of proposed funding could help try to address these major inequities in health conditions, largely driven by income and other social conditions, more comprehensively in communities.

In short, investing in prevention is really one of the best deals in counsel. The CDC estimated for every dollar spent to create healthier communities there could be a return on investment of \$6.90 over 11 years. These are areas where you may get your money back. And California has enormous health expenditures for these problems, many of which are preventable. 98 billion in 2010, for example, not including substance abuse.

The second group of dedications contemplated in the draft ordinance are related to preventing drug related incarceration and mitigating the negative social impacts of past incarceration on people's lives. Examples of programs that could be funded under this part of the model ordinance include support to diversion programs that keep people from going to jail or again for new drug related issues. Assistance in expunging or reclassifying past marijuana convictions. Prop 64 allowed that to occur, but it has not taken place to any large extent. Only very few people have successfully expunged or reclassified their past convictions. This could provide a small amount of strategic funding for people in the community, which allows them to use public housing and makes them employable and has other beneficial effects. It could support reentry programs after release from prison to avoid resituated vim, job training programs or community-based or education am programs especially those which can help with substance abuse as a result of incarceration. We want to promote programs like Homeboy Industries which work with people who are emerging from prison. We want to give people who have had past

marijuana convictions the opportunity of a tabula rasa or clean slate by getting rid of those past convictions.

The measure creates as Michael mentioned a special community tax advisory board. Whose role it would be to advise the governing body to make recommendations for funding. Recognizing that those recommendations might change. Perhaps in 20 years we won't have an opioid epidemic anymore, but now we do. We want to make annual recommendations on the spending of the tax. They can recommend efforts and efforts to evaluate and be required to review the annual report of the fund and related records to make sure it is doing what it is supposed to be doing. The advisory board could serve whether it is a special or general tax, but the strength of the mandate to use the funds for these purposes is stronger with the special tax.

We make a suggestion for the composition of the board in the model ordinance, including representatives of community-based organizations, including CBOs serving low income people, residents of communities disproportionately affected by the war on drugs, community clinics, school based health professionals, public health professional, experts in substance abuse prevention, a community physician, the county health officer or designee so they can definitely have it happen at the county level. Might be possible for the county health officer to designate someone at the city level as well. We suggest that there not be cannabis industry representatives on this commission because if the goal of this body is to recommend how to reduce substance abuse and substance use, for example, educational campaigns on not using cannabis if you're pregnant or young, that could represent a clear conflict of interest with the cannabis industry. So that's why that is suggested.

Then going to the special taxes on certain products. If any of you have not yet been into a dispensary, I encourage you to go. It is quite amazing what is being sold. There has been tremendous innovation and frankly combining some of the worst products of the tobacco industry, the fast food industry and the alcohol industry into the cannabis industry. So we are seeing really a very broad range including these very high potency products like Shatter, which an inexperienced user can get into serious trouble with, as well as products that clearly are attractive to children and youth, whether it's brightly colored sodas or gummy bears. Some these are can be blocked by the state health department but most likely others not. The high potency products and beverages do not appear to be being blocked at this time.

So why higher taxes on these problem products? Our goal is to discourage their sale when they are particularly attractive to youth or when they are more likely to cause harm. And there really are two ways to do that. One is to not allow the sale in your community. We included some recommendations in that regard in the model retailing and marketing ordinance that is also in our website. The second potential path, to use higher taxes as a disincentive rather than as a prohibition.

Just to give the example, this is the graph of sales of different types of flower products by concentration in the State of Washington, post legalization, just in the two-year period. The purple section at the top is the percentage of high potency flower over 20 percent. And as you can see just in 2014 it represented only about 20 percent of flower being sold. But by 2016 that had increased to much higher percent, almost more than half of the flower being sold.

And that is a worry some trend given the data on greater effects on psychosis and other problems with high post potency. Here in the Berkeley dispensaries we are finding flower up to 28 percent now which is really, really high, more than six times the historic old-fashioned cannabis flower.

So marijuana potency has increased vastly over the past 30 years. What we thought we were legalizing when we voted for Prop 64 is frankly no longer what is being sold. We have products up to greater than 90 percent of THC, notably Shatter for dabbing associated with more psychosis and unexpected recommendations. So higher taxation has been recommended by a number of experts that we talked to

around the country from, discussed from the people at NIH, although it is not, they don't have an official position on the issue, to others working in post legalization states.

As I said, our model ordinance recommends not allowing sale of flower over 20 percent or cannabis concentrates over 50, but if you do allow sale, we suggest using the higher taxation that Michael just walked you through on flower over 17 percent or cannabis products over 50 percent. This would make Skunk, Shatter, Wax, Butter, et cetera, more expensive.

On sweetens cannapops we are calling them, really there is no need for legalization to include cannabis Coke. These products mimic alcopops which are known from extensive research to attract youth. Youth consume 47 percent of the alcopops in California and nationally minors are twice as likely to consume alcopops as adults. It also contributes to re-glamorizing unhealthy sweetened beverages known to promote obesity, diabetes, tooth decay, now with added pot. The recommends in our ordinance is not allowing sale. If sale is allowed, we are recommending the additional 20 percent tax. Products that look like this which are out there, folks, and I would have to say pretty clearly to me seem to be targeting youth, should not be encouraged. So in summary, thoughtful cannabis taxation can help you create a healthier and more just community. It can promote a safer cannabis market and save public dollars that are going to preventive healthcare or avoidable incarceration, foster care and other social needs that we hope can be better spent in the future.

So thank you and with that I'll hand back to Dr. Padon.

>> Alisa Padon: Thank you so much. In wrapping up, we recognize there's a huge amount of uncertainty around cannabis taxation and trying to use the best practices from tobacco and alcohol, but we want to act cautiously and recognize it is easier to lower tax levels in the future than raise them once stores, products and practices are established.

In terms of next steps, we would love to hear from you on whether and how these models would or are working in your jurisdiction. We are available to work with jurisdictions. Please, follow up with us and let us know how we can support your work. Join our list serve to post questions and learn from other places. We know that a strong legal framework to protect young people and public health will take public advocacy and building partnerships. Seek out partners for change. And visit our website. The URL is on the next page where the model ordinance is. We have other news and information about the product and the team. Here is the contact information for all of us, as well as the URL for our list serve. These slides will be posted on the Dialogue4Health site after the webinar. If you need this information or anything else we presented.

Next we get to turn to the questions that we've received so far from the audience. If you have a question, still at this point you haven't submitted, click on the Q&A tab on the top and submit that. We have had a lot of questions. I don't think we will be able to get to every one. We will do our best. It's possible afterwards we can try to answer them individually to people or post something on the Dialogue4Health website.

But let's go ahead and get to some of the questions. First question is for Lynn. We need a massive public education campaign about the risks of marijuana use, especially as it relates to pregnant women, children, adolescents, drivers and those with family history of schizophrenia. Will tax dollars be used for such a campaign?

>> Lynn Silver: That's a great question, thank you. When we spoke to Washington and Oregon after, when we were putting the project together, we said what would you do differently? They said the first thing that came up is we would have spent dollars on extensive public education and media campaigns before legalization even went into effect.

Under our model ordinance, taxation dollars can and should be used for activities to prevent substance abuse. These can and should include educational campaigns, although they shouldn't be limited to

educational campaigns. They should also include projects working in the community with pharmacies, with dispensaries to reducing appropriate use, screening programs, working with subscribers on opiate subscribing. We are seeing creative programs around the country, but it takes a steady flow of resources to make this happen where we live.

>> Alisa Padon: The next question is for Michael. Is there a provision to assess goals and consequences from taxation within a certain period? And to report those results to the public?

>> Michael Colantuono: We have not included that in the model ordinance, but it sounds like an excellent idea to me. It is one of the things that a community advisory board could be expected to advocate for and in fact to do.

>> Alisa Padon: Thank you. Okay. So next question is for Lynn. How can you advocate for part of the tax to go into restorative justice projects to help those in jail for marijuana possession to get out and transition back into society with a learned skill that could help them bring money?

>> Lynn Silver: Thank you, that's another great question. We really need to stop the self-reinforcing cycle of drugs, jail, poor education, ill health and poor social outcomes. So as you saw during the presentation, that is precisely part of, one of the areas that we are recommending, of the two areas that we recommend that cannabis taxation go efforts to keep young people from going to jail in the first place on drug related issues and programs to keep them from going back in. A family whose father and mother is in jail is more likely to be a family that has all kinds of difficulties and problem as well as higher costs to society. So we strongly encourage that. That said, there are many competing interests for these resources. So if you believe that funds from this tax need to go into restorative justice in your community, you need to advocate. You need to talk to people. You need to build coalitions to take that to your elected body very quickly because these taxes are being defined now as we speak. The next round of taxes is being proposed.

Thank you.

>> Alisa Padon: That is a perfect segue to the next question for Michael. What can we do if the city already had a tax put in place by the voters prior to legalization of marijuana?

>> Michael Colantuono: Two choices, first, advocate that the City Council or board of supervisors use some of the money that is coming in from the tax to address these public health objectives. That is typically an uphill battle because general fund money is often prioritized for law enforcement and fire and those are potent in our estimate. You can bring an initiative or ask the City Council to bring a proposal for an ordinance. They will be intrigued on a higher tax on high potency community. Those in the public law communities or our clients are not really aware of this issue until this project brought it to our attention. If you are asking communities to get more resources, and to apply them to a new goal, it's a much easier ask than trying to take away existing resources from existing uses. If you have a tax, it is unlikely to address these public health objectives and asking for a tax to achieve them will bring in more money to achieve them will be an easier pitch.

>> Alisa Padon: Lynn, the next is a comment that I would like to get your thoughts on. The comment is: As a health department we are a neutral party. We want to be informed to be able to provide answers to questions of local officials. How best can we do that?

>> Lynn Silver: First, the project is available as a resource. Our website has some information and we can help point you to other good sources of information to inform local officials. But I would say that I spent a decade as a local public health official in two states but I didn't view my role exactly as being a neutral party. I think our roles on public health officials is to seek to protect public health. Surveillance and policy are amongst the essential public health functions. And if our data is telling us we have a problem, as we do with cannabis or with the opioid epidemic, it is our responsibility as public health officials not just to answer questions but to proactively recommend courses of action to our elected

officials to protect public health. Obviously acting within the rules of government, public health community has done that for tobacco and had tremendous leadership and advancing tobacco control. I think we will need to do it on cannabis as well.

>> Alisa Padon: Thank you. So the next question is for Michael. The industry in general is leaving out the diversity category of disabled in economic initiatives related to equity and social justice. How can this be resolved? For an industry struggling to gain federal recognition they are ignoring federal standards.

>> Michael Colantuono: I think we just need to ask that question. The model ordinance only obliquely addresses the equity issue. Because the equity issue has largely been addressed by the project's regulatory ordinance. But I think we might revisit the regulatory ordinance discussion of this topic and when the discussion comes up about equity, I think we need to think about it broadly and include everybody.

In many public policy environments, people are open to new ideas and welcome them. They just don't think of them themselves. The short answer is: Speak up.

>> Alisa Padon: Great, okay. The next question is for Lynn. Are there groups or coalitions either local or statewide in California or elsewhere who are working to apply a public health and equity approach to allocate tax money to support public health, education and programs related to cannabis? If so, how are they formed? How do they measure success?

>> Lynn Silver: Well, I would say we are nowhere near as organized as we need to be. There is an informal group of organizations working at the state level with what has been called the Prop 64 stakeholders group to promote the use of the large pot of state tax funds primarily for prevention and education on cannabis and substance abuse, especially for youth.

But there are competing priorities around whether it should be used for treatment, which can also be funded by health insurance and other streams, versus using it for prevention. We welcome support and broader participation on this issue. Feel free to contact us, please, and we can put you in touch with the group.

Also I would note that at the local level the type of, for example, the tobacco coalitions that have existed at the local level really don't exist in most communities around cannabis yet. We encourage people to try to pull together concerned organizations and communes to help promote this more cautious approach, favorable but cautious approach to legalization.

>> Alisa Padon: So this next question is for Michael. How does over supply of product impact cost? We saw that Washington State's over supply of cannabis is pushing prices down. How does taxation figure into this picture?

>> Michael Colantuono: Taxation has two consequences. It tends to raise price. It doesn't always raise price. If there is -- what an economist would call the -- there is a ratio between supply and demand. The elasticity of demand. We buy more potatoes when they are cheap than when they are really, really expensive.

There may be an inability of the sellers to have market power because there is not enough demand for their product. They may absorb some of the tax burden. But in general, assuming some pricing power by the seller, taxes should make the product more expensive, particularly if the taxes apply across the whole marketplace, meaning if the black marketplace is not such a large part of the equation.

The second thing that taxes can do is depress demand because of that general idea that price tends to depress demand because the cheaper something is, the more we are willing to buy.

There is a third implication of taxes that I think I've tried to emphasize today. That is, they can help us frame the public dialogue. Just saying to a City Council, in a place like Berkeley or Oakland which is sensitive to an electorate that voted overwhelmingly for Prop 64 and is aware of the equity issues, I

think they are very open to these public health messages but will not have thought of them without our help.

>> Alisa Padon: Okay, Lynn. Should affirmative action for women and minorities be part of the process? And should cannabis businesses work with elected officials on these ordinances to weave more easily into the communities that they serve?

>> Michael Colantuono: If Lynn is not on this one, I have a comment because there's a legal issue. Go ahead, Lynn.

>> Lynn Silver: So our model ordinance suggests that cities and counties set up processes to keep cannabis generated wealth if low income communities through what we call equity applicants that receive preferential treatment. Several communities before our work, L.A. and Oakland and Sacramento, have adopted versions of that approach in their resume. In this model tax ordinance we recommend deferring certain fees for those businesses.

However, I believe there are legal limits on what types of groups can be specifically prioritized. So I pass the ball back to Michael on this.

>> Michael Colantuono: Yes, government generally cannot discriminate on the basis of race, gender, or creed. So we can't say the black community has been burdened by the criminalization of marijuana. Therefore, the first ten licenses in Oakland go to black folks. That's racial discrimination against nonblack folks which we can't do.

We can, nor can we say in order to get a license to sell marijuana in Nevada County, you have to have gone to high school there, which was proposed in our community. You can't have a locals only economic opportunity. We have constitutional commitments to an open marketplace without respect to city boundaries and in some ways state boundaries, although that's complicated to apply here.

So what can you do? You can make distinctions on categories that reach the community that you are concerned about but are not themselves based on geography or race or gender.

So, for example, you might say we will promote funding for criminal record expungements of people in our community. We are providing a service in our community and it addresses this problem.

You can set aside economic opportunity for people of low income. You could not say low income people in Oakland, low income people in Berkeley are welcome to come into Oakland as well under the constitution. You can say economic activity that takes place in census tracts that have certain socioeconomic characteristics. It is easier to target wealth in a way which tend to overlap with racial categories, than it is to address racial categories per se. On top of that overlay we have Proposition 209, when Ward Connolly was the leading spokesman that prohibits governments from participating in affirmative action on the basis of race.

>> Alisa Padon: I think we have time for one more question. This is another that I'll start with maybe Michael's response and move to Lynn as well.

Take is, how do we address the argument for stimulating the economy?

>> Michael Colantuono: I think governor brown had a pretty good message on this. We want to stimulate our economy best of your recollection we need to think about the consequences of the choice is that we make. Mass producing a psychoactive depressant is not going to create an energetic culture. Basically you say yes, this is an economic opportunity. But like every other, it comes with costs. We should not blind ourselves to those costs. And we need to have a balanced economy that serves everybody and serves us all well. But don't say you can't make money and don't present yourself as the prude at the Skunk party, so to speak. I would not try to go full force against the broader culture. I would instead try to vector around that culture by bringing additional ideas to the table.

Who is going to argue against public health? Who is going to argue for youth access? Who is going to argue for really potent products that have close association with bad public health outcomes?

>> Lynn Silver: Well, I wholeheartedly endorse everything that Michael said. I would say legalization should be about taking this large volume of production that is already happening in California before Prop 64 and moving that on to the legal market. But it should not be about massively expanding new harmful industrialized products in myriad ways that will affect youth and affect wellbeing. So we have to find that cautious intermediary, intermediate role and not think about cannabis as the next huge economic growth opportunity for the State. The purpose of legalization should be greater socialization and ending the violence and the criminality and everything else that happened around the illegality of this drug, but not about growing the industry with no limits. I think that's where the best balance lies for the welfare of state residents.

But we are all learning together. I think this is going to be a huge learning process over the coming years as we figure out what the best approaches are. We hope you will be part of that and help us learn from each other.

>> Alisa Padon: I just want to say thank you so much to our host and presenters. Thank you very much to our partner and sponsors.