

Continuous Review of Cannabis Policymaking, Education & Community Outreach

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The Office of Cannabis Management Could Enhance Their Policymaking Process to Ensure New Policies are Effective at Addressing Identified Issues

The Office of Cannabis Management Could Better Meet Their Stated Objectives by Providing More Focused Education and Increasing Community Outreach Activities



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Introduction

In accordance with the City Auditor's 2020/21 Cannabis Work Plan, we are providing the first report in an ongoing series of *Continuous Cannabis Monitoring Reviews* of the City's interdepartmental cannabis program. These reviews are designed to provide regular updates on areas of risk identified by the Office of the City Auditor, with the overall goal of assisting the City in maturing and optimizing its cannabis programs and operations.

Continuous monitoring programs assist management to more quickly and accurately determine where it should be focusing attention and resources to improve processes, implement course corrections, address risks, or launch initiatives to better enable achievement of goals. Continuous monitoring is often an automated, ongoing process that gives management greater visibility into, and more timely information on, business processes designed to achieve strategic and operational goals. This report focuses on the Office of Cannabis Management's *Policymaking, Education, and Community Outreach* processes. For this report, the term "Policymaking" is used to refer to the Office of Cannabis Management's process for developing cannabis regulations for the City of Sacramento.

We conducted this performance review in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The City Auditor's Office would like to thank the Office of Cannabis Management for their collaboration during the ongoing review process.

Background

The Office of Cannabis Management (OCM) is responsible for policymaking, business permitting and education of adult-use cannabis within the City of Sacramento. The overarching goals of OCM's cannabis program include having a regulated, safe, diverse, and economically healthy cannabis industry. According to OCM,

- A regulated industry means that appropriate requirements and controls are in place to regulate an industry that is still illegal under Federal law, without being needlessly burdensome to the businesses.
- A safe industry means that the City has a level of assurance that cannabis and cannabis products are tested and safe for consumption, and that cannabis businesses have adequate security to deter crime and provide a secure environment for employees and customers.
- A diverse industry means that monopolies are discouraged, and both the ownership and workforce of cannabis businesses reflect the racial, ethnic, and gender diversity of the City of Sacramento.

- An economically healthy industry means that there are enough cannabis businesses to satisfy local, regional, and statewide demand, generating enough business income to provide living wage jobs, career pathways, and encourage entrepreneurship.

Summary of Cannabis Regulations

The City developed its first cannabis regulations (Title 5, Chapter 5.150) in response to the legalization of medical marijuana in 2010. With the passage of the Adult Use of Marijuana Act (AUMA) by California voters in 2016, the City’s cannabis regulations were revamped as it prepared for both medical and recreational cannabis in the City. The approach to developing these regulations attempted to align the City’s regulations with the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). Another round of adjustments occurred in 2019 to align City code with enacted State cannabis regulations. Besides these comprehensive revisions, the City’s cannabis code is often updated when urgent issues arise, such as emergency legislation or direction from City Council.

Since 2016, OCM and the City Council have taken numerous steps toward regulating cannabis businesses in the City of Sacramento. Below is a summary of the actions taken by City Council relating to cannabis since 2016:

- November 2016, adopted regulations for cultivation;
- April 2017, adopted an ordinance regulating manufacturing and testing laboratories;
- August 2017, adopted an ordinance limiting residential cultivation to six plants and imposing administrative penalties of \$500 per plant in excess of the limit;
- November 2017, established regulations for delivery and distribution, amended the manufacturing ordinance to add a tiered permitting structure, and adopted an ordinance allowing permitted dispensaries to sell adult-use cannabis and add delivery to their operations;
- August 2018, reconfigured the distribution permit types by adding a tiered permitting structure and creating a “transport-only” distribution type;
- August 2018, adopted the Cannabis Opportunities and Reinvestment and Equity (CORE) Program;
- November 2018, adopted regulations for microbusinesses;
- January 2019, adopted regulations for local authorization for special events at Cal Expo;
- July 2019, appointed a Hearing Examiner for Appeals of Cannabis Administrative penalties;
- September 2019, adopted temporary regulations that establish a moratorium on Industrial Hemp cultivation;
- September 2019, adopted an ordinance that extend a limitation of permits for cannabis dispensaries that are authorized to deliver in the southeast industrial area;
- November 2019, adopted regulations that temporarily prohibit any transfer of ownership interests in storefront cannabis dispensaries and prohibiting an individual from obtaining an ownership interest in more than one storefront dispensary;
- January 2020, established a cannabis compliance auditor;
- January 2020, revised regulations to more closely align with state cannabis regulations;
- February 2020, adopted regulations allowing volatile manufacturing in the City;

- September 2020, established business operating permits for cannabis nurseries;
- October 2020, adopted an ordinance that allowed 10 additional storefront dispensary permits to be issued exclusively to equity applicants through a competitive process;
- November 2020, adopted a moratorium prohibiting any transfer of ownership interests in storefront cannabis dispensaries for one year;
- February 2021, adopted an ordinance that permanently prohibits the cultivation, manufacturing, storage and possession of industrial hemp.

Cannabis-related policymaking in the City of Sacramento has been largely driven by State law, recommendations brought forward by OCM, and Council actions.

Office of Cannabis Management's FY2020/21 Objectives

OCM's objectives for FY2020/21 as outlined in the City budget are to (1) continue to work closely with the Council in developing sound policies related to the emerging cannabis industry and protect public health by ensuring cannabis products are manufactured in and sold from permitted businesses to qualified adults or patients, (2) educate and inform parents and young people about the potential hazards of cannabis use by adolescents and teens, and (3) continue to provide a fair and transparent regulatory environment that facilitates the transition of the cannabis industry into a legal framework while ensuring opportunity for a diverse group of industry participants.

Objective, Scope, and Methodology

The objective of this review is to continuously monitor OCM's policymaking, education, and community outreach activities. The scope of this review included OCM's internal policymaking processes for developing cannabis regulations in the City of Sacramento. Additionally, the scope included a review of cannabis industry education and community outreach activities provided during FY2019/20 and FY2020/21. In performing our review, we interviewed OCM management to understand processes for the area under review, requested applicable policies and procedures, reviewed management reports, attended stakeholder meetings, and obtained evidence of prior industry education and community outreach activities.

Finding 1: The Office of Cannabis Management Could Enhance Their Policymaking Process to Ensure New Policies are Effective at Addressing Identified Issues

One of the primary responsibilities of OCM is to develop new cannabis regulations for the City of Sacramento. When developing new regulations, it is a best practice to follow a policymaking framework. Following a framework for policymaking helps to promote an efficient and effective response to changes in the regulatory environment while also meeting the needs of the local cannabis industry.

In our review of OCM's policymaking process, we noted the following areas for improvement:

- An opportunity exists for the Office of Cannabis Management to establish a policymaking framework and incorporate a more formal approach to policy formulation, implementation, and evaluation.

Formalizing the policymaking process by establishing a framework and documenting a standardized approach will help ensure that new cannabis regulations are created considering all necessary information, implemented with a cohesive strategy, and evaluated for effectiveness.

An Opportunity Exists for the Office of Cannabis Management to Establish a Policymaking Framework and Incorporate a More Formal Approach to Policy Formulation, Implementation, and Evaluation

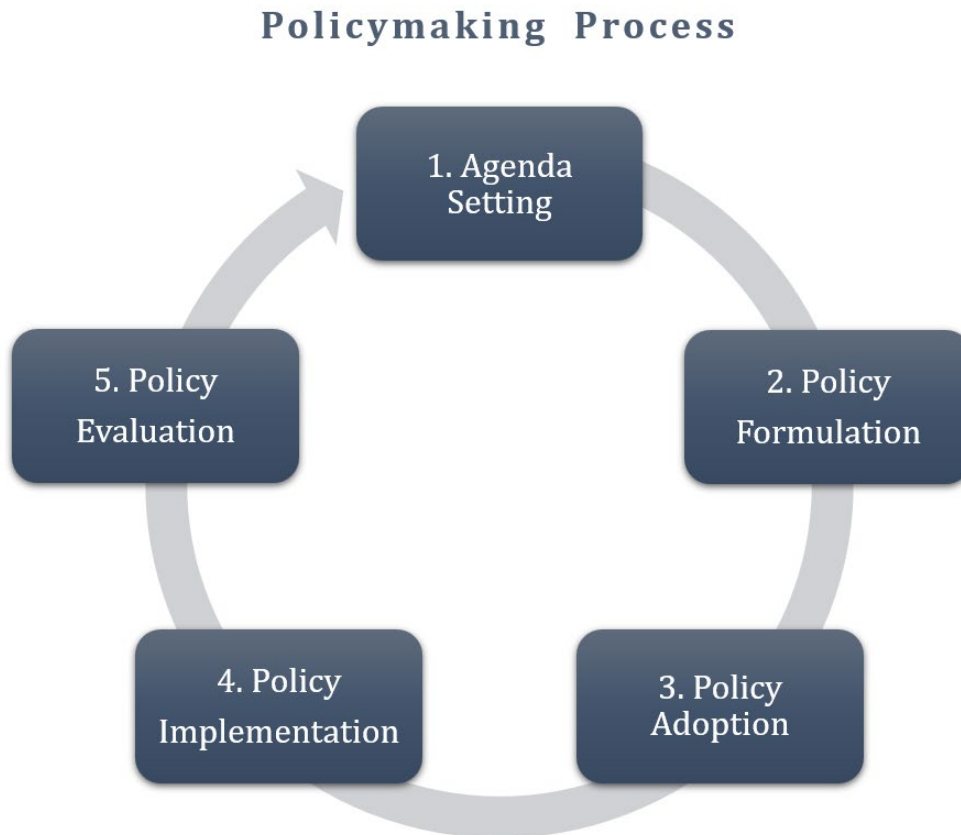
Due to the cannabis industry being relatively new and subject to a constantly changing regulatory environment, the City has often needed to take a reactive approach to creating cannabis regulations. OCM has worked to develop City code that is consistent with the State's cannabis regulations and the City Council's appetite for legal cannabis. We evaluated OCM's policymaking processes against best practices to determine if there were opportunities for improvement.

Policymaking Best Practices Framework

Best practices in developing public policy have evolved over time. In recent years, an increase in complexity of public sector work has diversified public policy approaches. Recent trends include outcomes-based approaches, evidence-informed policymaking, systems thinking approaches, inclusive growth approaches and mission-led innovation.

Rather than suggest a specific type of public policy approach, we have identified a commonly used framework for creating policy that organizes the process into five stages. Figure 1 highlights the five stages of the policymaking process. Although this framework suggests that policymaking is a linear process, it is important to understand that these stages sometimes occur simultaneously.

Figure 1: Common Framework for Policy Development Process



Source: Auditor generated

1. Agenda Setting

The Agenda Setting stage refers to the process through which a policy, and the problem it is intended to address, are acknowledged to be of public interest. For a policy to be placed on the agenda, there are certain prerequisites. Individuals or groups must acknowledge that a situation is problematic, identify the problematic aspects of the situation, propose solutions, and engage in activities that influence the government and pressure it to intervene, including identifying groups that can play an active role in addressing the problem.

2. Policy Formulation

At this stage, the public administration concerned examines the various policy options it considers to be possible solutions. It should be noted that coalitions of actors strive to gain priority for one specific interpretation of both the problem and its solution.

3. Policy Adoption

Adoption is the stage during which decisions are made at the governing body level, resulting in a decision that favors one or more approaches to addressing a given problem.

4. Policy Implementation

At this stage, the policy's implementation parameters are established, which can directly affect the eventual outcome of the policy. Several factors combine to determine the actual effects of a policy and how well it achieves its objectives. Factors include:

- The type and complexity of the problem addressed,
- The magnitude of the expected change and the groups targeted by the policy,
- The human and financial resources devoted to implementation, and
- The administrative structures and regulations that will be put in place to support implementation of the policy.

High demands are placed on the technical administrative apparatus at this stage, and on groups associated with this policy sector. The term policy network is often used to refer to the actors within the government, as well as the stakeholders associated with a policy sector, who are the most familiar with the area. This policy network will have a major influence on how the policy is implemented.

5. Policy Evaluation

This is the stage during which a policy is evaluated, to verify whether its implementation and its effects are aligned with the objectives that were explicitly or implicitly set out. This evaluation can be carried out by the government apparatus, by consultants or by civil society.

The Office of Cannabis Management's Policymaking Approach

The Office of Cannabis Management (OCM) asserts their annual objectives as part of the City budget process. For FY2019/20 and FY2020/21, OCM has two policy-focused objectives which are to "work closely with the Council in developing sound policies related to the emerging cannabis industry and protect public health by ensuring cannabis products are manufactured in and sold from permitted businesses to qualified adults or patients," and to "provide a fair and transparent regulatory environment that facilitates the transition of the cannabis industry into a legal framework while ensuring opportunity for a diverse group of industry participants." We evaluated the extent to which OCM's current policymaking process would help them achieve these objectives.

As part of our continuous review, we interviewed management from OCM to gain an understanding of the process by which these policymaking objectives are achieved. The next section provides a summary of our evaluation of OCM's practices in relation to each step of the policymaking framework outlined in Figure 1. We noted where there were areas for improvement in some of the stages of the framework.

1. Agenda Setting

The following situations may initiate new or revised cannabis policy in the City:

- Changes in State or Federal cannabis regulations;
- Specific requests from City Council;

- Policy proposals from cannabis regulators in other jurisdictions;
- Cannabis industry non-compliance;
- Formal or informal lobbying efforts by cannabis industry stakeholders; and
- Issues brought forward by the City Attorney’s Office.

Policy Agenda Tracking

OCM maintains various Word documents to track policy issues that require attention. For example, OCM maintains an informal policy agenda for Title 5, Chapter 5.150, the City’s code section for cannabis businesses. OCM also documents feedback received from the City Attorney’s Office through bi-weekly meetings where policy items are discussed. Also, a legislative calendar has been developed to track important legislative dates, such as City Council or Law and Legislation Committee meetings.

2. Policy Formulation

Once a policy issue is on the agenda, the policy may be formulated by incorporating the following inputs:

- Brainstorming sessions are conducted by OCM where the policy issue and potential solutions are discussed. These brainstorming sessions also include representatives from the City Attorney’s Office.
- Discussions with state agencies, such as the Bureau of Cannabis Control (BCC), take place to propose policy ideas and obtain feedback.
- OCM solicits feedback from cannabis industry stakeholders (i.e. those that will be most affected by the policy).
- Inquiries with other cities are made to understand what local regulators have experienced when implementing a specific policy approach, including identifying unintended consequences.
- OCM may consult subject matter experts to review new or existing policy (e.g. requesting review of policy drafts from a social equity perspective).

Policy formulation is tracked using Word documents in Microsoft Teams. Policy drafts with comments and tracked changes are retained for reference. This approach to policy formulation, while identifying various methods for obtaining inputs, does not include a standardized method for identifying and prioritizing inputs and evaluating the sources of information used.

Role of City Attorney

When a policy issue is added to the agenda, OCM consults with the City Attorney’s Office to evaluate the legality of the proposed policy changes and to obtain legal considerations. After OCM has prepared a draft ordinance, OCM will request that the City Attorney’s Office review the draft and provide feedback. If there are further issues that require revision from a legal perspective, OCM will continue to work with the City Attorney to resolve any concerns.

3. Policy Adoption

New cannabis policy is adopted by the City Council in the form of City ordinances or resolutions. When a new ordinance or resolution has been drafted by OCM and reviewed by the City Attorney, the draft is presented to the Law & Legislation Committee for review and approval. After the item has been

discussed at the Law & Legislation Committee, a successful ordinance or resolution is forwarded to City Council for consideration. Next, the City Council discusses the item and will decide whether to approve the item. Once an ordinance or resolution is approved by City Council, it is incorporated into the existing city code or policy.

Throughout the legislative process, the Law & Legislation Committee and City Council may request amendments and/or request further discussion on the matter. Law & Legislation Committee and City Council meetings also provide an opportunity for community members to make public comment for consideration by the City Council.

4. Policy Implementation

New City ordinances are published by the City Clerk in accordance with City code. OCM's implementation process for new City programs, ordinances, and resolutions consists of notifying cannabis stakeholders and those parties most affected by the new regulations. OCM may also provide guidance to cannabis businesses on how to maintain compliance with the new program, ordinance, or resolution. Communication with these groups is typically done by electronic communication and cannabis stakeholder meetings. OCM will often discuss implementation with the City Attorney and other City departments that have a role in implementation.

OCM maintains a website where important policy updates and dates for upcoming meetings are posted, including links to staff reports, meeting instructions, and information on how to get involved in the legislative process. In our review of OCM's website, we identified a policy section of the website that had not been updated since 2018. When we brought this to OCM's attention, they indicated that they had previously tried to update the site but encountered some technical issues. They are currently working with IT to resolve the issue.

5. Policy Evaluation

OCM may receive feedback from parties most affected by new cannabis policy. For example, cannabis businesses may share their experiences complying with a new City program, ordinance, or resolution. Feedback is most often received by email, stakeholder meetings, or through public comment at Law & Legislation Committee or City Council meetings. Feedback received regarding cannabis policy is not formally tracked for subsequent evaluation.

In our review of OCM's policymaking activities, we noted that OCM has developed policymaking processes that align with the stages in the best practices framework. However, we identified many informal approaches to stages in the policymaking framework. For example, OCM does not follow a formal process, such as a checklist, to evaluate and document the sources of information that will be considered when developing new policy. Similarly, implementation of new policy primarily consists of communication with affected parties, but a formal process for determining which stakeholder groups will be affected, which City departments may need to participate, and how the type and complexity of the policy issue may affect implementation has not been developed. Developing checklists and documenting a standard process will help to ensure that no groups are left out or that any steps are missed. Finally, OCM often receives feedback regarding policy changes, but a method for aggregating

and evaluating this feedback in a holistic manner has not been developed. While these steps are not required by regulation or statute, we believe that OCM can improve their policymaking process by adopting these best practices. By taking steps to formalize and document their processes for policy formulation, implementation, and evaluation, OCM will strengthen their policymaking practices and reduce the risk that policies are not comprehensive or effective.

Policies and Procedures

Through our discussions with management, we noted that OCM is in the process of drafting internal policies and procedures to guide day to day operations and decision-making. While most of the draft procedures relate to the City's cannabis business permitting process, we did note that the following section addresses cannabis policymaking:

II. CANNABIS POLICIES/POLICYMAKING PROCESS

The City's cannabis regulations may be stricter but never more lenient than the State's. (MAUCRSA/SB 24 §x). Where regulations address specific cannabis-related issues exist at both the State and City level, the City Code takes precedence. In the absence of a specific City Code or policy on such issue, the OCM will defer to the State regulations.

Proposed amendments to Title 5 or policy changes shall be initiated under the following situations:

- *At City Council's direction;*
- *Policy proposals/initiatives brought forward by the local cannabis industry to reflect changing conditions;*
- *City Code is vague or silent on a significant cannabis-related matter (alignment);*
- *Challenges/loopholes in enforcement of existing policy;*
- *Lack of uniformity with other jurisdictions; and*
- *New cannabis laws that render Title 5 obsolete.*

All proposed amendments must be brought before the Law and Legislation Committee unless otherwise directed by the City Council at a Council meeting. Proposed policies and/or policy changes shall be communicated with stakeholders through either a stakeholder meeting, announcement on the City's website and/or via email and shall contain language encouraging input or feedback.

With consultation and legal advice from City Attorney's Office, OCM may also update or amend policies administratively in situations where Code amendments are not required. Policy amendments through an administrative process will be documented in OCM's Policies and Procedures.

After reviewing OCM's draft internal policies and procedures related to developing new cannabis regulations, we noted that OCM has documented specific criteria that would initiate amendments to the City's cannabis code (Chapter 5.150) and place the item on a policy agenda. However, we observed

minimal guidance concerning policy formulation and implementation, and did not identify any guidance related to policy evaluation. We recommend OCM formalize their policymaking approach in internal policies and procedures to ensure that all the steps in the policymaking framework have standard guidance and follow a consistent approach.

RECOMMENDATION

We recommend the Office of Cannabis Management:

1. Enhance the current policymaking process by standardizing and documenting the approach to policy formulation and policy implementation.
2. Develop a formal process for policy evaluation that considers whether the policy achieved its intended objectives and identifies unintended consequences.

Finding 2: The Office of Cannabis Management Could Better Meet Their Stated Objectives by Providing More Focused Education and Increasing Community Outreach Activities

The Office of Cannabis Management (OCM) has provided a variety of education to local cannabis businesses to encourage compliance with the City's evolving cannabis regulations. Additionally, OCM's website states that their office is responsible for "education on adult-use cannabis within the city of Sacramento." OCM has also established a youth education objective, as outlined in the approved FY2020/21 City budget, which is to "educate and inform parents and young people about the potential hazards of cannabis use by adolescents and teens." While OCM has regularly provided education to cannabis businesses and industry stakeholders, an opportunity exists to proactively assess the educational needs of the local cannabis industry to identify gaps and provide focused training programs that support cannabis business compliance. Additionally, an opportunity exists for OCM to increase its youth education and community outreach efforts to better meet its stated objective.

In our review of OCM's education and community outreach activities we noted the following:

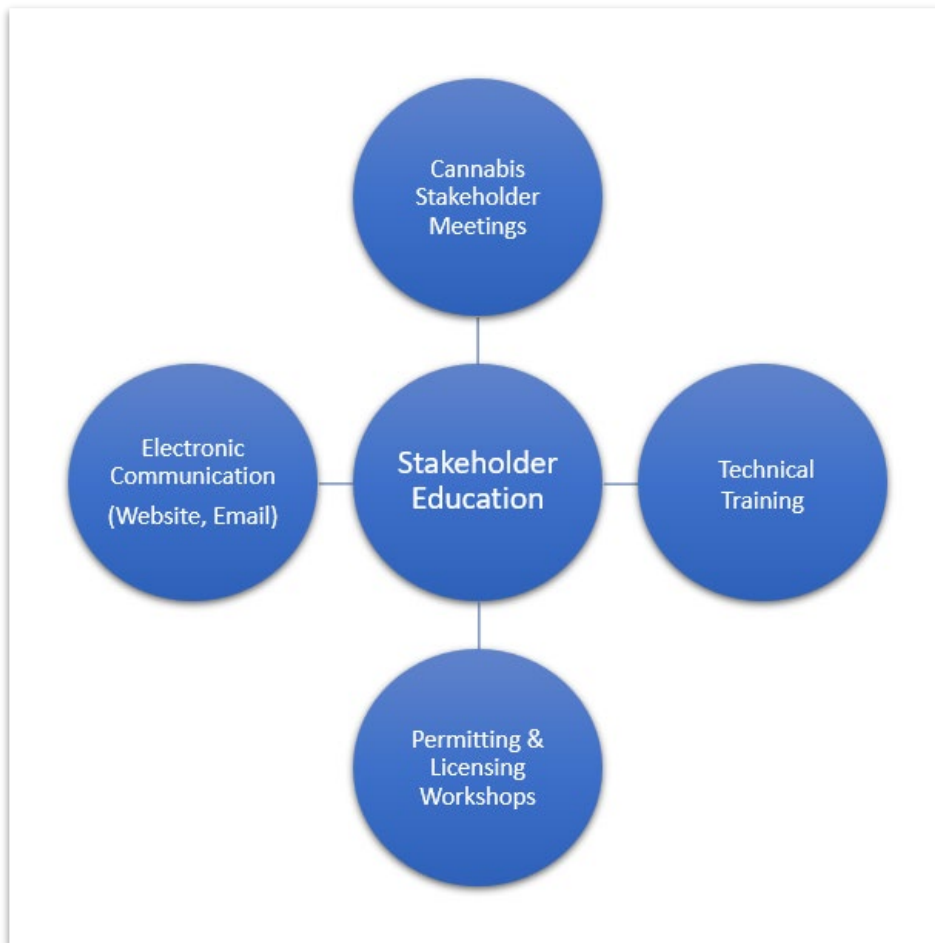
- The Office of Cannabis Management could better support compliance in the local cannabis industry by assessing stakeholder educational needs and providing focused education; and
- The Office of Cannabis Management has spent less than 1 percent of the \$750,000 set aside for community outreach.

As the cannabis industry continues to grow in the City of Sacramento, and the regulatory environment changes, the needs for education and community outreach will also change. It will be important for OCM to regularly assess whether their education, community outreach, and youth prevention programs are meeting the City's needs.

The Office of Cannabis Management Could Better Support Compliance in the Local Cannabis Industry by Assessing Stakeholder Educational Needs and Providing Focused Education

As part of our continuous review, we interviewed management from OCM to gain an understanding of the different types of stakeholder education activities that have been provided by the department. Figure 2 shows a graphical representation of the different types of stakeholder education that OCM has provided since 2016.

Figure 2: Types of Stakeholder Education and Community Outreach provided by the Office of Cannabis Management



Source: Auditor generated

Stakeholder Meetings

Since 2016, OCM has held informational meetings for members of the local cannabis industry called stakeholder meetings. These meetings have been held for management of a specific type of cannabis

business (e.g. storefront dispensaries), participants of the Cannabis Opportunity Reinvestment and Equity (CORE) program, or for general cannabis industry stakeholders. The meetings are also open to the public and anyone who wishes to attend can do so. Prior to COVID-19, the meetings were held in person at City Hall, but meetings have been conducted as Zoom webinars during the pandemic. Topics for discussion at stakeholder meetings include recent changes to Sacramento’s cannabis program, state and local regulatory updates, and business opportunities for existing or prospective business owners. Stakeholder meetings may feature guest speakers and often include a Q&A session.

Technical Training

In 2018, OCM worked with an outside vendor to provide cannabis business owners a training called “Sell-SMaRT”. The training focused on best practices for safe and responsible cannabis sales and included topics such as Safety & Security, Checking IDs and Consumer Safety and Education.

Permitting/Licensing Workshops

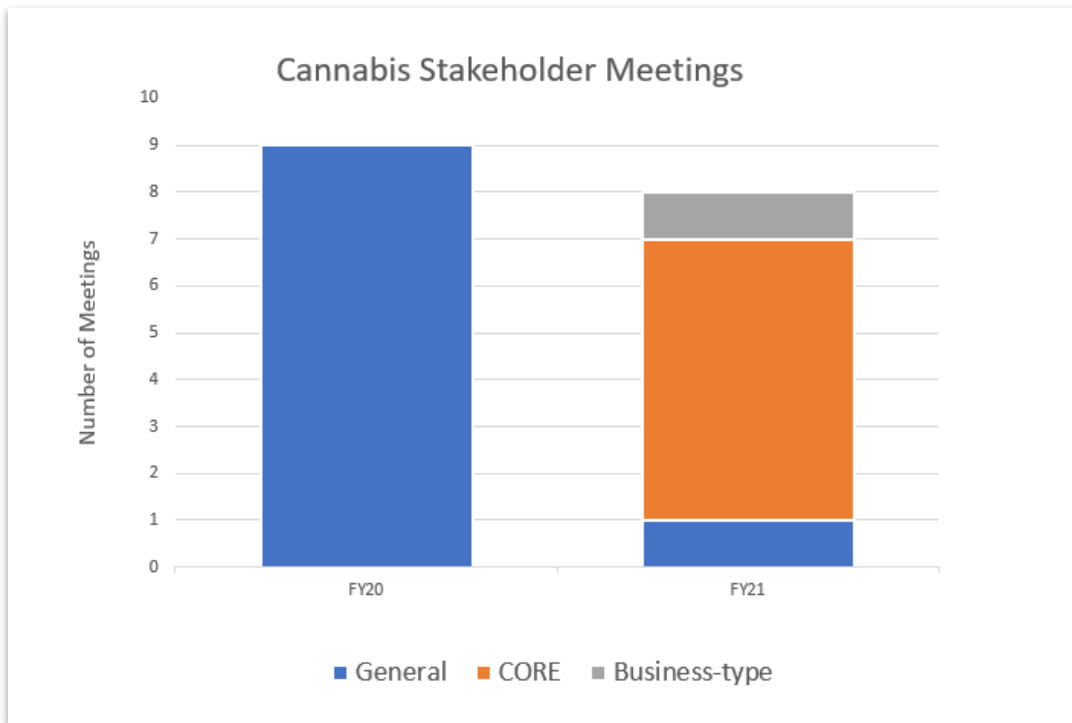
In 2019, OCM organized a 4-part workshop called “Cannabis Permitting 2.0”. The objective of the workshop was to educate individuals on the City’s cannabis business permitting processes. The workshop provided an explanation of permit requirements and included presentations from the Police Department, Fire Department and Community Development Department. That same year, OCM also offered a State licensing workshop where State regulators provided an overview of California’s cannabis licensing requirements to potential cannabis business owners.

Electronic Communication (Website, Email)

The Office of Cannabis Management provides information and education through various forms of electronic communication. OCM’s website, part of the broader City website, provides information related to the City’s cannabis programs and is maintained by OCM staff. The website includes important updates about the City’s cannabis program and features presentation materials and recordings of past stakeholder meetings. OCM also collects email addresses for cannabis business owners, CORE participants and other interested parties, and regularly uses email distribution lists to communicate important information to cannabis industry stakeholders.

Since 2016, OCM has provided a variety of education to the local cannabis industry, primarily focused on business compliance. OCM has offered permitting workshops, technical training, and has taken a proactive approach toward keeping the cannabis stakeholders up to speed on changes to the City’s cannabis program through regular stakeholder meetings and electronic communication. Figure 3 shows the types of cannabis stakeholder meetings hosted by OCM over the past two years. In fiscal year 2020, OCM hosted nine stakeholder meetings, and OCM has hosted eight stakeholder meetings, including six meetings for CORE program stakeholders, in the current fiscal year.

Figure 3: Types of Cannabis Stakeholder Meetings provided by the Office of Cannabis Management¹



Source: Auditor generated

Focused Education provided by OCM

In 2018 and 2019, as the City was establishing its new regulations for adult-use cannabis, OCM regularly provided focused education on the City’s newly established cannabis business operating permit (BOP) process to promote compliance with state and local cannabis regulations. Since 2019, following the establishment of the Cannabis Opportunity Reinvestment and Equity (CORE) program, OCM has worked to educate members of the CORE program on how to take advantage of the City’s social equity programs for cannabis businesses made possible with grant funds received through the State’s Cannabis Equity Grants Program for Local Jurisdictions. OCM has consistently held stakeholder meetings to provide the cannabis industry with informational updates on changes to the City’s cannabis programs and regulatory environment. While these focused education programs support business compliance and social equity, there may be additional areas and specific groups that could also benefit from focused education.

As an example of a focused education program, in 2019, OCM offered a 4-part workshop called “Cannabis Permitting 2.0”. The objective of the workshop was to educate individuals that were interested in running a cannabis business in the City on the complex process of obtaining a BOP. The workshop included a detailed breakdown of the City’s requirements for obtaining a cannabis BOP including the conditional use permit (CUP) process, application submission and review, security plan requirements, fire code requirements, tenant improvements, and final steps in the business permitting

¹ The data for fiscal year 2021 (FY21) is a partial year, from July 2020 through February 2021.

processes. The workshop was a collaboration with the Office of Cannabis Management, Police Department, Fire Department and the building and zoning divisions within the Community Development Department. The Cannabis Permitting 2.0 workshop was useful because it met the needs of an industry that was still having trouble navigating the cannabis permitting process. While a similar workshop today could be useful, there may be other areas for education programs that have not been identified.

In our opinion, to better support cannabis business compliance, OCM should perform regular and proactive assessments of the local cannabis industry and inquire with other City departments to identify whether focused education is needed. Additionally, OCM should identify whether there are specific stakeholder groups that may receive a greater benefit from focused education. Once areas for education and stakeholder groups have been identified, OCM should determine the most effective methods for delivering education. It will be important to collaborate with the various City departments that perform cannabis program activities to gain insight on where more education is needed. Focused education should then be developed based on the assessment.

RECOMMENDATION

We recommend the Office of Cannabis Management:

3. Proactively assess the educational needs of the local cannabis industry to identify any gaps and provide focused training programs that support business compliance.

The Office of Cannabis Management Has Spent Less than 1 Percent of the \$750,000 Set Aside for Community Outreach.

As mentioned above, one of OCM's stated objectives is to "educate and inform parents and young people about the potential hazards of cannabis use by adolescents and teens." The importance of addressing youth cannabis prevention include²:

- Teenagers are more vulnerable to addiction. Research finds that about 1 in 11 adults and 1 in 6 youth who use marijuana become dependent. And 1 in 3 develop some form of problem use. Earlier use is linked to greater risk of dependence on marijuana and other drugs.
- Marijuana use while driving makes a crash twice as likely to happen.
- Heavy marijuana use impairs young people's ability to concentrate and retain information.
- Teen brains react differently to marijuana than adult brains. Because adolescence is a time of rapid brain growth, regular long-term use by teens causes long-term damage to developing brain structures.

² "Our Initiatives." SCCY - Sacramento County Coalition for Youth - Future Forward, Sacramento County Coalition for Youth, 2020, www.sacramentoccy.org/futureForward.html.

- Parents who talk with their kids about not using marijuana have teens who are less likely to use marijuana.

Additionally, the COVID-19 pandemic has created a variety of new mental health challenges for teenagers. The constant stress has left many young people at higher risk for anxiety and depression. Teenagers have also become more isolated than ever before in the face of the pandemic. With schools shut down or using virtual learning, adolescents can no longer see their friends as often as they used to. They may not be able to participate in their usual extracurricular activities due to COVID-19 shutdowns. These challenges, among others, may be causing an increase in substance abuse by teens.

In a 2020 article published by the Journal of Adolescent Health³, a recent study including 1,316 high school students found that for most substances, the percentage of users decreased. However, the frequency of both alcohol and cannabis uses increased. The article suggests that the decrease in users may be due to COVID-19 limitations on social events where teens would typically use substances, and the increase in frequency of teen substance use may be caused by social pressures and a lack of effective coping strategies.

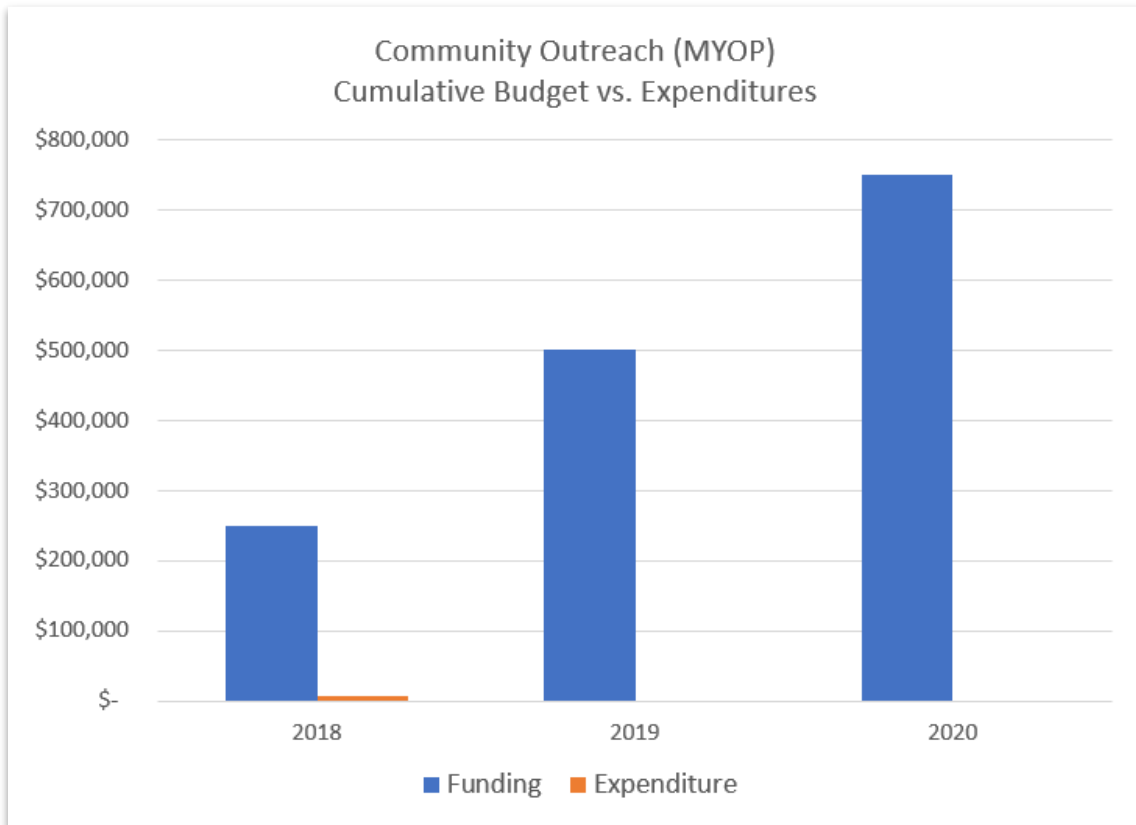
To date, OCM has not invested significant resources towards achieving their youth cannabis education objective. Since 2018, OCM's youth cannabis education efforts have included the following:

- In 2019, OCM worked with Sacramento County's Coalition for Youth (SCCY) to support the county's youth marijuana prevention campaign called "Future Forward" by printing a marijuana prevention advertisement aimed at young people. The advertisement was distributed in an edition of Sacramento News & Review.
- OCM also supported the Future Forward campaign by printing and distributing youth marijuana prevention fliers. Unfortunately, due to COVID-19, no fliers have been distributed by OCM since early 2020.

As the result of a 2017 City Council request, OCM established a separate account for Community Outreach within their Cannabis Policy and Enforcement Multi-Year Operating Project (MYOP). OCM allocated \$250,000 of cannabis permitting revenues to this account in fiscal years 2018, 2019 and 2020. As of February 2021, the account had accumulated \$750,000. However, only \$6,764, (or 0.9 percent) of the available funds have been expended, leaving \$743,236 in the Community Outreach account.

³ Dumas, Tara M, et al. "What Does Adolescent Substance Use Look Like During the COVID-19 Pandemic? Examining Changes in Frequency, Social Contexts, and Pandemic-Related Predictors." The Journal of Adolescent Health : Official Publication of the Society for Adolescent Medicine, Society for Adolescent Health and Medicine., Sept. 2020, www.ncbi.nlm.nih.gov/pmc/articles/PMC7368647/.

Figure 4: MYOP Community Outreach Account (106420500) Activity



Source: Auditor generated

With teenagers facing increased mental health challenges, it is important for OCM to prioritize its objective to educate and inform parents and young people about the potential hazards of cannabis use by adolescents and teens. We identified an opportunity for OCM to increase the amount of youth education and outreach activities provided to the local community. Specifically, OCM could better meet its stated objective by developing new outreach programs, partnering with state and local health departments, education systems, community-based organizations, and nearby municipalities by using the funding that has already been allocated for that purpose. As programs are developed, considerations should be made to provide effective outreach in a post COVID-19 environment.

RECOMMENDATION

We recommend the Office of Cannabis Management:

4. Increase its youth education and community outreach efforts to better meet its stated objective.

MEMORANDUM

Date: April 23, 2021

To: Jorge Oseguera, City Auditor

From: Davina Smith, Cannabis Manager



CC: Howard Chan, City Manager
Leyne Milstein, Assistant City Manager

Re: Office of Cannabis Management's Response to Report on Continuous Audit of Cannabis Policymaking, Education, and Outreach

The Office of Cannabis Management (OCM) acknowledges receipt of the Office of the City Auditor's report on the continuous audit of cannabis policymaking, education, and outreach and thanks the Auditor and the Cannabis Compliance Auditor (Auditor) for their work.

OCM's specific responses to the audit recommendations are as follows:

- 1) *Enhance the current policymaking process by standardizing and documenting the approach to policy formulation and policy implementation.*

Response: OCM agrees with the recommendation. As the Auditor wrote in the report, "We noted that OCM has developed policymaking processes that align with the stages in the best practices framework." However, OCM will work to further expand its existing written policies regarding policy development in coordination with the City Council and the Council's Law and Legislation Committee.

- 2) *Develop a formal process for policy evaluation that considers whether the policy achieved its intended objectives and identifies unintended consequences.*

Response: OCM respectfully disagrees with the recommendation of a formal process for policy evaluation. From the Auditor's report, the concern appears to center on the informal nature of OCM's existing policy evaluation, rather than whether policy evaluation is occurring.

Policymaking is a fluid process, and the evolution of a policy is often not a formal, one-size-fits-all process. As stated in the Auditor's report, all five elements identified as best practices in policy development are present in OCM's current approach. Further, all the steps that were taken to reach a policy recommendation are documented in the staff reports presented to Council.

With the exception of CORE-related issues, it has never been the practice of OCM to communicate only with parties that will be potentially affected by a policy proposal. Regardless of which business type will be affected by a proposal, communications are disseminated to all stakeholders. All stakeholders and any other members of the public are able to attend both CORE meetings and general stakeholder meetings, as meeting links are placed on the OCM website. Similarly, regardless of the topics on a general stakeholder meeting agenda, all City departments with involvement in cannabis are invited.

OCM is currently unaware of any other City division or department that utilizes the recommended formal process of policy development and evaluation and the Auditor was similarly unable to identify any that utilize it. As a small office, OCM is concerned that this policy proposal to formalize its current policymaking process would overly burden the office and its staffing and needlessly result in a slow-down of essential functions and services, despite the Auditor's report that OCM's informal policymaking processes align with the stages in the best practices framework.

- 3) *Proactively assess the educational needs of the local cannabis industry to identify any gaps and provide focused training programs that support business compliance.*

Response: OCM agrees with the recommendation. As detailed in the Auditor's report, OCM currently provides information and education on regulatory compliance issues for the cannabis industry through its stakeholder meetings and email communications. The educational and informational topics presented originate from suggestions or questions received from stakeholders, changes in regulations, or issues noted by City department personnel that regulate cannabis. OCM will ask at the next stakeholder meeting if there are any specific topics stakeholders would like City staff to present on.

- 4) *Increase its youth education and community outreach efforts to better meet its stated objective.*

Response: OCM agrees with the recommendation. The COVID-19 pandemic in FY20 and FY21 greatly inhibited the ability and bandwidth of the City's traditional partners - school districts and public health departments – to engage in youth cannabis education and community outreach. An unintended benefit of deferring OCM's cannabis youth education and community outreach program is that an additional \$500,000 was able to be collected for the program. As the City and County are opening back up, OCM agrees that it is time to issue a solicitation for a program to provide those services to the community.