



MONTEREY COUNTY, CALIFORNIA
SHERIFF'S OFFICE
Keeping the peace since 1850

Tina M. Nieto
Sheriff-Coroner

June 25, 2024

Honorable Stephanie Hulsey
Judge of the Superior Court
c/o Office of County Counsel
Attention: Sandra Ontiveros
168 W. Alisal Street, 3rd FL
Salinas, CA 93901

Re: Response by Sheriff-Coroner Tina M. Nieto to the 2023-2024 Monterey County Civil Grand Jury Final Report
– “Cannabis Tax Revenues: Highs and Lows”

Honorable Judge Hulsey,

This letter will serve as my response to the findings and recommendations of the Civil Grand Jury in my official capacity as the Sheriff-Coroner of Monterey County.

FINDINGS AND RECOMMENDATIONS

Finding 7: Illicit activities are one of several major factors contributing to the reduction in funds available for community needs.

Response: I disagree partially with this finding.

Illicit activities will affect legal activities, but I would not consider it a major contributing factor. Annual legal cannabis sales in California have continued to decrease since the nation's biggest cannabis market launched recreational sales nearly 8 years ago. In 2022, legal sales reached \$5.3 billion, according to figures released by the California Department of Tax and Fee Administration. This is down 8.2% from \$5.77 billion in 2021. This decline has continued year after year. Much of this could be contributed to the market being flooded at the program's infancy. The statistics have also shown that more Cannabis businesses went under than succeeded in California.

To say that the illicit market is one major factor contributing to the reduction, doesn't seem to reflect the information provided in the Civil Grand Jury's report. The Monterey County Board of Supervisors have reduced the tax rates by 75% since 2018 after Monterey County Measure Y was imposed and State Proposition 64 which outlined the use of State Tax funds. A reduced tax rate coupled with the businesses failing has had a substantial impact on the funds generated from legal sales. As noted in the Civil Grand Jury's report, stricter regulations have resulted in multiple business closures, bankruptcies, and defaulting on more than 6 million in unpaid taxes. Many in the cannabis sector see the high taxes and a limited number of dispensaries as the main culprits for the decrease, viewing the legal market as broken and dysfunctional. Another contributing factor to the reduced funds available for community needs is the fact the illicit market became less profitable as the prices for cannabis fell. This could be attributed to California



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still representing roughly 20% of the \$26 billion industry. I equate this to the supply and demand theory. As more legal cannabis floods the market the price will undoubtedly go down, thus less need for illicit cannabis. It is also possibly more costly to run an illicit operation now with limited avenues to pass the cost to the consumer, as they would have a cheaper legal option.

Taking into consideration, per this report over 50 cannabis businesses have closed or filed bankruptcy, coupled with a tax rate being reduced for growers by 75%, and the market being flooded by legal cannabis, one should expect the tax revenues will be lower, and in this case much lower. This can all be summed up as less illicit growth, means fewer illicit activities.

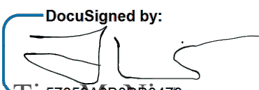
Recommendation 8: MCSO increase enforcement of the regulations regarding illicit activity by licensed and unlicensed growers by September 30, 2024.

Response: This recommendation has been implemented. The Sheriff's Office has assigned two Detectives to fulfill the current obligation for the County of Monterey Marijuana Eradication Team (COMMET). The office has also sent 14 additional Deputies to cannabis enforcement training to assist the 2 COMMET Detectives in the eradication of illicit cannabis efforts.

Recommendation 9: The District Attorney's Office in cooperation with the Cannabis Program and Sheriff/Coroner's Office increase prosecutorial efforts of unlicensed and underreporting cannabis growers to the maximum extent of the law; by using existing resources, potential grant funding, and assistance from the Cannabis Administrative Prosecutor Program (CAPP) By December 31, 2024.

Response: This recommendation requires further analysis. As noted in the recommendation the District Attorney's Office manages the prosecutorial aspect of cannabis investigations. The Sheriff's Office works in collaboration with the District Attorney focusing efforts on the investigative aspect presenting cases to the District Attorney for their review and prosecution. Additionally, the Sheriff's Office is collaborating and attending regular meetings with the District Attorney's Office and the Cannabis Program of Monterey County. All available resources and grants for this program is continually being reevaluated and researched. Analysis shall be completed prior to October 31, 2024.

Respectfully submitted,

DocuSigned by:

 Tina M. Nieto,
 Sheriff-Coroner

Cc: Sonia De La Rosa, County Administrative Officer
 Nick Chiulos, Assistant County Administrative Officer
 County of Monterey Board of Supervisors