AGN. NO.

REVISED MOTION BY SUPERVISOR HILDA L. SOLIS AND HOLLY J. MITCHELL — March 21, 2023

Developing a Community Reinvestment Spending Plan for Future County Cannabis Business Tax Revenue

In 2016, California voters passed Proposition 64, which legalized recreational use of cannabis by adults aged 21 or older and created a tax structure for allocation of cannabis tax revenues to specific purposes. Recognizing the impact from decades of cannabis criminalization, Proposition 64 was viewed as a way to help repair the harms of the past through intentional prioritization of funds for communities negatively impacted by the war on drugs. Since then, cannabis taxes have generated billions in state revenue, which continues to help fund various spending priorities, including youth programs, substance abuse prevention and treatment, job training and placement, and community reinvestment grant programs. Proposition 64 also allowed local jurisdictions discretion to determine their own commercial cannabis tax policy and spending of tax revenues.

Since the passage of Proposition 66, several local governments have passed local ballot measures, with many identifying spending priorities and allocating portions of cannabis business tax revenues for specific uses to close spending gaps on historically

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underfunded services that provide community benefits. As examples, the City of Santa Ana set up a public benefit fund in which revenue from cannabis sales is allocated to libraries, park improvements, and youth services, with $9.6 million in allocated revenue toward these programs in 2021. Santa Cruz County invests 20 percent of cannabis tax revenues to early childcare, afterschool programs, and scholarships. Lastly, the City of Los Angeles has allocated approximately $6 million since 2019 to its cannabis social equity program to provide financial, legal, and technical assistance to cannabis business entrepreneurs. These examples illustrate the substantial opportunities from new investments created by cannabis taxes to address community disinvestment caused by the war on drugs.

Last November, Los Angeles County voters approved Measure C, authorizing a general tax on cannabis businesses located within the unincorporated areas of the County. The tax is projected to generate approximately $10 to $15 million dollars in annual revenue once all approved businesses become operational. Pursuant to Measure C, revenues will be deposited into the County's General Fund and, through the budget process, may be directed to support key priorities and equity programs and initiatives throughout the County.

As the County proceeds with the development of a commercial cannabis regulatory framework and corresponding equity program, this provides an opportunity to proactively plan for collection and reinvestment of future Measure C cannabis tax revenues for community benefit purposes. A recently released Cannabis Equity Assessment, commissioned by the County's Office of Cannabis Management, titled "Pathways and Practices for Cannabis Social and Health Equity in Los Angeles County", highlights the

importance of allocating a portion of cannabis tax funds back into communities targeted by the war on drugs through a community-driven investment process. The report also points to opportunities to learn from other existing County community reinvestment streams, such as the Care First Community Investment Spending Plan (Reimagine LA/Measure J), to help guide the County's plan for community reinvestment of cannabis tax revenues.

The County now has an opportunity to repair some of the harms of the drug war by ensuring appropriate allocation and spending of cannabis tax revenue. Doing so now enables the County to properly plan and establish mechanisms for collected revenue that align with key priorities and benefit key programming and services, such as community benefits, reinvestment into unincorporated neighborhoods that site cannabis businesses, equity-led programs.

WE, THEREFORE, MOVE that the Board of Supervisors:

1. Direct the Director of the Department of Consumer and Business Affairs (DCBA) and its Office of Cannabis Management (OCM), in consultation and collaboration with the Chief Executive Office, Anti-Racism, Diversity, and Inclusion Initiative, Public Health, Regional Planning, Auditor-Controller, County Counsel, Treasurer and Tax Collector, Department of Economic Opportunity, Justice Care and Opportunities, Youth Department, and other relevant County departments, to develop recommendations for a developing a community reinvestment plan for cannabis tax revenue for the County's unincorporated areas, and report back in 120 days. The recommendations included in the report should include, but not be limited to:
    a. A comparison of other local jurisdiction spending priorities and allocation of cannabis business tax revenues.

b. A review of existing County community reinvestment streams, such as the Care First Community Investment Spending Plan, to identify potential opportunities to leverage and build upon for the development of a community reinvestment spending plan for cannabis for cannabis business tax revenue.
c. A recommendation on how the revenue could fund reinvestment activities and programming in unincorporated communities (ex: afterschool programs, child-care, roadway improvements, etc.), including program and social services that sustain the Cannabis Equity Program and support cannabis equity applicants.
d. A recommendation on how the revenue could fund initial investment in administrative and compliance operations of OCM and related LAC programs supporting cannabis social and health equity and ensure resources are available while the programming matures.
e. A proposed a community outreach and engagement plan that would further maximize a community-driven investment process to help determine spending priorities.
f. A proposed structure for a County Equity Fund, including the process and extent to which Measure C and other cannabis-related revenues paid to the County are deposited into the proposed County Equity Fund, procedures for allocating funds, and timelines and milestones.

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