

# Economic Impacts of Cannabis Legalization in Sonoma County

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### **Abstract**

Cannabis legalization is an opportunity for California to generate billions of dollars in tax revenue. This market also creates avenues for entrepreneurs and well-established companies to make inroads into a traditionally stigmatized industry. Since California is well known for growing cannabis in the United States, we are responsible for shipping out these products to other states. Sonoma County is on the precipice of this movement because of the variety of financial resources available and the overall liberal views that is shared amongst the community. The legalization of cannabis is an opportunity for the golden state to become more powerful and economical.

This research project will contribute to a growing body of scholarly research performed to understand the economic impacts of legalized cannabis. Interviews were conducted with the Cannabis Program Director of Sonoma County, employees of cannabis dispensaries, and the CEO of CannaCraft, a cannabis production company. These different perspectives will offer a well-rounded understanding of the different forces at play in this burgeoning industry. It is apparent that moving into the legal market is not simple for a small business owner or grower. Not only is the process expensive, it is complicated and involved in many bureaucratic agencies which operate in the county. There was a great deal of reluctance on behalf of those working in the cannabis industry to discuss specific details of

revenue and employee salary. Because this industry is so new, and federally illegal, it would be beneficial to investigate this issue in 5 or 10 years when legal businesses are well established.

### **Research Question**

The focal question of this research is to determine how the legalization of cannabis has economically affected the economy of Sonoma County. We will focus on revenue, job growth, and business licenses made available by the county. We hope to understand how the entirety the cannabis industry has benefited or changed since California legalized cannabis products in 2017.

### **Methodology**

After reviewing the economic impact of legalized cannabis in Sonoma County by reading local newspaper articles, we decided that in-person interviews would give us the best data to understand this industry fully. We reached out to a number of cannabis professionals in our local community to gather a wide variety of perspectives. The individuals we contacted were Tim Ricard, who is employed as the Cannabis Program Director of Sonoma County, William Silver, the CEO of CannaCraft, and managers of 5 local cannabis dispensaries which have acquired their adult-use license. Before each interview we prepared an interview guide. The interviews were loosely structured because we asked other questions as the conversation developed during our meeting.

We were only able to conduct interviews with two of the five dispensaries, the remaining three refused to cooperate with our efforts. Getting in contact with the managers of the dispensaries was definitely the most difficult aspect of performing this research. Because of the intense secrecy surrounding this industry, we ran into a great deal of roadblocks in trying to openly communicate about salaries and revenues. Even with the two dispensaries that we were able to speak with, there were many questions which they were unable or unwilling to answer.

## **Literature Review**

### **A) Background**

In most instances, a product superior in performance, efficiency, and sustainability vastly dominates other similar products in competing fields. If this holds true today, then why is the Cannabis Sativa L plant strain still federally illegal in the United States? The Cannabis Sativa L plant dates back to around 600 BCE, which makes it one of the oldest cultivated crops in human history (Uechi, 2018). Ancient civilizations in China used the plant for textiles, clothing, food, and spiritual purposes. Hemp, Cannabis Sativa L., is one of the oldest plants that has been in continuous use by human civilization. A piece of hemp fabric is one of the oldest artifacts found on the planet. It is amazing that it has endured for over 8,000 years (Uechi, 2018).

Prior to 1937's Marihuana Tax Act, the United States Navy used hemp in the production of their uniforms and all of their rope. George Washington even cultivated hemp on Mount Vernon to meet the needs of his own plantation (Mountvernon.org, 2018). More than 120,000 pounds of hemp fiber was needed to rig the 44-gun USS Constitution, America's oldest Navy ship (Will III, 2004). Cannabis has been around for much longer than most people realize, and can drastically improve environmental efficiency which is needed now more than ever.

For example, simply switching to hemp over cotton would drastically decrease water usage. Hemp would also save storage space, which is another benefit the Cannabis Sativa L offers compared to its counterpart; cotton. The legalization of cannabis allows for its sister plant, hemp or Cannabis Sativa L, to replace wood in paper production. Furthermore, "When Rudolph Diesel produced his engine in 1896, he'd assumed it would run off of vegetable and seed oils, especially hemp, which is superior to petroleum. Just think about that for a second. A fuel that can be grown by our farmers that is superior to foreign oil" (Musto, 1972). This alone would drastically increase environmental efficiency and kickstart a new world where we don't have to cut down forests so we have something to write on. In fact, hemp has the ability to produce up to three crops a year, which would completely eliminate the need to cut down trees for paper production.

So what led to cannabis becoming illegal in 1937? According to Doctor David Musto, “The anti-marihuana law of 1937 was largely the federal government's response to political pressure from enforcement agencies and other alarmed groups who feared the use and spread of marihuana by ‘Mexicans’” (Musto, 1972). Recent evidence also suggests that the Federal Bureau of Narcotics resisted the burden of enforcing the anti-marihuana law until mounting pressure on the Treasury Department led to a departmental decision (Fairy, No Date). The treasurer at the time was Henry Mellon, an innate businessman who had many ties to the oil and paper businesses. Hemp could be seen as an ardent competitor of these industries and was illegalized to prevent oil or paper becoming obsolete.

After researching the “mounting pressure” that the Treasury Department faced, something became apparent. Andrew Mellon, the Secretary of the Treasury during Andrew Hoover’s presidency, was a financial tycoon who had his fingers in the lumber and coal industries, respectively. For Mellon’s dynasty to remain intact, hemp had to go (Fairy, No Date). This concern led these men to take an obscure Mexican slang word; ‘marihuana,’ and push it into the consciousness of America. Not only did negative propaganda surrounding the topic appear, race-baiting began as blame was put on Mexican-Americans for criminal behavior involving this drug. Mellon and his cohorts changed the name to ‘marihuana’ was because Americans were familiar with hemp and all of its beneficial uses (Fairy, No Date) i.e., rope,

clothing, parchment, paper, housing, food, oils, medicine, etc. Mellon and his associates would never have been able to get away with banning hemp, so they used a name they knew would invoke fear and racial distrust, marihuana.

Not long after Mellon and his associates set out to destroy hemp's image, the media began the use of "yellow journalism," which is a form of propaganda based on crude exaggeration and incitation of public fear. These types of stories are used to shape public opinion and stir up conversation, usually in a negative light. During the early 1930's, many newspapers were publishing stories referring to the dangers of cannabis and the life-altering impacts if it was ingested. Many films were also produced during this time such as 'Reefer Madness' (1936), 'Marihuana: Assassin of Youth' (1935) and 'Marihuana: The Devil's Weed' (1936), which were all propaganda pieces designed by these industrialists to encourage the public to view cannabis as an enemy (Fairy, No Date). With all of these films, the goal was to motivate public sentiment so that anti-marihuana laws could be passed without objection.

Since 1937, the growth of the cannabis plant is becoming more socially acceptable as time goes on. Slowly but surely Cannabis is becoming a major cash crop for many states around the U.S. For instance, VS strategies, a pro-legalization research company in Denver, claims that Colorado has earned \$506 million since retail sales began in January 2014 (Smith, 2017). This

includes taxes and fees from medical cannabis, which was legalized years earlier. But the vast majority of the revenue came from recreational cannabis. These economic benefits encouraged California taxpayers and lawmakers to vote for the legalization of cannabis in 2016. Recreational sales began in January of 2018 and many Californians are interested to know the economic benefit that legalized cannabis will offer to this state, and Sonoma County more specifically.

### **B) Effects of Adult-Use Tax**

Since legalization, the rate at which cannabis is taxed in California has increased significantly. Since 2017, the tax rate has increased about 40% (Johnson, 2018b). Some believe that the prices of cannabis will reduce drastically once large-scale production is underway. However, since the federal government still has cannabis classified as a Schedule 1 illegal substance, prices might not be dropping any time soon. Cannabis is currently being taxed much more than wine and beer but much less than tobacco (Krieger, 2018). Wine and beer are taxed at around 1%, cannabis is taxed at 15%, and tobacco is taxed at nearly 60% (Krieger, 2018). The new taxes include a 15% excise tax, sales tax and city cannabis tax (Johnson, 2018b). Dispensaries have received mixed results from their customers. Some are upset about the tax hikes but other are understanding and hopeful that things will level out in the future.

The tax increase has encouraged more people to pursue medical cannabis identification cards, because medical patients are not subject to the new taxes. There has been such an increase in requests for these identification cards in Sonoma County that the waitlist for an appointment is now months long (Johnson, 2018a). County health departments authorize these ID cards and they have become overwhelmed with the increase in interested consumers.

Berkeley has decided to cut its cannabis taxes in an effort to attract businesses to the area (Veklerov, 2018). The city council members decided to cap the tax rate at 5% which is the lowest in the Bay Area. They did make it clear that there is no formal data to suggest that this lower tax rate will draw business to the city or even counteract the losses in city revenue. However, Mayor Jesse Arreguin believes that the 10% tax rate was always arbitrary and this reduction should incentivize cannabis business growth in Berkeley.

### **C) Business Licenses for Cannabis**

Less than one percent of the states 68,120 cannabis cultivators have been approved for a business licence (Krieger, 2018). Some economists believe that this will stunt the massive expectations of tax revenue that were believed to come from legalized cannabis production. (Krieger 2018). Not only are there many steps in the bureaucratic process to secure a business license, it can also be very expensive. According to The Windsor Times, one cannabis grower in Windsor had to pay \$90,000 in taxes in 2017 and knew

that in the following year he would be paying \$1 million in taxes (Raskin, 2018). These huge fees may deter cannabis growers from setting up shop in Sonoma County. There are also restrictions on where cannabis is permitted to be grown. These zone restrictions have excluded 3,000 growers from pursuing a business license (Krieger 2018).

The Fiddler's Green farm, located in south Sebastopol, is the first cannabis farm in Sonoma County to be approved by the county's agricultural department (Johnson, 2018c). The county began accepting applications for business licences last July but so far only Fiddler's Green Farm and dispensaries have been approved (Johnson, 2018c). Shannon and Cameron Hattan operate the 10,000 square-foot farm which received the first cultivation permit from the county (Johnson, 2018c). The Hattan's reported that the permit process took more than 5 months and cost over \$30,000 (Johnson, 2018c). Although cannabis is still federally illegal, the county permit is the first legal protection the Hattan's have had since opening in 2015. Sonoma County's Agricultural Commissioner Tony Linegar has stated that he hopes to treat cannabis as any other crop, not forcing those interested to jump through unnecessary hoops (Johnson, 2018c). Tim Ricard is the county's cannabis program manager and he hopes to distribute more permits in the near future (Johnson, 2018c).

Urbn Leaf is a San Diego dispensary that was the first to secure one of San Diego's first dozen retail sales licenses in 2017. Now expanding to a total

of three stores, they have benefited from implementing delivery services (Hect, 2018). The city of San Diego approved in 2017 a cap of 36 dispensaries for walk-in customers. That same ordinance gave those stores the right to secure additional retail delivery licenses (Hect, 2018). This led to new opportunities and a new hiring process for Urbn Leaf. Will Senn, owner of Urbn Leaf states “we can provide delivery within 20 minutes anywhere in the city and to (nearby) cities that allow delivery service- La Mesa, Chula Vista and Coronado Island” (Hect 2018). California passed legislation, Senate Bill 94, which expanded the definition of retail cannabis sales from walk-in retail dispensaries to “non-storefront dispensaries” such as offices or warehouse spaces that dispatch delivery drivers (Hect, 2018). Even so, the legal cannabis delivery economy remains muddled.

The state may license and allow delivery services but local municipalities retain the legal right to prohibit them. Many cities and counties have banned cannabis delivery outright or restricted delivery to existing storefront cannabis companies. Each of the state’s major cities are creating their own regulations for delivery. In Los Angeles, unauthorized delivery-only companies long operated despite the city’s ban on deliveries (Hect, 2018). The city approved policies that allow existing storefront dispensaries to offer delivery, but many are still waiting to get state licenses for over-the-counter adult use. Oakland is the city with the state’s most

robust permitted cannabis delivery sector, it currently has 23 state-licensed delivery companies (Hect 2018).

### **D) Job Growth in the Cannabis Industry**

The legal cannabis industry has created many new jobs to reconcile with the challenging restrictions that a cannabis owner faces. The most common job position is the sales assistant at a dispensary. This position is often referred to as a 'budtender'. 'Budtenders' in cannabis dispensaries have a great deal of influence over customers decisions and preferences (Black, N.d.). Because many adult-use consumers are unfamiliar with the wide variety of brands and types of cannabis supplied by dispensaries, they are happy to take the advice of budtenders. Some research shows that between 70%-100% of purchases made in dispensaries are at the recommendation of budtenders (Black, N.d.).

Because most customers are used to the black market of cannabis, they have less knowledge than they would when purchasing alcohol or tobacco. Cannabis is a newly burgeoning industry, so budtenders play a key role making recommendations to customers. Brands are becoming aware of the huge influence that budtenders have over consumers and are beginning to make direct appeals to these employees to influence which products they recommend. This has led producers to create events and video training systems to educate budtenders (Black, No Date). There is an increasing

amount of pressure on budtenders to be providing accurate information to consumers.

Sonoma County is also home to CannaCraft, a cannabis production company which specializes in edibles and vape pen cartridges. William Silver, the former Dean of Economics and Business at Sonoma State joined CannaCraft as the new CEO in December of last year (Swindell, 2018). As a highly respected member of the North Bay Business Community, Silver brings a great deal of respect to the newly legal cannabis industry. CannaCraft is one of the county's top 20 largest employers, with 180 employees (Swindell, 2018). Revenue for the company has doubled annually since 2015 (Swindell, 2018). Silver believes that because of Sonoma County's well-established food and drink industry we have the perfect atmosphere to become the mecca for the newly legalized cannabis industry (Swindell, 2018).

Silver's decision to join the cannabis industry will likely encourage other local professionals to do the same (Swindell, 2018). The cannabis industry is trying to emerge from the shadows of stigma which has prevented any respected businessmen from joining the industry thus far. CannaCraft was raided by federal agents in 2016 and the case is still pending (Swindell, 2018). This shows the struggles that the cannabis industry must face as the federal government can shut down efforts which are legal by state standards.

## **E) General Economic Growth**

California's cannabis market is expected to soar to \$5.1 billion in 2019, which means that it will overtake the revenue gained from beer (Berke, 2018). Tawnie Logan, the Executive Director of the Sonoma County Growers Alliance estimates there may be up to 10,000 grows in Sonoma County providing primary and secondary income for thousands of county residents (Berke, 2018). Sonoma County, like most other North Coast counties, is a significant exporter of cannabis, meaning that we produce much more cannabis than we can consume (Berke, 2018). This is directly related to the benefits that the cannabis industry could have for Sonoma County because we could bring out-of-county revenue into our community. As the cannabis industry increasingly integrates with the traditional economy, Sonoma County has an opportunity to significantly increase the economic impact. There are tremendous growth opportunities for local businesses who wish to serve the industry directly. The cannabis industry is expected to expand rapidly which will greatly affect the economy.

California officials announced that they will take a detailed look at the possibility of creating a taxpayer-backed bank to handle what could be billions of dollars in revenue generated by the state's legal cannabis industry (Blood, 2018). Lawmakers will examine how a cannabis bank might function for California's emerging cannabis economy, which is estimated to grow to \$7 billion (Blood, 2018). Most banks don't want anything to do with money earned

from cannabis expenditures for fear it could expose them to legal trouble from the federal government. This means a lot of cannabis businesses regularly carry large amounts of cash, sometimes tens of thousands of dollars which poses a public safety risk and can attract robberies or burglaries. A public bank may be the solution to creating a safer cannabis industry. The shortage of banking services means sellers and growers must often do without commonplace conveniences such as writing checks or obtaining a loan. In LA, officials have seen bags of cash as large as \$300,000 come through the door to cover pot taxes (Blood, 2018). The failure to meet the needs of the multi billion-dollar cannabis industry in California could turn out to be the catalyst the vaults public banking into a reality.

Northern California is best known for the wine industry, but cannabis is being seen by some as a top competitor for leisure activities and surplus income (Hart, 2017). Just like there is tourism for the wine vineyards, there will soon be cannabis tours that the community will be able to partake in. Cannabis businesses are growing in the Sonoma and Mendocino county (Hart, 2017). It is known that an acre of grapes in Sonoma County is worth at least \$75,000 while having a high rate at the cost of \$185,000 (Hart, 2017). However, Hart (2017) states that the industry made an approximate estimate that an acre of cannabis in the same area is worth \$1.1 million dollars. Mike Martini and a former Santa Rosa Mayor share that there is growing sentiment that cannabis is still seen as an experiment (Hart, 2017). As it becomes

increasingly popular, more and more people will grow cannabis which will reduce the purchasing cost (Hart 2017).

The economic gains of legalized cannabis will benefit the state government and local communities (Smith 2014). The biggest benefit to the economy will be the tax revenues, “Average annual trade in marijuana is estimated at \$113 billion, which represents nearly \$45 billion in taxes slipping through our fingers, according to Harvard economist Jeffrey Miron”(Smith 2014). By taking cannabis out from the black market, the government will benefit from tax revenue. Law enforcement spends \$1 trillion a year on adjudicating traffickers, dealers, and growers, now that cannabis is legal they can spend that money elsewhere (Smith, 2014).

### **Analysis of Interviews**

#### **Interview #1: Tim Ricard; Sonoma County Economic Development Board: Cannabis Program Director**

Tim Ricard is the Cannabis Program Director of Sonoma County. His main task is to serve as a reference point for individuals who are interesting in pursuing a licence for a cannabis business in the unincorporated portion of Sonoma County. Over half of Sonoma’s population lives in these unincorporated areas, so Mr. Ricard receives thousands of questions and emails from business owners and those interested in pursuing this line of work. Many different government agencies are involved in the licensing

process for cannabis businesses. The department of Agriculture: Weights and Measures issues permits for businesses. The Auditor, Controller & Tax Collector is responsible for collecting the cannabis business tax. The Health Department is responsible for issuing health permit for cannabis dispensaries and manufacturing companies. So, Mr. Ricard assists business owners in navigating this multi-departmental process.

Tim Ricard spoke at great length about the benefits of the regulation of cannabis. Sonoma County has had a long history of cannabis production, well before it was legal. By regulating these businesses which used to be in the black market, we are much better able to protect the environment. We are able to regulate which pesticides are being used and ensure that best management practices are being utilized. By regulating cannabis businesses we are able to protect Sonoma County's most precious natural resource: groundwater. We are also able to increase safety and security for the community because we work with business owners to create robust security plans.

Sonoma County is a cannabis exporting county, meaning that we produce much more cannabis in this county than we can consume. When we bring in money from outside of the community, this produces a huge economic boost for the local Sonoma County economy. This is being seen now as local cultivators sell their products in Los Angeles and San Francisco.

These business owners bring a great deal of money back into Sonoma County which can circulate through retail businesses.

From the cannabis business tax alone, Sonoma County is projected to receive \$2.5 million for the fiscal year of July 1, 2017 through June 30, 2018. This funding will be used to grow the Cannabis Program to better serve the community. As funding increases in the future, this tax revenue can be used for health education, increased code enforcement, and other things related to the program. Projections for the next year are still being compiled and projections for following years are almost impossible to validate because of the unpredictability in the cannabis businesses. Most of this unpredictability is related to federal law enforcement and the possibility of mega-farms popping up in the Central Valley.

Unfortunately the application process for starting a cannabis businesses is time-consuming and expensive. The smallest permit is issued for an indoor cultivation which would cost around \$2,500. To cultivate an acre of cannabis, the application fee would cost \$17,000. This does not include the Environmental Impact Report which needs to be performed to determine the impact on groundwater, traffic, and indigenous species. These tests would take at least 6 months to perform. So in order to begin growing an acre of cannabis, an individual would have to spend around \$60,000. And this would all have to be done without any assurance that their permit would even be granted. This multi-step process and substantial financial investment might

make it unlikely for a small business owner to pursue regulation for their cannabis growth. Tim Ricard did express some concern that there will be some smaller growers that will be unable to join the regulated market because of financial restraints.

## **Interview #2: William Silver; CannaCraft, CEO**

As the biggest cannabis production company in California, CannaCraft is well positioned to be an extremely influential figure in the cannabis industry. This company started 4 years ago and revenue has doubled each year since conception. Silver believes that the biggest benefit of cannabis legalization is that the 29 states who have done so have seen a serious decrease in opioid use. Because we are aware of the toll that opioid use takes on emergency services, jails, and hospitals, legal cannabis has a serious economic benefit for cities and states.

CannaCraft has three brands that account for around 140 different products: Absolute Xtracts, Care By Design, and Satori. Absolute Xtracts, or AbX, is the recreational line which includes THC vapor cartridges and THC softgels. AbX accounts for 75% of the overall revenue of the business. The Satori line, their newest addition to the company, provides edible chocolates. Care by Design is the medicinal brand which focuses on cbd products including soft gels and tinctures. Care by Design has seen a serious uptick in revenue since adult-use cannabis was legalized. Silver believes that this is

because this line is most attractive to baby boomers who were not purchasing cannabis before adult-use was an option. All three brands are sold all across the state, from San Diego to the Oregon border. Because of current federal law, CannaCraft can not distribute their products to other states. In the future, it is possible that they will set up operations in other states that have legalized cannabis to expand the business.

Because of its size, CannaCraft has to ensure that they are doing everything in the most legal way possible. This means that CannaCraft can only purchase cannabis from licensed distributors. The company is not formally a cultivator, and does not own any land for cultivation. However, they do have good ties with several cultivators in the state. Unfortunately, CannaCraft has to use cannabis grown mostly in Humboldt County because only 5 businesses have been licensed in Sonoma County since the regulation process was changed on January 1st of this year.

CannaCraft has assisted growers in submitting over 40 permit applications just this year, and they haven't received a decision back on a single one of those permits. This delayed process is a reflection of the bureaucracy involved in the cannabis industry. Neighborhood groups will attend Board of Supervisors meetings and argue against allowing cannabis production in their community. This delays the board's decision and makes the process drag out even longer because the Board of Supervisors has to ensure that they are working in the best interest of their constituents. The

only difference between Sonoma County and other counties is the fact that there is reconstruction from the recent fires which requires licensing. Also zoning laws and tax rates differ from place to place, but Silver said that tax rates in Santa Rosa are actually favorable for the industry. There is no reason for so few cultivators to be licensed in Sonoma County, other than the process being unnecessarily dragged out. In January only about 60 dispensaries were licensed in the state and that number is now around 150.

The company is privately owned by Dennis Hunter and has received no investments to date. Over 140 employees work for CannaCraft. All employees are paid in cash because there are no local banks which are interested in holding revenue from cannabis businesses. The company offers paid parental leave to all of its full-time employees. No retirement benefits are offered currently but they hope to expand this in the future. Silver also has plans to offer employees stock options so they can have a long-term investment in the business.

CannaCraft employees include entry-level jobs such as administrative work and social media development. Others are employed as packagers who put together products to be put on shelves. There are also people who manufacture oil distillation machines. These machines are used by CannaCraft and also sold out to other companies. CannaCraft also has a research and development team whose sole focus is how to expand the brand in the future. Everyone occupying professional and management level

positions has college education. The chief compliance officer ensures that all production is done within compliance of state and local laws. CannaCraft also employs lobbyists to promote legalization in all 50 states, and works with several local law firms.

There are approximately 4000 cannabis brands currently licensed in California, and according to Mr. Silver, CannaCraft has the largest gross profit and number of employees. Mr. Silver believes that CannaCraft is the biggest company in the world, because of the size of the cannabis market here in California.

### **Interview #3: SPARC Dispensary, Manager**

Background: SPARC has been in the cannabis industry since 1998 when California passed Proposition 215 which allowed medical cannabis available to those with a doctor's recommendation. After years of growing and distributing with their collective, the first SPARC retail facility opened in 2010 on Mission Street in San Francisco. In 2015, SPARC merged with Peace in Medicine, another highly respected industry peer with two retail facilities. They oversee much of their own production and can offer more affordable prices to patients on cannabis produced in-house. They are one of the few dispensaries in California to have ALL of its cannabis tested to ensure safety and quality.

Mission: “The SPARC family of companies is a trusted source of cannabis products that enhance the quality of an individual’s life through mindful cannabis use. They are an industry leader and innovator promoting an intelligent approach to cannabis cultivation, production, distribution and use these needs to reach out to a broader audience.”

Summary of Interview with Jesse F., Lead Manager.

Jesse has worked with SPARC for 4 years, as of April 2018. After working in retail in the Santa Rosa Mall, she will never go back to working in a traditional retail business. She also went to college in hopes to teach, had some experience for a few years and and plans to pursue that again at some point in her life. The cannabis industry is booming and is enjoyable to work in. This company refers to marijuana as cannabis to avoid negative racial connotations from the plant’s history. The medicinal benefits that cannabis can provide is a never ending list. Cannabis can lower pain, balance mood swings, help patients manage multiple sclerosis, inflammation, seizures, etc.

30 people are currently staffed at the Santa Rosa location, which is located on North Dutton drive. Business has picked up increasingly since the legalization of Cannabis. It’s a high volume location that brings in steady traffic of people of all ages. Since SPARC has merged with Peace and Medicine, the managers are responsible to go back and forth to the Sebastopol location. This company is very outspoken in its belief of lowering the taxes currently placed on cannabis. They highly encourage their clients

and community members to reach out to congress and demand for a change.

Clients that come in as recreational use customers have to be 21 or older, and possess a government issued ID (i.e. Driver's License, Passport). Your ID is scanned by a security guard in the front waiting room and you are called back one by one to enter in a steady, organized flow. SPARC currently has over 12,000 members. To organize member information, SPARC uses an electronic database. The database tracks how much cannabis you are purchasing and how frequent. This helps the company get an idea of how much product they need to keep stocked to ensure customer satisfaction. There is also a limit to the amount of adult-use cannabis that one individual can buy, one ounce per day. The database helps keep track of users purchase history so employees can be sure not to oversell, which would be a violation of California state law.

Customers consult with the 'budtenders', who are the employees behind the counter of products. Most people purchase one-eighth of an ounce every time they come in. When new products come in, SPARC provides education and training to all employees before they are launched in store. This ensures that 'budtenders' can provide advice that is tailored to each customer to fit their needs. With a plethora of cannabis products available, there is something for everyone to enjoy.

**Interview #4: Organicann Dispensary; Budtender**

The Natural Cannabis company is a growing organization which began in northern California that currently owns three dispensaries: Mendocann, located in Mendocino, Organicann, located in Santa Rosa, and Organicann, located in Berkeley. For thirteen years the Natural Cannabis Company (NCC) has provided small farms and local growers the opportunity to sell their product, expand their business, and create jobs in the process. NCC specializes in organically grown recreational cannabis. Insuring that the customers understand the process and effects of each product, the 'bud-tenders' are there to clarify any inquiries regarding the effects and/or quality of the product. Organicann is different from all of the other dispensaries here in Sonoma County, because of the vast variety that is available at this location. With over fifty different buds to choose from, Organicann offers their customers a different experience every time, which is a serious competitive advantage.

The individual interviewed for this paper was a budtender, who has been in the business for thirty five years. First, we discussed the distribution process and how Organicann decides which product to buy. They produce a form that distributors are able to fill out and turn in to be considered to be sold at Organicann. The number one aspect that this dispensary is looking for in its products is be quality. There is monetary amount that could outweigh the benefits of providing quality products. Additionally, the employee

explained that in order to inspect a batch of cannabis they must first receive the proper amount which allows the 'budtenders' to gather sufficient evidence in regards to the quality of the product. To weed out the frauds "pun intended", Organicann then asks for a pound to provide a proper evaluation of the whole crop, or even the growers themselves. One pound of product is needed to examine because one ounce may not be indicative of the whole batch

Unfortunately, no specific economic information was shared during this interview. When asked about public banking and the company's future regarding their economic gains, it seemed as if employees were fearful of answering this question. It is very likely that Organicann is not comfortable disclosing this information due to the fact that cannabis is still federally illegal and the legal ramifications that their business could face

### **Interviewees Who Refused to Participate**

#### **Solful Dispensary**

Solful is a licensed dispensary located in downtown Sebastopol that believes cannabis can help make people's lives healthier. After several attempts at setting up an interview, managers were not willing to meet with us. Eli Melrod, CEO and CO-Founder of Solful, wanted to see the interview questions before agreeing to an interview. After reviewing the questions he came to the conclusion that the interview would be too time consuming.

Despite the fact that we made it clear that any questions could be skipped during the interview if there was revealing information being asked, Eli Melrod felt that some of the questions were too intrusive. These concerns are what led Solful to be unwilling to participate in this research project.

### **Alternatives Health Collections**

Alternatives Health Collections has been licensed to sell cannabis since 2012 and is located in Santa Rosa, CA. With their delivery service across Sonoma and Marin county, their goal is to make customers feel better and have a great experience with their product. The first time contacting Alternatives Health Collections in person went fairly easy. The manager requested to see the set of interview questions. After sending the questions, it took awhile to get a response. After a few weeks, a group member walked into the shop and introduced our research project again. A week passed and still no response so another phone call was made. The manager decided to not participate in this interview because some of the questions were perceived as too intrusive. The managers were also concerned that some of the questions could be misleading to the public.

### **Mercy Wellness**

Mercy Wellness is a licensed cannabis dispensary, located in Cotati. Before actually walking into the dispensary one of the group members called

twice to try to set up an interview. The administrative assistant who answered the phones said that someone would contact us shortly about our interview inquiry. However, no one from the dispensary ever returned our call. Our next step was to walk into the dispensary and try to get one of the employees to allow us to interview them. The first time we went in we talked to the buyer of the dispensary. He asked us to email him the interview questions and said that he would ask his boss if we could conduct the interview.

Unfortunately he never contacted us so we went into the dispensary one last time where we were again told that someone would reach out to speak with us about the interview. After nearly two months of consistent contact, Mercy Wellness has not let us know whether they were interested in being interviewed or not. Initially they used the excuse of being too busy because of upcoming 4/20 celebrations. However, after this date passed they still were not available to us and would not inform us as to why they were being elusive. Although we were persistent about conducting an interview, Mercy Wellness did not seem to be interested in being interviewed by Sonoma State students.

### **Conclusion**

From the literature we reviewed and the interviews we were able to conduct, it is evident that the legalization of cannabis could have huge economic benefits to California, and more specifically Sonoma County.

Because Sonoma is a cannabis exporting county, we are in the prime position to reap maximum benefits from this newly legalized industry. It is clear that there is a large market for recreational cannabis use in Sonoma County from the large number of dispensaries which are within county limits. There are currently 10 cannabis dispensaries, 6 of which have secured their recreational license which means they can sell to any adult over the age of 21 years. Also located in Sonoma County is CannaCraft, the state's largest cannabis production company. With these establishments in place, it is clear that Sonoma County will benefit greatly from the tax revenues of cannabis businesses.

Tim Ricard and William Silver were ardent in their belief that the legal cannabis industry could be very profitable for Sonoma County. However, they acknowledged that there are impediments to this process which could discourage future investors. The bureaucracy of Sonoma County Economic Board makes it very expensive and time-consuming for individuals to secure a business license to sell or grow cannabis locally. Our current presidential administration has stated that eradicating cannabis will be a priority for the DEA and other national agencies. There are also outspoken community members which have made it apparent in community meetings that they are extremely opposed to “commercial pot” being grown or sold in their neighborhoods. Overall, the cannabis industry is in its infancy in California

and it seems like it will be years until the industry can operate more smoothly.

Even though we were able to gather a great deal of information about the legal cannabis industry, there were many individuals who were reluctant to speak with us or reveal certain details. The legal cannabis industry is so new to California that many business owners are fearful of retaliation from federal law enforcement. Businesses are also concerned with becoming the target for robberies or burglaries because violence has consistently been associated with the sales of controlled narcotics.

Overall the individuals we were able to speak with were happy to see that Sonoma State students were interested in this economic issue, but all were very selective in the information that they were willing to share. It would be extremely beneficial to conduct this research again in five to ten years to see how the industry has changed or grown. In 2018, the economic information available is just not substantial enough to make any definite claims about the revenue of our local cannabis industry.

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