

# MONTEREY COUNTY'S CANNABIS INDUSTRY UP IN SMOKE



## SUMMARY

Monterey County's decision to legalize recreational cannabis in 2016 led to the rapid rise of the new industry, making Monterey County one of the state's leading producers of legal cannabis. New cannabis taxes on cultivation, production and processing have been a boon to county agencies and non-profit organizations. Millions of dollars in new revenue have paid for everything from police radios to a new Monterey County Free Library bookmobile. The value of cannabis produced in 2021 makes it the third most valuable agricultural product in Monterey County, estimated at \$484 million.

The haste in launching legal cannabis production has left lapses in transparency, oversight, and analysis that need to be addressed. There is no comprehensive, consistent reporting on the entire county cannabis tax revenue and spending. Information is scattered among numerous sources and reports. It would be a challenge for any citizen to review the program's finances and impact.

One-time allocations of cannabis tax revenue are done on an ad-hoc basis throughout the year by the Board of Supervisors (BOS), without clear policy direction or

MIXED LIGHT INDOOR GROW



a process for initiating and evaluating cannabis funding requests. No economic development analysis has been conducted to determine how well the program has met goals, the prospects for cannabis production, and jobs created.

At the start of this investigation there had been no evaluation of the effectiveness of the county's new cannabis regulatory apparatus and whether it is at an appropriate level and cost for the size and complexity of the cannabis industry. In March 2022, the BOS received a study of the county's regulatory process. Large, illegal marijuana growing operations in Monterey County and the rest of California continue to thrive and compete with the legal cannabis industry.

The Monterey County Civil Grand Jury calls for more comprehensive and regular reporting to the public on all aspects of the county's cannabis program. It should include

cannabis tax revenue, economic development impacts, and concise allocation reporting.

## **GLOSSARY**

AUMA	Adult Use of Marijuana Act (2016)
BOS	Monterey County Board of Supervisors
CAF	Cannabis Allocation Fund
CAO	County Administrative Officer
CCA	California Cannabis Authority
CCC	California Cannabis Commission
CCGA	California Cannabis Growers Association
CCTT	California Cannabis Track and Trace
CP	Monterey County Cannabis Program
CTF	Cannabis Tax Fund (Cannabis Assignment Fund)
FTE	Full-time Employee
MCCGJ	Monterey County Civil Grand Jury
NAFTA	North American Free Trade Agreement (1994)
UCDAIC	UC Davis Agricultural Issues Center

## **BACKGROUND**

In the 1970 Controlled Substances Act, the Federal Government classified Marijuana and any cannabis derivative as a Schedule 1 Narcotic—no medicinal value to the drug—despite its heavy use since the early 1800’s for a substantial number of health issues.

In 1996, California became the first state to allow medicinal cannabis when voters passed Proposition 215, the Compassionate Use Act. Twenty years later (2016), California voters approved legalization of recreational cannabis with the passing of Proposition 64, the Control, Regulate and Tax Adult Use of Marijuana Act (Prop 64).

On July 12, 2016, the BOS adopted inland zoning regulations establishing criteria for issuing local land use permits pursuant to the Medical Marijuana Regulation and

Safety Act (“MMRSA”) [Ordinance Numbers 5270]. Following the adoption of these ordinances BOS created the Cannabis Committee and regularly appoints two members of the BOS to serve on it.

On July 19, 2016, the BOS adopted ordinances establishing criteria for issuing local business permits pursuant to the MMRSA for commercial cultivation operations and activities [Ordinance 5272].

On November 8, 2016, the Monterey County voters approved Measure Y, the commercial cannabis tax for unincorporated Monterey County, and the Salinas City voters approved Measure L, the commercial tax for the city. Taxation for the cannabis Industry has three levels: state, county, and city. (See Appendix C)

### State of California

The State of California created a framework for individual county cannabis programs guiding them through a myriad of state requirements, regulations, and taxation. Licensing and regulation were spread across four state agencies: Department of Food and Agriculture for cultivation, Department of Public Health for manufacturing and the Bureau of Cannabis Control partnering with the Department of Consumer Affairs for distribution, testing, and retailing. At this time, the State has combined the activities of the four agencies into one, The California Cannabis Authority (CCA). The statewide regulations establish guidelines under which local jurisdictions can (but are not required to) set their own additional taxes and regulations on cannabis businesses. As of Feb 1, 2022, 31 of 58 California counties have some form of active cannabis production, predominately cultivation. (See Appendix E)

Regulations pursuant to the law were initially issued through a series of emergency/temporary rules. Final regulations came into effect in January of 2022 (though many licensees continue to operate under provisional licenses as they work through the labyrinth of full permits).

At harvest time (which can be 4-6 times per calendar year), growers are required to pay the state a cultivation tax based on the gross weight of their harvest, currently

\$160/pound. Testing for impurities and product strength is required for any cannabis product marketed legally in California, an additional \$146/pound, at state licensed facilities. The entire harvest is held at a secure facility until the testing results pass or are rejected, subsequently accepted, or the entire shipment is rejected.

California Cannabis TRACK and TRACE (CCTT) is a system utilized by the State to track cannabis from seed to plant to purchase to disposal. The process tags each plant clone and follows through whatever process the crop goes through. Information is entered into a tracking database and updated whenever any process is performed on the clone product tag. This would include any refinement of the product through to the final sale to the end consumer.

If a cannabis product is either sold to another business or to a consumer direct from the provider, business taxes are collected from retailer and consumer. Manufacturing business taxes are currently 4.5% gross receipts, distribution business taxes are currently 4% gross, testing laboratory taxes 1% gross, dispensary business taxes are currently 4.5% of gross for the year.

Any county establishing a Cannabis Program must register and pay dues to the California Cannabis Authority (CCA). Each cannabis Industry business must also apply for a Cannabis Business License to operate within state boundaries. Monterey County currently pays \$50,000 per year. (See Appendix D)

### Monterey County

In 1994, with the passage of the North American Free Trade Agreement, the local cut flower industry was gutted when jobs were shipped to Mexico. Hundreds of flower greenhouses in Monterey County closed permanently. Over nine million square feet (about the total floor space of the Pentagon) of greenhouses were abandoned and left vacant. Based on the permit taxes collected in 2021, the MCCGJ estimates that around 3 million square feet of greenhouses have been put into operation for cannabis cultivation. When Monterey County voters approved the cannabis measure in 2016 to allow cannabis production within the county's boundaries, the Board of Supervisors

hoped it would produce a significant economic redevelopment for the lost industry, both in jobs and capital improvements to the properties, increasing property taxes as well.

The Monterey County Cannabis Program (CP) was established in 2016, building the necessary government regulation structure. A program director and 5 FTEs staff the program. The CP has grown in five years to 28 FTEs spread among 10 county agencies. This number includes other department positions needed to enforce the regulations in the industry. (See Appendix A) The budget for 2021-22 is \$6.334 million, one third of all yearly cannabis tax revenues collected. Analysis by the MCCGJ found that \$69.4 million in total cannabis tax income has been collected since the program began. (See Appendix C)

SOURCE: MONTEREY COUNTY CANNABIS PROGRAM



The CP's Marijuana Eradication Team yearly reports search warrants and abatement activities. Anticipating a sizable influx of new cannabis tax revenue.

Monterey County surveyed residents of the county where this windfall should be spent, providing a priority and broad conceptual direction for future tax revenues.

In 2021, delinquency on permit fees which stood at 19%, has dropped to 12%. When cannabis businesses fall behind on their permit and tax duties, they often pull up their product and disappear into the night.

### Permit Tax

Annual costs for required business licenses range from \$135 to \$8,665. Permit fees for actual cultivation are based on the type of growing facility as well as square footage of the growing area. Mixed outdoor/indoor lighting rate is \$5 per square foot. Total indoor lighting \$7/square foot, outdoor nursery (no artificial lighting) \$1/square foot. The regulations are so strenuous for outdoors, no one has applied for a license. The fees are due at the time the license is applied for (long before any crop has been planted) and are processed in 10,000 square feet allotments. A new company requires a minimum of \$500,000 in start-up costs before cultivation can even begin. Many counties have adopted the approach of charging a percentage of gross receipts, which allows the growers to hold off paying the tax until they sell their product.

### Oversight/Inspections

Each cannabis operation, whether grower, processor or other, is subject to no-notice inspections by a five-member team each month. The inspections cover everything that can be imagined for an agricultural concern but also many issues related to a heavy industrial concern. Inconsistent inspection findings cloud improvements that are warranted. Chemicals used in processing centers are also highly regulated both for safety and concentration in finished products.

### Waste Disposal

Any by-product or waste product (including the root ball and soil) or any other vegetable matter not used is required to be transported by a state-licensed cannabis transport company to a state licensed waste facility. This inert vegetable matter cannot be added to landfills but must be mixed with cat litter for special disposal. Even the size

of the waste product accumulation, ready for disposal, is regulated. Though water used in processing is strictly regulated as well, the cannabis industry has learned techniques that limit runoff or excess watering.

### Air Filtration

Cannabis industries are required to have state-of-the-art charcoal-based air scrubbers to prevent cannabis odor escaping from the facility. Monterey County has chosen to issue permits to cultivation sites in unincorporated areas of the county, far from residential neighborhoods.

### Fire Permits

Fire departments, over fears of spontaneous combustion of the drying plants (though not a property of harvested cannabis), require fire sprinkler systems in drying facilities. The cost is much more than just putting in an automatic fire sprinkler system; it may also require structural upgrades of the facility. Many small cultivators have had to contract their drying operations to a third party, raising costs for producer and customer. One county fire protection district also charges a separate surcharge on cultivation square footage to pay for added fire inspectors.

### Capital Improvements

The changes require rehabilitating existing, rundown greenhouses into productive facilities, increasing property values. Cannabis operations are often required to upgrade from portable to permanent restrooms. The access roadways to the facility also require upgrading. These improvements are driving increased property tax revenue for the county.

Subsequently reassessed property taxes increased dramatically. The work required for these improvements for Cannabis cultivation does not qualify for an exemption from the Williamson Act Agricultural Preserve due to not meeting the minimum requirement of 100 acres.

## Incorporated Cities

When AUMA (Adult Use of Marijuana Act) passed, cities were told they could individually opt to allow or disallow cannabis businesses within their city limits. Some cities welcomed the income from the sales tax against the cost of enforcement. Others have not, but by state law, cities cannot outlaw delivery of cannabis products by state licensed delivery businesses within their jurisdictions. Sales of unlicensed (illegal) cannabis have no limits. Illegal or black-market cannabis outgrows legal cannabis four-fold, gutting the market, lowering the price of the product.

## **METHODOLOGY**

- 1) Conducted interviews with the Monterey County Cannabis Program, CAO office, the industry's California Growers Association, staff from the County Treasurer's Office, Auditor-Controller, and members of the BOS.
- 2) Reviewed county documents and websites for budgets, regulations, annual reports, and consultant studies.
- 3) Toured a cultivation farm, a regional drying shed/processing center, and a processing plant in the Salinas area.
- 4) Reviewed other County Cannabis Program websites.
- 5) Articles were gathered from the UC Davis Agricultural Issues Center and news media stories (San Francisco Chronicle, Monterey Herald, Monterey County Weekly, the Carmel Pine Cone weekly newspaper).

## **DISCUSSION**

In interviews with various Monterey County officials, the MCCGJ learned that one of the most significant new sources of revenue for the county was the new cannabis tax, specifically the new tax on cultivation. In just a few years, cannabis production had grown into a crop with a market value of \$484 million in 2021, according to the County Agricultural Commissioner. That makes cannabis one of the top three most valuable crops in the county. Monterey County ranks as the fourth largest legal producer in the state.

Curious about this new industry and the taxes generated, the MCCGJ began looking into how this tax was collected and where it was being spent. It quickly became apparent that even the most basic questions about the CTF were difficult to answer.

While the County discloses considerable information, which the MCCGJ finds commendable, we admonish the County for this information is not collected in one location. We could find no comprehensive report or reports that would answer most of our questions on cannabis tax collection and spending, and there is no standard reference term for the fund. Cannabis Allocation Fund, Cannabis Tax Fund, Cannabis Contingency Fund, Cannabis Reserve Fund were terms used interchangeably.

Annual county budgets contained broad outlines of cannabis taxes collected, monies spent and forecasts for upcoming years, although much of the information was buried inside larger documents. To find details of exactly where those monies were spent required drilling into a maze of different reports in various locations.

There is information about cannabis financials in county budget reports, forecasts, and various attachments to budget reports. The Cannabis Program posts some information on its web site and issues periodic reports to the BOS, but finding those reports requires digging through past BOS agendas. The Monterey County Agricultural Commissioner issues reports on cannabis production that contain additional information. The Tax Collector/Treasurer provided information that enabled the MCCGJ to determine the deposits in the CTF. BOS actions at public meetings offer details about specific, one-time allocations from cannabis revenues.

Gaining a thorough understanding of one year of cannabis spending requires searching through at least a half dozen county sources for information and reports. Still, some questions remain unanswered.

The MCCGJ also found missteps in determining initial tax rates for growers. The county commissioned a study in 2015 that concluded the County could levy a tax of \$25 per square foot on mixed light cultivation, which is the main method used in greenhouses in Monterey County. However, when the County put a ballot measure

before voters asking for approval of cultivation, it called for a lower initial tax of \$15. The measure said the rate would increase by \$5 a year until it reached \$25. Voters overwhelmingly approved the ballot measure.

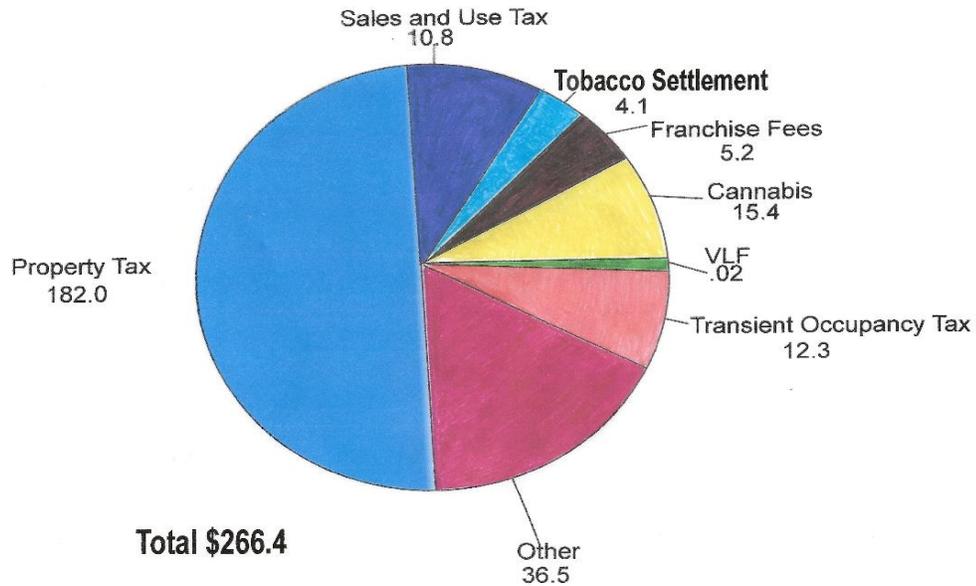
Instead of raising the rate from the initial \$15, the BOS has repeatedly decreased it. Growers lobbied for reductions, arguing that they faced powerful competitive pressures, including from illegal growers, that were driving down cannabis prices. From the initial \$15, the rate was reduced to \$8, then \$5. As of March of 2022, the BOS reduced the rate again to \$3. If the square footage permitted remains unchanged, this will result in a reduction of cannabis revenue of \$6,684,849 for 2022. Cannabis Program operational costs, which licenses and regulates cannabis, would engulf half of all cannabis taxes collected.

The BOS has not undertaken an analysis of why the original \$25 tax rate was so far off the mark, what the appropriate rate might be in the future, or how it will deal with the volatility of the cannabis industry.

The ad-hoc nature of setting tax rates is carried over into some of the spending process that is part of the convoluted cannabis tax system. County terminology for revenue and spending may create some confusion. All cannabis tax revenue is considered discretionary, which suggests it is treated differently from other spending on things like ongoing operations. In fact, the County budget describes nearly half of the General Fund budget (\$266 million in 2021-2022) as “discretionary.” The biggest source of this discretionary revenue is property taxes. The second biggest source over the past few years has been the cannabis tax.

SOURCE: MONTEREY COUNTY FINANCIAL FORECAST FOR FISCAL YEAR 2021-22

**2021 General Fund Estimated Non-program (Millions of Dollars)**



MCCGJ has attempted to determine revenue generated by cannabis taxes and allocations of said monies. There is no requirement to spend all revenue collected in the CTF each calendar year but reconciling what came in and what was allocated is extremely difficult to track down and put together.

The CTF generated \$20.4 million in 2021, and this was promptly deposited in the county's General Fund, where all monies collected go initially. Cannabis funds are spent two ways. First comes the cost of the regulatory structure – 28 FTEs. What remains is available for one-time allocations. BOS allocates the CTF discretionary funds to address the concerns of the community.

The analysis of the MCCGJ has determined that the CTF has collected \$69.7 million since its inception. The Cannabis program budget plus the documented allocations since 2016 total \$61.7 million with a remaining amount of \$8 million. The

rolling balance at the end of each year or its current balance was not provided to the Grand Jury. The cannabis tax revenue has grown into the second largest tax source for the County general fund. (See Appendix C)

The sprawling regulatory framework needs to be re-examined. The battery of inspections and requirements and the high regulatory burden placed on the newborn cannabis industry make it difficult for cannabis businesses to thrive. Growers complain that the battery of inspections and requirements places a high regulatory burden on the nascent cannabis industry. There is no standard inspection form that covers all regulations and requirements for the industry. The regulations, taxes and fees make it difficult for cannabis businesses to thrive, they say, especially with the recent fall in cannabis prices. Some cannabis greenhouses are closing their doors, pressured by the high cost of doing business and the falling prices that cannabis commands. A pound of product that sold for \$1,600 in 2020 was going for less than \$500 in 2021.

Monterey County has no limit on the number of cannabis licenses. In Montana, where only medical marijuana is allowed, the state ties the number of cultivator permits issued to a calculation of the capacity that the market can bear.

The Cannabis Program makes an annual presentation to the BOS, which includes a document listing many one-time allocations since 2017, although individual outlays are sorted by category (like health or education) rather than by year. This document lists \$3.4 million for 2021 and \$38.8 million in total allocations from the CTF since 2017.

One-time allocations of Cannabis revenue have included \$20,000 for a Prunedale senior center, \$158,740 for a Salinas homeless shelter, \$250,000 for a Salinas soccer center and \$929,000 for an emergency women's shelter. At the height of the pandemic, the BOS allocated \$16 - \$18 million from the CTF on measures to help deal with the crisis, including \$500,000 to the Food Bank for Monterey County and almost \$3 million for a community outreach program to provide vital coronavirus information to vulnerable and limited-English-speaking populations.

The MCCGJ could find no clear, consistent process for how these award requests get before the BOS. Sometimes it seems to be a “squeaky wheel” process, in which a community group or County agency that manages to get the attention of a supervisor can advance its request.

The agencies that inspect and review cannabis operations like the Health Department and the Agricultural Commissioner receive funds from the CTF. Money also goes to the Sherriff’s Department and the District Attorney to help fight illegal marijuana operations. Legalization was expected to undercut the illegal trade. But one effect appears to be an increase in the amount spent on policing illicit marijuana operations. As the MCCGJ was wrapping up its investigation, the BOS released a study (Feb. 2022) by City Gate Associates “Organization Review of the Current Cannabis Program, County of Monterey” at a cost of \$200,000, financed by the CTF. This study supports many of the findings of MCCGJ. In particular, the study found problems in the fragmented approach to regulation. The study also documented the difficulty in the permit process, sometimes taking years to complete the permit request. The study cited Resource Management Agency (Now Housing and Community Development) as a significant bottleneck.

While tracking cannabis taxes and spending was difficult, determining the economic impacts of the new cannabis industry was impossible. One of the primary stated reasons for legalization was economic development, but the county has done nothing to examine the economic impacts.

## EXAMPLE OF MIXED LIGHT FACILITY



One economic goal was to revive idled greenhouses that had previously been used to grow flowers. We could find no inventory of how many closed greenhouses existed before legalization, or how many were repurposed by cannabis growers. We could find no accounting of how much additional property tax these repurposed greenhouses generated. Nor could we find any reckoning of how many jobs have been created and how much income these jobs created.

Significantly, the County had no economic development manager during the first five years of the cannabis cultivation program. The County finally hired an economic development manager in November 2021. We would expect the economic development manager to answer these questions, since cannabis production has been touted as one of the most significant economic development projects in unincorporated Monterey County.

Monterey County's cannabis industry got off to a fast start after voters approved cultivation. But it has hit some speed bumps recently. Residents who want to better understand this new industry, its impact on the County, and the prospects for the future need better and more easily accessible information. This action would establish Monterey County as a trailblazer among the State's counties in reporting the impact cannabis has in their communities.

## **FINDINGS**

- F1** The estimated price for finished cannabis product dropped from \$1,600 per pound in 2020, to under \$500 per pound in 2021, due to a glut in the state cannabis supply.
- F2** The major source of cannabis revenue in Monterey County comes from assessed square footage of cultivation.
- F3** Growers paid around \$19 million in assessed taxes in 2021. An additional \$1.4 million in taxes were collected from other cannabis businesses, including dispensaries processors, quality assurance testing, delivery, transportation, and disposal.
- F4** In the past five years, just under \$70 million has been collected in Cannabis tax revenues.
- F5** Even with the glut of cannabis on the open market, Monterey County is still actively processing a nine-fold increase of provisional licenses over the active/complete licenses.
- F6** County FTEs (staff) have increased from 6 to 28 in fiscal 2021-22 involving multiple agencies that regulate, inspect legal cannabis, and enforce the eradication of illegal cannabis in the County.
- F7** The County Cannabis Program is the county regulatory infrastructure with a budget of \$6.3 million, a third of the cannabis tax revenue in 2021.
- F8** Consumers also pay state Sales Tax, state Excise Tax, and county or city sales taxes which results in a four-fold increase in price compared to unlicensed/illegal cannabis.
- F9** Allocation of the Cannabis Tax/Assignment Fund (CTF) is difficult to track. The increase of property values due to requirements of the Cannabis Program has not been available to the public.

- F10** To help the passage of AUMA, the Board of Supervisors stated the new industry would bring new economic development and jobs to counter losses from NAFTA twenty-two years prior.
- F11** Monterey County did not hire an Economic Development Manager and staff until November 2021, five years after the Cannabis Program was established. The number of new jobs remains unknown.
- F12** Many inspections do not operate in a consistent manner nor with a standardized check list.

## **RECOMMENDATIONS**

- R1** Require the Monterey County Cannabis Program to provide a comprehensive annual report detailing all CTF revenues, allocations, and reserves. This report should include detailed information including budget and distributions to community service agencies. The Cannabis Program must publish its annual report on their website. Implementation by December 31, 2022.
- R2** Revise Monterey County Cannabis Program webpage to include easy-to-follow directions for accessing revenues and expenditures. Implementation by December 31, 2022.
- R3** Monterey County to monitor and report on improved property value and tax re-assessment due to Cannabis Compliance Regulations. Implementation by December 31, 2022.
- R4** Direct the Economic Development Manager to complete a study on new jobs created by the cannabis industry and its impact on the local economy. Implementation by June 30, 2023.
- R5** Include in the Cannabis Program annual report, an accounting of all FTEs funded by the CTF. Implementation by December 31, 2022.
- R6** Cannabis Program adopt a consistent process for inspection and check list. Implementation by December 31, 2022.

## **REQUIRED RESPONSES**

Pursuant to Penal Code Penal Code §933 and 933.05, the Civil Grand Jury requests responses:

From the following elected county officials within 60 days:

- Auditor-Controller:  
Findings: F1-F12  
Recommendations: R1-R6

- Assessor/Clerk-Recorder:  
Findings: F1-F12  
Recommendations: R1-R6

From the following governing bodies within 90 days:

- Monterey County Board of Supervisors  
Findings: F1-F12  
Recommendations: R1-R6

## **INVITED RESPONSES**

The following responses are invited responses and not required by law:

- Monterey County Cannabis Industry Association:  
Recommendation: R1-R6
- Monterey County Cannabis Program Manager  
Findings: F3, F4, F5, F7  
Recommendations: R1-R3, R5-R6
- Monterey County Economic Development Manager:  
Findings: F11  
Recommendation: R4

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code section 929 requires that reports of the Civil Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Civil Grand Jury.
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## BIBLIOGRAPHY

Monterey County Cannabis Program Webpage:

<https://www.co.monterey.ca.us/government/departments-a-h/administrative-office/intergovernmental-and-legislative-affairs/cannabis-program#mcp>

Santa Cruz County Cannabis Program Webpage: <https://www.sccocannabis.us/>

Yolo County Cannabis Program Webpage:

<https://www.yolocounty.org/government/general-government-departments/community-services/cannabis#:~:text=Yolo%20County%20Cannabis%20Program%20Overview%20In%20March%202016%2C,cannabis%20up%20to%201%20acre%20of%20garden%20canopy.>

UC Davis Project with articles on “Cannabis”:

<https://calag.ucanr.edu/archive/?article=ca.2019a0021>

San Francisco Chronicle newspaper

Monterey Herald newspaper

Monterey County Weekly newspaper

The Carmel Pine Cone weekly newspaper

California State Cannabis Portal: <https://www.counties.org/california-cannabis-authority>

California Cannabis Growers’ Webpage: <https://calgrowersassociation.org/>

Annual Cannabis Program presentation to the Monterey County Board of Supervisors

City Gate Associates “Organization Review of the Current Cannabis Program, County of Monterey.” (Feb. 2022)

## **APPENDICES**

(MCCGJ found it to be challenging to gather these figures which were derived from many diverse sources)

Appendix A: Monterey County Budget from CTF

Appendix B: Cannabis Tax Burden Chart

Appendix C: Cannabis Law Timeline and Regulations

Appendix D: Cannabis Program Revenue and Expenditures

Appendix E: List of California counties that allow Cannabis production

**APPENDIX A: MONTEREY COUNTY BUDGET FROM CTF**

<b>2021-2022</b>		FTE	Staff Costs	Dept Total
Other Allocations Financed by Cannabis†		2.00	\$216,214.00	\$546,214.00
	Ag Commissioner	2.50	\$328,585.00	\$384,035.00
	Auditor Controller	1.00	\$184,997.00	\$184,997.00
	CAO Program	5.00	\$711,082.00	\$1,291,160.00
	CAO Finance	1.00	\$99,487.00	\$99,487.00
	CAO Membership	0.00	\$0.00	\$273,000.00
	CC	1.00	\$252,549.00	\$252,549.00
	DA	3.50	\$806,724.00	\$806,724.00
	Health	5.25	\$791,050.18	\$1,346,050.18
	HCD (Housing and Community Development)	3.00	\$410,999.00	\$410,999.00
	Sheriff Office	2.00	\$531,730.00	\$794,566.00
	TTC	1.98	\$279,015.00	\$393,482.00
	DSS	1.00	\$97,372.00	\$97,372.00
<b>Total FY 21-22 Recurring Expenditures</b>		<b>27.23</b>	<b>\$4,493,590.18</b>	<b>\$6,334,421.18</b>

**APPENDIX B: CANNABIS TAX BURDEN CHART**

<b>Tax</b>	<b>Tax/gram</b>	<b>Tax/ounce</b>	<b>Tax/pound</b>
Flower Price to Grower	\$1.000	\$28.38	\$454.00
Local Canopy Tax - Nursery & Cultivation @ \$265,000	\$0.08	\$2.25	\$36.03
License Fees 8 Licenses @ \$79,055	\$0.03	\$0.79	\$12.65
State Cultivation Tax @ \$10.08/oz	\$0.36	\$10.08	\$161.28
Distribution Tax @ 3% Gross Revenue	\$0.04	\$1.24	\$19.91
Excise Tax (27% = 15% with 80% markup)	\$0.41	\$11.53	\$184.52
<b>Total to Farmer</b>	\$1.00	\$28.38	\$454.00
<b>Total to Local and State Governance</b>	\$0.91	\$25.90	\$414.35
Wholesale price to retail	\$1.91	\$54.25	\$867.95
Retail Price to Consumer (2X markup)	\$3.83	\$108.49	\$1,735.89
Sales Tax (9.25%)	\$0.35	\$10.04	\$160.57
Customer Pays	\$4.18	\$118.53	\$1,896.47
		Total Tax	\$574.92
		Total Farmer	\$454.00
		Total Retailer	\$867.95

**APPENDIX C: CANNABIS LAW TIMELINE AND REGULATIONS**

<b>Date</b>	<b>Title</b>	<b>Change</b>
1970	Federal Control Substances Act	The Federal Government classified Marijuana and any Cannabis derivative as a Schedule 1 narcotic
1996	Compassionate Use Act	State Allows Medicinal Cannabis production and consumption
2015	MMRSA	Begins process of regulating cannabis in California
2016	Adult Use of Marijuana Act Proposition 64	State Allows Recreational Cannabis production and consumption
2017	Medicinal and Adult-Use Cannabis Regulation and Safety Act	State allows non-resident Cannabis purchase
2018	State and Monterey County regulations	State and County published guidelines document for Cannabis Industry and regulation
2022		California combines the Agencies into one Authority

**APPENDIX D: CANNABIS PROGRAM REVENUE AND EXPENDITURES**

<b>Year</b>	<b>Cannabis Tax Revenue</b>	<b>Cannabis Program Budget</b>	<b>CAO approved Allocations</b>	<b>Total = Budget + Allocations</b>
2016-17	\$2,057,951.00	\$228,491.00		\$228,491.00
2017-18	\$14,467,021.71	\$719,815.00	\$158,740.00	\$878,555.00
2018-19	\$15,261,634.75	\$3,735,933.50	\$3,575,741.00	\$7,311,674.50
2019-20	\$17,830,753.72	\$4,992,665.50	\$8,133,890.00	\$13,126,555.50
2020-21	\$20,097,419.83	\$5,575,795.50	\$23,433,947.50	\$29,009,743.00
2021-22		\$6,334,421.18	\$5,027,701.00	\$11,362,122.18
<b>Total</b>	<b>\$69,714,780.98</b>			<b>\$61,917,141.18</b>

**APPENDIX E: LIST OF CALIFORNIA COUNTIES THAT ALLOW CANNABIS PRODUCTION**

<b>County</b>	<b>Cultivation</b>	<b>Manufacturing</b>	<b>Retail</b>
Alameda	X	X	X
Contra Costa	X	X	X
Del Norte	X	X	X
El Dorado	X	X	X
Humboldt	X	X	X
Imperial	X	X	X
Inyo	X	X	X
Lake	X	X	X
Los Angeles	X	X	X
Mendocino	X	X	X
Mono	X	X	X
Monterey	X	X	X
Riverside	X	X	X
San Francisco	X	X	X
San Joaquin	X	X	X
San Luis Obispo	X	X	X
Santa Barbara	X	X	X
Santa Cruz	X	X	X
Sonoma	X	X	X
Stanislaus	X	X	X
Colusa	X	X	X
Trinity	X	X	X
Yolo	X	X	X
Calaveras	X		X
Nevada	X		
San Mateo	X		
Ventura	X		
San Diego	X- Medical		
San Benito		X	
Lassen			X

The 27 counties not listed do not participate in the State’s Cannabis program