

# Cal Cities Partner Webinar: Cannabis and Economic Development

January 12, 2023



LEAGUE OF  
**CALIFORNIA  
CITIES**

Strengthening California Cities  
through Advocacy and Education



## Presenters:

Chris Rogers, Council Member, City of Santa Rosa  
Devon Julian, CEO, Culture Cannabis Club  
Barigye McCoy, Communications Chief,  
Culture Cannabis Club  
Amy O'Gorman-Jenkins, President,  
Precision Advocacy

## Moderators:

Bismarck Obando, Director of Public Affairs,  
League of California Cities  
Mike Egan  
Senior Manager, Sponsorship and Corporate  
Development, League of California Cities

# Cannabis and Economic Development

## Featuring

- **Chris Rogers**, Council Member, City of Santa Rosa
- **Devon Julian**, CEO, Culture Cannabis Club
- **Barigye McCory**, Communications Chief, Culture Cannabis Club
- **Amy O’Gorman-Jenkins**, President, Precision Advocacy



**CULTURE**  
CANNABIS CLUB

# Overview

Cannabis + Smart Local Policy  
= **Sustainable Long Term  
Revenues**

## Part I:

**Overview of Cannabis Taxes and  
Recent Reforms**

## Part II:

**State Funding Opportunities**

## Part III:

**Cannabis Tax Revenue Success  
Story: City of Santa Rosa**

## Part IV:

**The Year Ahead: Emerging  
Legislative Issues**

---

# 91%

The percentage of Americans who believe cannabis **should be legal in some form**, according to a survey conducted by the Pew Research Center in April 2021

2/3

The proportion of **cannabis sales in California taking place in the illicit marketplace**, according to a study conducted by the Reason Foundation in May 2022

# Public Perceptions on Cannabis Evolving As More States Legalize

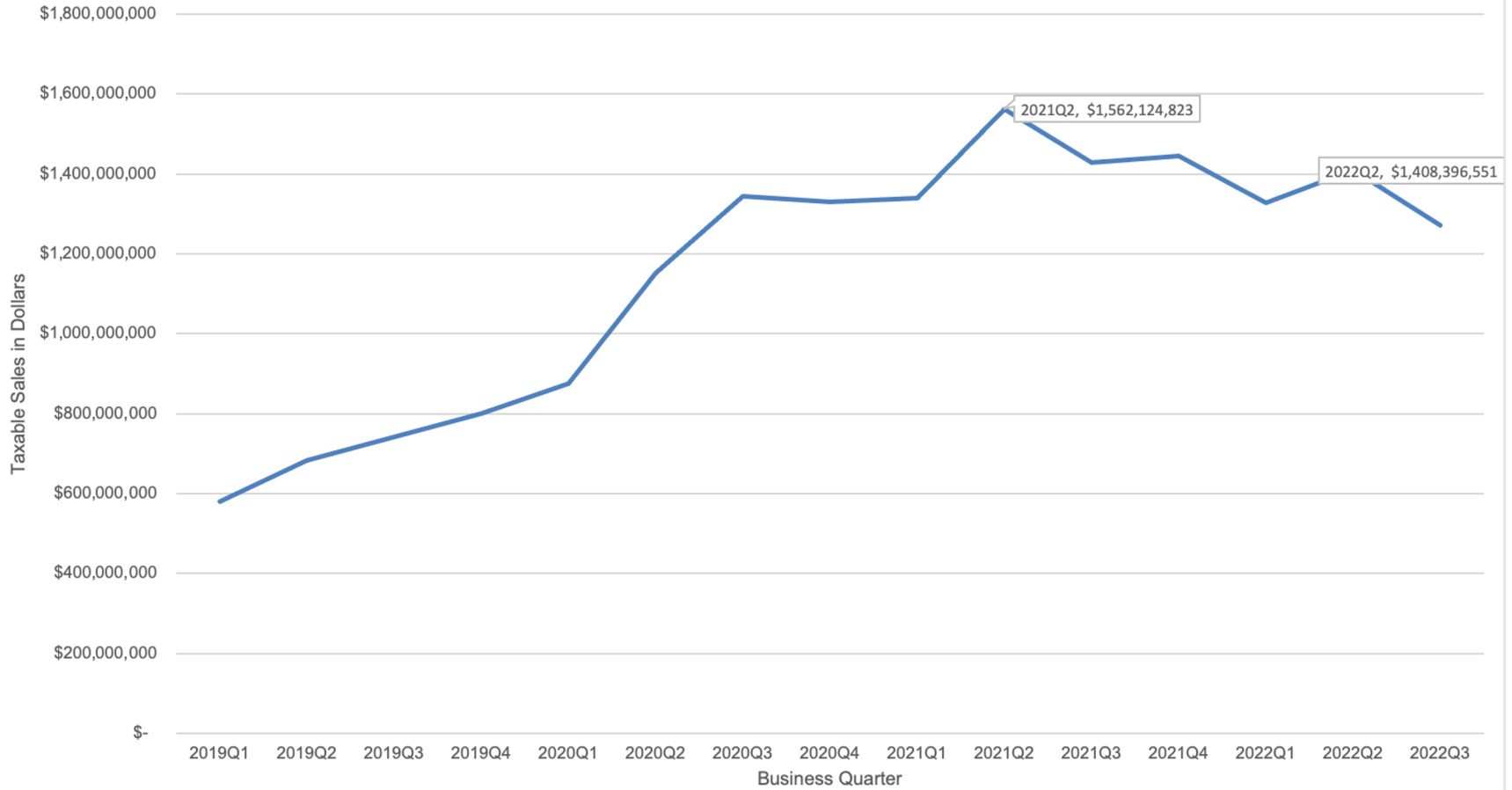
- **More than 1/3** of Americans live where adult-use cannabis is legal
- **4 out of 10 voters** said ending federal prohibition of cannabis should be prioritized by Congress in a April 2022 survey conducted by Politico and Morning Consult



# **Part I: Overview of Cannabis Taxes and Recent Reforms**

---

# Licensed Cannabis Sales in California



## Revenue Update: State Cannabis Taxes



# AB 195: (Budget Committee, 2022): Summary Overview

- Discontinues the cultivation tax, effective July 1, 2022
- Moves the cannabis excise tax from distributors to retailers and maintains the excise tax at 15%, effective January 1, 2023
- Includes additional enforcement tools to address illegal cannabis businesses, including creation of a multi-agency task force
- Makes a corporate officer or other responsible person personally liable for unpaid cannabis taxes
- Holds unlicensed business liable for cannabis taxes due
- Includes various tax credits, vendor compensation, and other financial incentives to incentivize compliance

# AB 195: High Road Employer State Tax Credit (\$20 million)

- Allows cannabis employers to claim tax credits of up to \$250,000
- Beginning in the 2023 taxable year through 2027, if certain criteria is met
- Credits may be applied to 25% of the total amount of the qualified taxable expenditures

# AB 195: Cannabis Equity State Tax Credit (\$20 million)

- Allows cannabis equity operators to claim tax credits of up to \$10,000 beginning in the 2023 taxable year through taxable year 2027
- Defines a “qualified taxpayer” as a cannabis equity applicant or licensee, as defined in the California Cannabis Equity Act (SB 166, Bradford, 2021)
- Allows tax credit amount to be carried over to reduce the net tax for the succeeding seven years until the credit is exhausted
- Outlines specific goals and objectives including performance indicators for the Legislature to use, which shall be evaluated by the FTB to assess program effectiveness

# AB 195: New Track and Trace Requirements

- Adds the date of a customer retail sale to track and trace requirements and information on whether the sale is conducted on the retail sales premises or by delivery
- Requires each cannabis delivery to have a unique “trip” number assigned in the track and trace system, which will be linked to the California Law Enforcement Tracking System for law enforcement to verify the legitimacy of a delivery

# AB 195: New State & Local Task Force

- Establishes a task force to promote communication between state and local entities engaged in the regulation of commercial cannabis activity and facilitate cooperation to enforce applicable state and local laws
- Requires the task force to meet beginning July 1, 2023, and twice each fiscal year thereafter, until January 1, 2025

# Part II: State Funding Opportunities

---

# State Tax Revenue that Flows to Local Government

State Cannabis Taxes – No direct disbursements to locals, but funds received indirectly through:

- Community reinvestments grant programs to local health departments.
- Local partnerships to support the cleanup and remediation of environmental damage from cannabis cultivation.
- Grants to assist with law enforcement, fire protection, or other programs addressing public health and safety.
- Grants for education, prevention, and enforcement of laws related to impaired driving.

# Cannabis Local Jurisdiction Retail Access Grant Program

**\$20 million** one-time appropriation in the 2022-23 state budget for local jurisdictions interested in licensing or expanding cannabis retail.

**By June 2023, up to \$10 million to eligible local jurisdictions that do not currently authorize cannabis retail.**

Allowable funding uses: staff salaries and benefits, support for equity applicants and licensees, environmental reviews, and permitting expenses.

After June 2023 funding for local jurisdictions to expand existing cannabis retail with **priority given to jurisdictions with social equity programs.**





# Opting in for Social Equity

The California Cannabis Equity Act of 2018 was enacted to promote social and economic justice through cannabis.

## How is a social equity applicant defined?

Must be eligible for a state licensing fee waiver under Department of Cannabis Control regulations, based on factors such as:

- Criminal history of the applicant or immediate family member
- Household income
- Residency in designated areas for the requisite time period



# California Cannabis Equity Grants Program



*\$80 million awarded over the past three fiscal years to advance economic justice for populations and communities harmed by cannabis prohibition and the War on Drugs*

## Round 4 Funding Allocations (\$15 million)

**Grant Period:** April 1, 2023 to October 31, 2024

### Important Dates:

- **Oct. 3, 2022:** Grant solicitation release
- **Dec. 14, 2022:** Applications due
- **Dec. 15, 2022 - Jan. 20, 2023:** Grant evaluation and award announcement

### Funding Request Type 1 (\$2 million):

- Assistance for Cannabis Equity Assessment/Program Development
- Up to \$75,000 per applicant

### Funding Request Type 2 (\$13 million):

- Assistance for Cannabis Equity Program Applicants and Licensee

For more information visit: <https://business.ca.gov/cannabis-equity-grants> Up to \$5 million per applicant

# Prop. 64 Public Health and Safety Grant Program



\$31 million awarded to 33 jurisdictions as of May 2021

## New Regulations Proposed for Cohort 3

- **Available Funding:** \$150 million
- **Grant Period:** April 1, 2023 to March 31, 2028
- **Important Dates**
  - November 18, 2022: Letters of Intent Due
  - December 2, 2022: Proposals Due
- **Maximum Grant:** \$3 million
- **Eligible Applicants:** Must be local governments that have not banned both indoor and outdoor commercial cannabis cultivation, or retail sale of cannabis. Prior grant recipients may apply.
- **Program Project Purposes Areas:** Youth Development, Prevention & Intervention, Public Health, Public Safety, Environmental Impacts

For more information visit: <http://www.bscc.ca.gov/proposition-64-public-health-safety-grant-program/>

# 428,059

The number of full time jobs generated by the licensed cannabis industry in the U.S. This is the fifth year running that the annual growth has exceeded 27%

**Cannabis is now a \$25 billion industry nationally**

# 83,607

The number of full time jobs generated by the licensed cannabis industry in California. The state ranks as the top employer in the nation for cannabis

**California's cannabis market grew by 15% in 2021 with \$5.1 billion in annual sales**

# Setting the Record Straight about Licensed Cannabis

Authorizing commercial cannabis businesses has been shown to:

- Reduce neighborhood crime
- Increase property values
- Spur economic development



# Setting the Record Straight about Licensed Cannabis

California's cannabis regulations ensure products are safe for consumers of age and prevent underage youth from purchasing their products.

- 100% of ID's are checked at dispensaries to avoid selling to youth. (*Journal of Safety Research, 2022*)
- States that have legalized medical and/or adult-use saw a decrease in the likelihood of underage cannabis use. (*JAMA Pediatrics, 2019*)

JOURNAL OF  
Safety  
Research

JAMA Pediatrics

Substance  
Abuse  
Journal of the Association for Medical Education  
and Research in Substance Abuse

JOURNAL OF  
ADOLESCENT HEALTH  
Improving the Lives of Adolescents and Young Adults

CDC  
CENTERS FOR DISEASE  
CONTROL AND PREVENTION

“Young adults who live in an area with a greater density of any type of cannabis outlet are not significantly more likely to report stronger intentions to use cannabis, e-cigarettes or cannabis mixed with tobacco/nicotine in the future.”

-RAND Corporation Study (July, 2021)



# **Part III: Cannabis Tax Revenue \$ Success Story**

---

# City of Santa Rosa

- Comprehensive Cannabis Ordinance Adopted in 2017
- Retailers operate within specified zones with buffers from schools and other cannabis retail
- **\$1.89 million** in cannabis tax revenues for the city's General Fund in FY 2021-22



Licensed cannabis businesses  
**generate significant new local  
revenues that bolster economic  
development** and strengthen  
cities' bottom line

**Part IV: The Year Ahead:  
Emerging Legislative  
Issues**

---

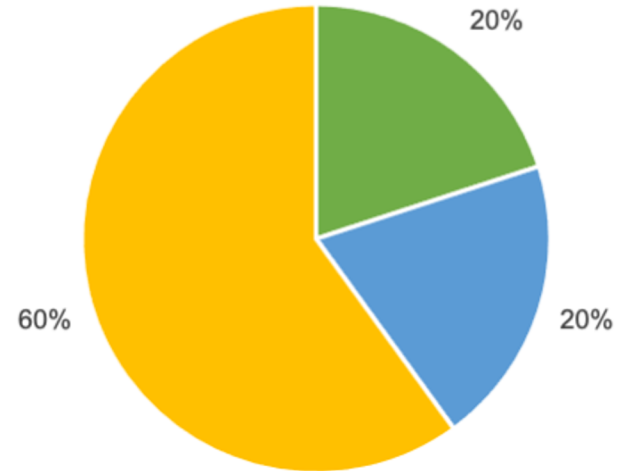
# Governor's January Budget Proposal

AB 195 requires that Allocation 3 programs be funded at a baseline of approximately \$670 million.

The January Budget Proposal includes **\$95.4 million General Fund in 2023-24** to backfill the estimated decline in revenues that fund the baseline:

- **Education, prevention, and treatment of youth substance use disorders and school retention—\$401.8 million**
- **Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation—\$133.9 million**
- **Public safety-related activities—\$133.9 million**

Allocation 3 State Cannabis Tax Revenue Disbursements



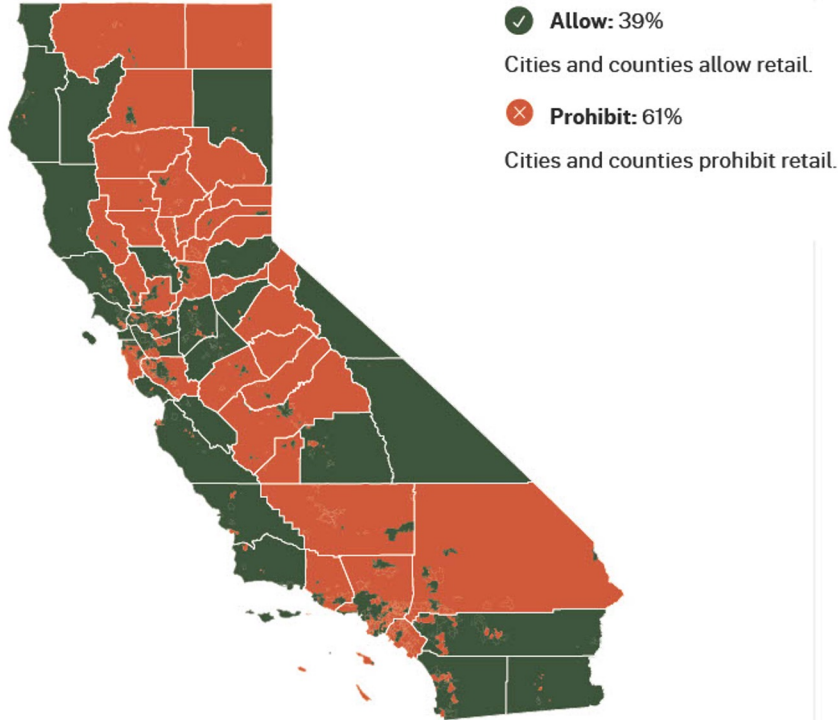
# Preserve the Cannabis Tax Framework Enacted in 2022

Efforts underway to engage the administration, legislature, and stakeholders on the importance of lowering state cannabis taxes to stabilize and provide long-term relief to the legal cannabis industry.

## Industry Asks:

- Maintain the integrity of AB 195 (Budget Committee, 2022).
- Oppose efforts to increase state cannabis taxes
- Support legislative and budget efforts to protect funding for cannabis fund beneficiaries

# Expand Access to Legal Retail



- Incentivize local governments to permit commercial cannabis activity and provide pathways for unlicensed cannabis businesses to enter the compliant market
- Modify the State's excessive and costly environmental review requirements, which mandate a full site-specific review under CEQA
- Extend the provisional licensing program for social equity retail applicants and licensees

# Expand Existing Prohibition Against Intoxicating Hemp



- Implement AB 45 (Aguiar-Curry, 2021) and enforce other existing laws prohibiting intoxicants in hemp products
- Work to close loopholes in the federal Farm Bill which are being exploited to sell intoxicating and/or synthesized cannabinoids outside of regulated markets



# Bolster Enforcement Against Illicit Activity

- Amend the Board of State and Community Corrections grant program to **expand the eligibility criteria** so that more local jurisdictions can access funding\*
- Support other budget funding requests intended **to augment state and/or local enforcement activities** to shut down illicit retail operations
- Support policies that address illegal water diversion, water pollution, erosion, poisoning of wildlife, and other environmental damage associated with trespass cannabis growing operations



# Additional Priorities for Licensed Cannabis



- Enhance Consumer Education and Youth Deterrence
- Promote Greater Environmental Sustainability
- Identify Additional Supports for Legacy Farmers

This presentation was sponsored by:





PRECISION ADVOCACY

*For questions and more information please contact:*

Amy O’Gorman-Jenkins at

[amy@precisionadvocacy.co/](mailto:amy@precisionadvocacy.co/) (707) 291-3270

---

# Resources and Work Cited

## Resources and Work Cited

- Van Green, Ted. “Americans overwhelmingly say marijuana should be legal for recreational or medical use.” Pew Reserach Center. 16 April 2021. <https://www.pewresearch.org/fact-tank/2021/04/16/americans-overwhelmingly-say-marijuana-should-be-legal-for-recreational-or-medical-use/>
- Jaeger, Kyle. “Majority of Democratic Voters Say Marijuana Legalization Should be a Priority for Democratic Congress.” Marijuana Moment. 13 April 2022. <https://www.marijuanamoment.net/majority-of-democratic-voters-say-marijuana-legalization-should-be-a-priority-for-democratic-congress/>
- “State Medical Cannabis Laws.” National Conference of State Legislators (NCSL). 18 July 2022. <https://www.ncsl.org/research/health/state-medical-marijuana-laws.aspx>
- Lawrence, Geoff. “The Impact of California Cannabis Taxes on Participation Within the Legal Market.” The Reason Foundation. May 2022. <https://reason.org/policy-study/the-impact-of-california-cannabis-taxes-on-participation-within-the-legal-market/>
- “Where Cannabis Businesses are Allowed.” Department of Cannabis Control. 22 August 2022. <https://cannabis.ca.gov/cannabis-laws/where-cannabis-businesses-are-allowed/>

# Resources and Work Cited (cont)

## Resources and Work Cited

- Downs, David and Bruce Barcott. “Leafly study debunks dispensary myths around crime & teen use.” Leafly.com. 13 May, 2019. <https://www.leafly.com/news/politics/debunking-dispensary-myths>
- Barcott, Bruce and Beau Whitney. “Jobs Report 2022 Legal Cannabis Now Supports 428,059 American Jobs.” *Leafly.com*, Leafly, 2022. <https://leafly-cms-production.imgix.net/wp-content/uploads/2022/02/18122113/Leafly-JobsReport-2022-12.pdf>
- Shih, Regina A., et al. “Density of Medical and Recreational Cannabis Outlets: Racial/Ethnic Differences in the Associations with Young Adult Intentions to Use Cannabis, e-Cigarettes, and Cannabis Mixed with Tobacco/Nicotine - Journal of Cannabis Research.” *BioMed Central*, BioMed Central, 9 July 2021, <https://j cannabisresearch.biomedcentral.com/articles/10.1186/s42238-021-00084-y> ‘
- James C. Fell, “What is the likelihood that underage youth can obtain marijuana from licensed recreational marijuana outlets in California, a state where recreational marijuana is legal?” *Journal of Safety Research* (2022).
- D. Mark Anderson, “Association of Marijuana Laws With Teen Marijuana Use: New Estimates From the Youth Risk Behavior Surveys,” *JAMA Pediatrics* (2019).
- Julie K. Johnson, Renee M. Johnson, Dominic Hodgkin, Abenaa A. Jones, Alexandra Kritikos, Samantha M. Doonan & Sion K. Harris (2021) “Medical marijuana laws (MMLs) and dispensary provisions not associated with higher odds of adolescent marijuana or heavy marijuana use: A 46 State Analysis, 1991–2015,” *Substance Abuse* (2021).
- Rebekah Levine Cole, “Recreational Marijuana Legalization and Adolescent Use of Marijuana Tobacco, and Alcohol,” *Journal of Adolescent Health* (July 2021).
- Jeremy Mennis, “Trends in Adolescent Treatment Admissions for Marijuana in the United States, 2008–2017,” *Preventing Chronic Disease* (2020)