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Approved as to Form and Legality

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City Attorney's Office

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

INTRODUCED BY COUNCILMEMBER DAN KALB

RESOLUTION IN SUPPORT OF SENATE BILL 930 (HERTZBERG) THAT WOULD ESTABLISH A STATE-CHARTERED BANK THAT WOULD ALLOW A PERSON LICENSED TO ENGAGE IN COMMERCIAL CANNABIS ACTIVITY TO ENGAGE IN BANKING ACTIVITIES

WHEREAS, the use of medical marijuana was legalized in California in 1996 and, more recently, Proposition 64 legalized adult use of cannabis; and

WHEREAS, due to cannabis' federal classification as a Schedule I drug, cannabis-related businesses are not able to deposit money with federally-insured financial institutions and are forced to operate on a cash-only basis, creating complications for tax payment, public safety, and more; and

WHEREAS, Senate Bill (SB) 930 (Hertzberg) would state the Legislature's intent to create a special purpose state charter to allow financial institutions to provide banking services for licensed commercial cannabis activity; now, therefore, be it

RESOLVED: That the Oakland City Council hereby endorses SB 930 and urges the California State Legislature and Governor Jerry Brown to support its enactment into law.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GIBSON MCELHANEY, GUILLÉN, KALB, KAPLAN, AND PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LATONDA SIMMONS
City Clerk and Clerk of the Council of
the City of Oakland, California



Senate Bill 930
Banking for the Cannabis Industry
As Introduced January 25, 2018

SUMMARY

SB 930 states the Legislature's intent to create a special purpose state charter for financial institutions to accept cannabis deposits and perform other financial transactions. SB 930 would allow financial institutions to work with licensed cannabis businesses to:

- Pay state and local taxes and fees while lessening the burden on local government to collect and manage large sums of cash;
- Issue certified checks and conduct payroll for certified California employees;
- Pay rent; and
- Invest in California's economy.

ISSUE

The use and consumption of medical marijuana was legalized in California in 1996, and Proposition 64 legalized adult-use cannabis as of January 2018. However, due to cannabis' federal classification as a Schedule I drug, cannabis-related businesses are not able to deposit income with federally-insured financial institutions. The cannabis industry is expected to generate between \$8-20 billion annually. This is a massive industry that we can only expect will continue to grow; yet cultivation, distribution, and retail businesses alike have been forced to operate on a cash-only basis. This is not only impractical from an accounting perspective, but also presents a significant public safety issue.

For 2017, medical marijuana retailers owe approximately \$95 million in taxes. Unlike most businesses however, cannabis businesses arrive to government offices with duffel bags of cash to fulfill their tax obligations. Standard oversight and accountability measures, like audits, become very difficult when most transactions are completed in cash. Additionally, these businesses face security risks because of the volume of cash in their possession. SB 930 is an integral step toward integrating cannabis-related businesses into the California economy in a safe and transparent manner.

SB 930 (HERTZBERG)

SB 930 states the Legislature's intent to allow cannabis-related businesses to open accounts and deposit income in financial institutions that hold a special purpose state charter created under this bill.

SUPPORT

Board of Equalization Board Member, Fiona Ma (sponsor)

Introduced by Senator Hertzberg

January 25, 2018

An act relating to financial institutions.

LEGISLATIVE COUNSEL'S DIGEST

SB 930, as introduced, Hertzberg. Financial institutions: cannabis.

Existing law, the Financial Institutions Law, regulates the activities of various financial entities, including commercial banks, industrial banks, trust companies, credit unions, and savings and loan associations.

The Control, Regulate and Tax Adult Use of Marijuana Act of 2016, an initiative measure approved as Proposition 64 at the November 8, 2016, statewide general election, authorizes a person who obtains a state license under the act to engage in commercial adult-use cannabis activity pursuant to that license and applicable local ordinances. The Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), among other things, consolidates the licensure and regulation of commercial medicinal and adult-use cannabis activities.

This bill would state the intent of the Legislature to enact subsequent legislation that would establish a state-chartered bank that would allow a person licensed to engage in commercial cannabis activity under MAUCRSA to engage in banking activities in California.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. It is the intent of the Legislature to enact
- 2 subsequent legislation that would establish a state-chartered bank
- 3 that would allow a person licensed to engage in commercial

- 1 cannabis activity under Division 10 (commencing with Section
- 2 26000) of the Business and Professions Code to engage in banking
- 3 activities in California.

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