

CULTURE

Cannabis and Economic Development

A PLACE TO COME TOGETHER, AS A COMMUNITY. TOGETHER. PEOPLE OF DIFFERENT AGES, ETHNICITIES AND BACKGROUNDS CIRCLE AROUND THE MAGNET, THAT IS CULTURE. THE CENTER FORCE, FOR EVERYONE, WITH OPEN ARMS OF ZERO JUDGMENT OR EXPECTATIONS. FROM THERE,

WE ALL RISE.

Hosted by

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Overview

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

Part I:
State Resources for Local Governments

Part II:
Cannabis Tax Revenue Success Stories from Across the State

Part III:
Case Study: Antioch's Green Zone Helps Keep the City in the Black

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

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



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

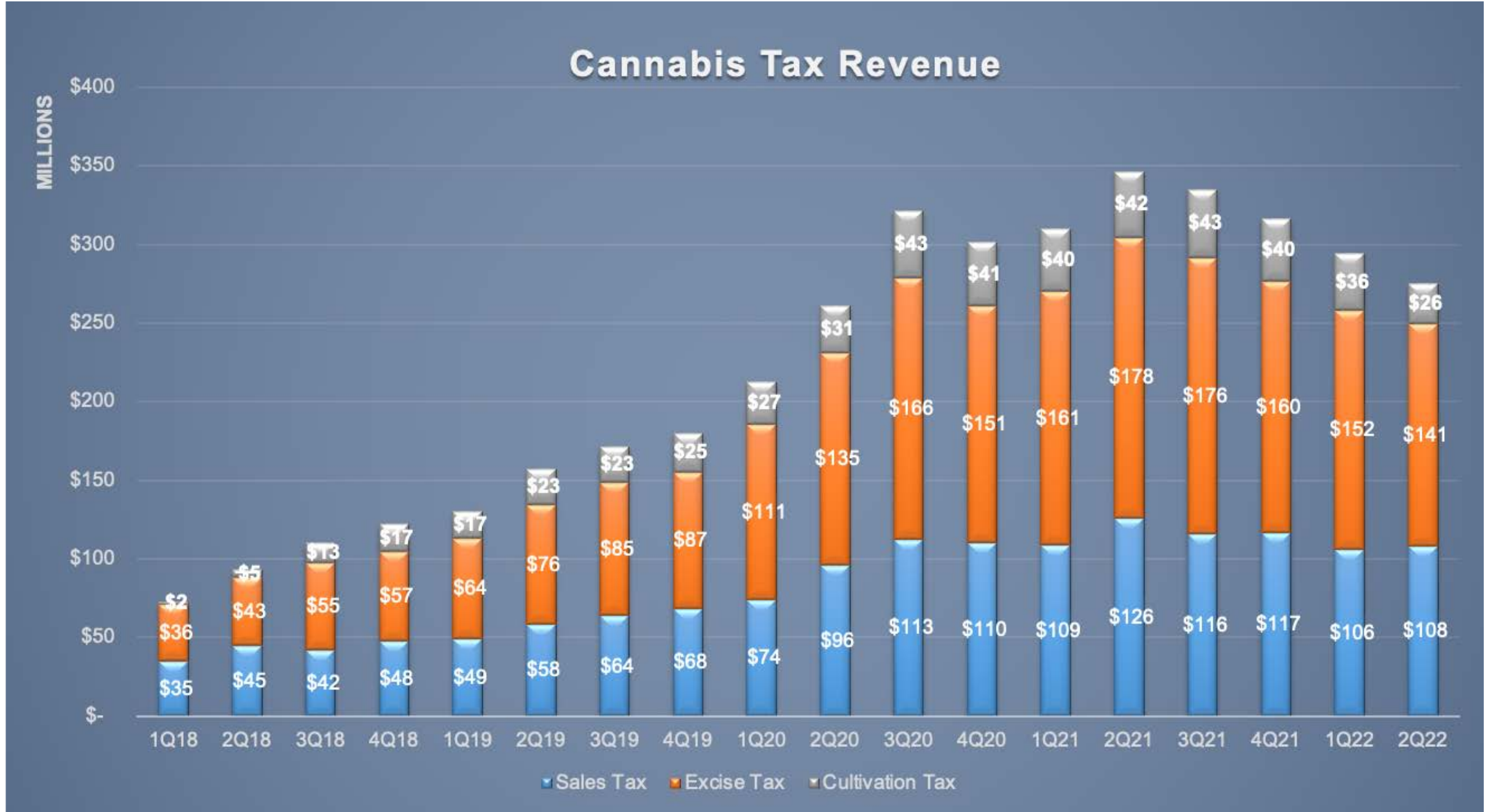
Background on California Cannabis

Licensed retailers are unevenly distributed, with over half of the **929 licensed retailers located in just 18 cities** as of March 2022, according to the Department of Cannabis Control



Part I: State Resources for Local Government

Cannabis Tax Revenues <i>(Amounts in millions)</i>				
Period	Excise Tax	Cultivation Tax	Sales Tax	Total
2018	\$191.66	\$37.10	\$169.58	\$398.35
2019	\$311.22	\$87.79	\$239.90	\$638.90
2020	\$562.54	\$141.74	\$393.04	\$1,097.32
2021	\$675.24	\$165.31	\$467.49	\$1,308.03
2022 (1Q/2Q)	\$293.27	\$62.14	\$214.28	\$569.69
Totals	\$2,033.93	\$494.07	\$1,484.29	\$4,012.29



State Tax Revenue that Flows to Local Government

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.

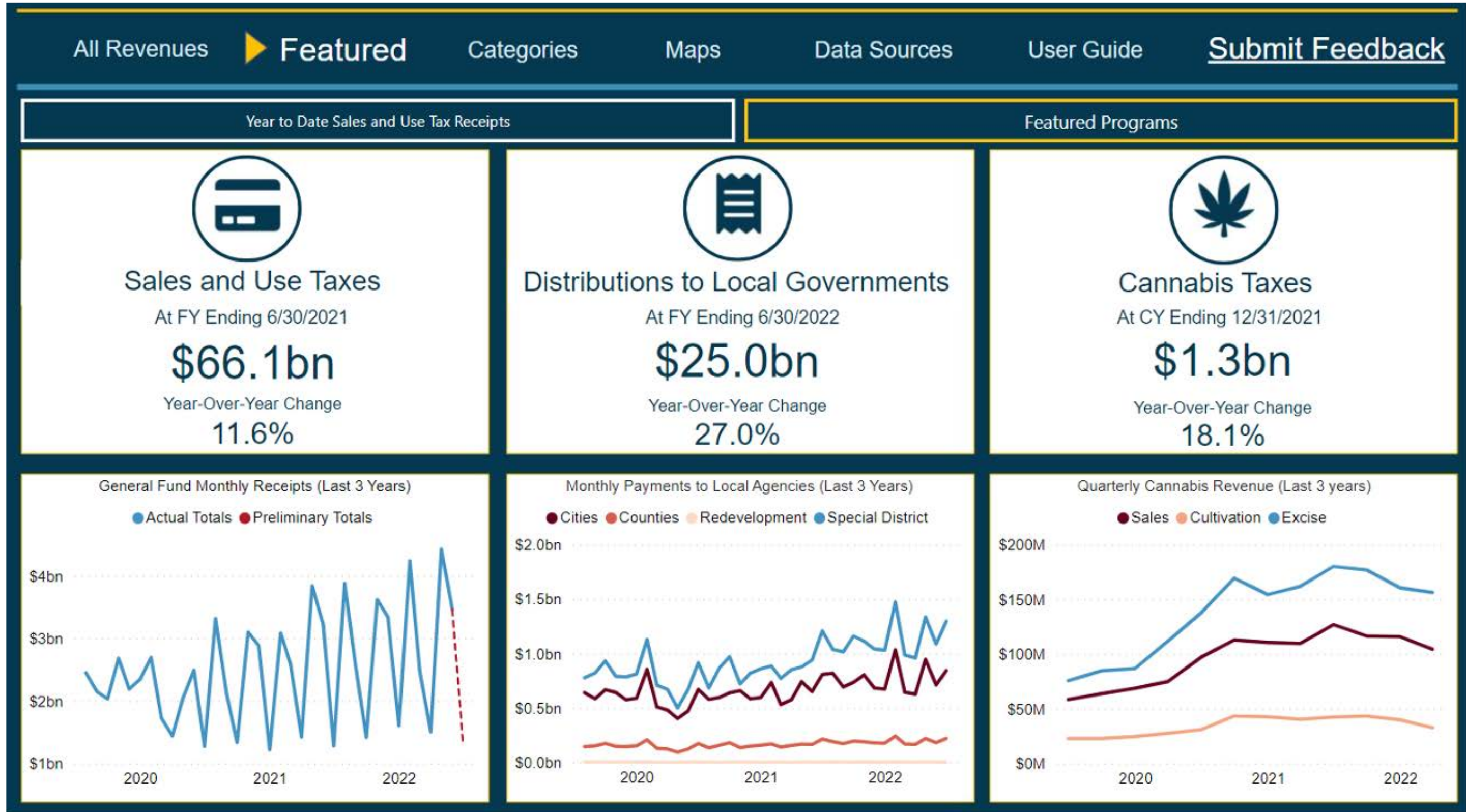
Tax Revenue Received by Local Governments

Detailed Description of the Sales & Use Tax Rate

Components of the Statewide 7.25% Sales and Use Tax Rate:

Rate	Jurisdiction	Purpose	Authority
3.6875%	State	Goes to State's General Fund	Revenue and Taxation Code Sections 6051, 6201
0.25%	State	Goes to State's General Fund	Revenue and Taxation Code Sections 6051.3, 6201.3 (Inoperative 1/1/01 - 12/31/01)
0.50%	State	Goes to Local Public Safety Fund to support local criminal justice activities (1993)	Section 35, Article XIII, State Constitution
0.50%	State	Goes to Local Revenue Fund to support local health and social services programs (1991 Realignment)	Revenue and Taxation Code Sections 6051.2, 6201.2
1.0625%	State	Goes to Local Revenue Fund 2011	Revenue and Taxation Code Sections 6051.15 and 6201.15
1.25%	Local	0.25% Goes to county transportation funds 1.00% Goes to city or county operations	Revenue and Taxation Code Sections 7202 and 7203
Total:			
7.25%	State/Local	Total Statewide Base Sales and Use Tax Rate	

State Tax Revenues - Data Visualizations



State Tax Enforcement

CDTFA enforces cannabis tax laws on both a civil and criminal front to address the underground market.

Primary enforcement tools include audit billings, tax warrants (till taps), Statewide Compliance and Outreach Program (SCOP) visits (both in-person and virtual), inspections (seizures and citations).

Since July 2020, CDTFA has:

- Conducted 1,660 visits and 483 cannabis seizures.
- Seized an estimated \$36 million in illegal cannabis products and over \$1.8 million in cash.
- Issued audit billings totaling over \$205.5 million to cannabis businesses (both permitted and unpermitted) for cannabis and sales and use taxes.

Cannabis Tax Enforcement and Changes- AB 195

- July 1, 2022 - Discontinued the cultivation tax.
- January 1, 2023 - Moves the cannabis excise tax from distributors to retailers.
- Provided additional enforcement tools to address illegal cannabis businesses, including creation of a multi-agency task force.
- Ability to hold a corporate officer or other responsible person personally liable for unpaid cannabis taxes.
- May hold unlicensed business liable for cannabis taxes due.
- Created tax credits, vendor compensation, and other financial incentives to encourage compliance.

Cannabis Tax Enforcement- Areas of Noncompliance

- Unlicensed growers, manufacturing, distribution, and retailers.
- Lack of records.
- Complicated organizational entities structures.
- Errors in tax computation and inconsistent payment of tax.

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



See Department of Cannabis Control regulations, Title 4, Division 19, Chapter 1, Article 3, Section 15014.1(d)(4)(A)(1)

Setting the Record Straight about Licensed Cannabis

Authorizing commercial cannabis businesses has been shown to:

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



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 sales.

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)



“Young adults who live in an area with a greater density of any type of (retail 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 II: Cannabis Tax Revenue Success Stories

City of Santa Ana

\$22 million in revenue in the current fiscal year

Two-thirds of the revenue (with the exception of tax revenues from medical cannabis) is **set aside for youth services and enforcement**; the remaining third stays in the General Fund.

The new revenues have allowed the city to provide more services to the community. Some notable youth related expenditures have been the roll out of the **Knowledge mobile, the Children's Outdoor playground and new furniture for the Newhope Library.** Upcoming projects include the **Santa Anita park soccer field renovation** and the **Goat Encounter exhibit at the Zoo.**



City of Sacramento

\$23.6 million projected in cannabis tax revenue in FY 2022-23

C

annabis tax revenues go to the General Fund and provide a significant source of revenue for key city services that residents depend on including fire, police, and parks. The city also implemented a social equity program, referred to as the CORE program, to prioritize cannabis permitting to individuals and communities disproportionately impacted by cannabis criminalization.

This November, Sacramento voters will decide on a measure to direct cannabis tax revenues to programs aimed at supporting the city's youth. **If approved, the measure will require the city to set aside 40% of local cannabis tax revenue, an estimated \$9 - \$12 million a year, for the Sacramento Children's Fund.**



City of Lemoore

The City of **Lemoore** experienced significant job losses and budget shortfalls associated with the COVID pandemic. As a consequence, agricultural jobs declined by 20 percent from the prior year and the City faced an almost \$3 million shortfall.

In an effort to identify new revenue streams, boost job growth and improve the overall local economy, the City adopted a commercial cannabis retail ordinance in 2019 and has since welcomed cultivation and manufacturing operations. Lemoore expects to generate about **\$1.7 million in cannabis tax revenue in 2022**, with the potential to increase to \$3 million next year.

Licensed cannabis has been credited with jump-starting new economic development in downtown Lemoore, including non-cannabis related businesses filling in vacant downtown spaces, new housing slated for development, and traditional agriculture moving their business operations to town.



City of Long Beach

In the 2021 fiscal year, the city of **Long Beach** brought in a little less than \$8 million in cannabis tax revenues.

In the same fiscal year, cannabis tax revenues funded public health and safety programs including mental health, homeless services, lifelong learning programs at the library, and violence prevention services (\$4.5 million); a racial equity program (\$2.4 million); and public health and public safety services associated with regulation and enforcement of the cannabis industry.



City of Needles

The City of **Needles** mounted a concerted effort to create an adult-use cannabis marketplace, and received an Economic Development Excellence Award for its Cannabis-Related Business Initiative. It has realized:

- **47% increase in sales tax revenue**
- **\$400,000 increase in its General Fund Cash balance**
- **269 new jobs** created in the local cannabis industry, and 135 new jobs in related ancillary businesses.
- **2.2% unemployment rate**, the lowest of any city in San Bernardino County.



City of Oakland

Some cities with commercial cannabis are considering using the new revenue source to fund specific policy goals. This year, the city of **Oakland** discussed placing “the Emerald New Deal” before voters. The city currently enjoys about **\$7 million in annual cannabis tax revenue that flows to their general fund for core city services.**

While the council ultimately opted not to put the measure before voters, the Emerald New Deal would have redirected all of Oakland’s cannabis business tax revenue to a new restricted fund that would be dedicated to paying for services benefiting communities harmed by the war on drugs. The measure would have funded services such as mental health, reentry services, housing assistance, and economic development.



(Left to right) Tajai Massey of Heiroglyphics/Souls of Mischief, Chang Yi of Smoakland/Market Daze, and Alexis Mora of Harborside standing in front of Oakland City Hall. Credit: Amir Aziz

City of Sonoma

The City of **Sonoma** opened its first licensed cannabis dispensary in April 2022. The chosen operator made significant investments to renovate a local historic building for its retail operation, working in collaboration with the Sonoma Valley Historical Society, and has committed 5% of profits to local nonprofits that support mental health programs in public schools and the economic advancement of Sonoma Valley’s latino community.

In the first 3 ½ months following the dispensary’s opening, the City collected \$43,346 in cannabis tax revenue.



City of San Diego

The city of San Diego's recreational Cannabis Business Tax makes up almost half of the licenses and permits revenue category. Cannabis Business Tax was passed on November 8, 2016 as Measure N by San Diego voters, which imposes 8 percent tax on monthly gross receipt tax on non-medical cannabis businesses that operate or provide services within the City of San Diego. Earlier this year, the city opted to reduce the tax rate on cultivation and manufacturing businesses to 2% while maintaining the 8% rate for retail.

According to the city's [five year revenue outlook \(2021-2025\)](#), San Diego projected about \$22.8 million in cannabis tax revenue in 2022. In the recently proposed 2023 budget, the city cited cannabis tax revenues as one of the main contributors to its increased general fund revenues. Of the \$14.1 million year over year increased general fund revenue, \$4.4 million came from cannabis business tax and compliance revenue.

All cannabis tax revenues go to San Diego's general fund and are used for core city services.



Part III: Antioch's Green Zone Helps Keep the City in the Black

City of Antioch Green Zones

Cannabis businesses have helped the city of **Antioch** maintain financial stability for their general fund.

The city has two cannabis zones where all types of cannabis businesses may be located. Antioch is looking to potentially expand this to include other areas with an emphasis on building a more diverse industry through encouraging cultivation, processing and testing businesses.



\$1.75 million

The amount of local tax revenue collected by the city of Antioch from local cannabis businesses in FY 2021-22, representing a 17% increase from the previous year

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

This presentation was sponsored by:



California Department Tax & Fee Administration Resources

Contact Us

Customer Service Center

800-400-7115

General Tax Questions via Email

<https://www.cdtfa.ca.gov/email/>

Industry Guide

<https://www.cdtfa.ca.gov/industry/cannabis.htm>

CDTFA Interactive Data Visualizations

•<https://www.cdtfa.ca.gov/dataportal/visual.htm>

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