



Monterey County Board of Supervisors

Response to the

2021 - 2022 Monterey County Civil Grand Jury

Topic: "Monterey County's Cannabis Industry Up in Smoke"

TABLE OF CONTENTS

2021 - 2022 Monterey County Civil Grand Jury Final Report –
Topic: “Monterey County’s Cannabis Industry Up in Smoke”

Finding	Page #
F1	3
F2	3
F3	3
F4	3
F5	4
F6	4
F7	4
F8	5
F9	5
F10	5
F11	5
F12	6

Recommendation	Page #
R1	7
R2	7
R3	7
R4	8
R5	8
R6	8

REPORT TITLE: 2021 - 2022 Monterey County Civil Grand Jury Final Report –**Topic: “Monterey County’s Cannabis Industry Up in Smoke”****RESPONSE BY:** Monterey County Board of Supervisors**RESPONSE TO:** Findings F1, F2, F3 and F4

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.
<i>Response F1</i> The Board of Supervisors agrees with this finding		
F2		The major source of cannabis revenue in Monterey County comes from assessed square footage of cultivation.
<i>Response F2</i> The Board of Supervisors agrees with this finding		
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.
<i>Response F3</i> The Board of Supervisors disagrees partially with this finding. The County does not impose taxes on processing or disposal activities, and there are no testing facilities within the unincorporated area		
F4		In the past five years, just under \$70 million has been collected in Cannabis tax revenues.
<i>Response F4</i> The Board of Supervisors disagrees partially with this finding. The County has collected just under \$77 million in cannabis tax revenue since Fiscal Year 16-17		

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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.
<i>Response F5</i> The Board of Supervisors disagrees partially with this finding. Commercial cannabis operators within the unincorporated area hold a total of 582 active state licenses, with 66 annual and 516 provisional. This is roughly an 8:1 ratio of provisional to annual 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.
<i>Response F6</i> The Board of Supervisors disagrees partially with this finding. There were 19.48 FTEs in FY 19, which has increased to 25.23 in FY 22 plus 2 additional FTEs that are not dedicated to cannabis. Those 2 FTE’s, approved by the Board of Supervisors, are in the Health Department and the Military and Veteran’s Affairs Office. The roles of the FTEs dedicated to cannabis include the following responsibilities: • Enforcement of building, health, pesticide, and commercial cannabis regulations through inspections • Legal review of ordinances and other procedures and documents • Assessing and collecting applicable taxes • Ensuring proper accounting and utilization of cannabis allocations • Executing search warrants and abating unlicensed cannabis goods Civil and criminal prosecutions of unfair business practices	
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.
<i>Response F7</i> The Board of Supervisors disagrees partially with this finding. Operating the County Cannabis Program will cost approximately \$5.7m in Fiscal Year 21-22, with estimated costs of \$6.1m in Fiscal Year 22-23	

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REPORT TITLE: 2021 - 2022 Monterey County Civil Grand Jury Final Report –**Topic: “Monterey County’s Cannabis Industry Up in Smoke”****RESPONSE BY:** Monterey County Board of Supervisors**RESPONSE TO:** Findings F8, F9, F10 and F11

FINDINGS

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.
<i>Response F8</i> The Board of Supervisors disagrees partially with this finding. Comparing pricing for 1/8 oz of cannabis flower from pricesofweed.com against pricing on weedmaps.com for licensed retailers, staff has found that licensed pricing is roughly double the unlicensed pricing	
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.
<i>Response F9</i> The Board of Supervisors agrees with this finding	
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.
<i>Response F10</i> The Board of Supervisors agrees with this finding	
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.
<i>Response F11</i> The Board of Supervisors disagrees partially with this finding. Staff presented an item to the Board of Supervisors Cannabis Committee in November 2021 that reported 2,400 employees of cannabis-related businesses as of July 2021.	

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RESPONSE BY: Monterey County Board of Supervisors

RESPONSE TO: Findings F12

F12	Many inspections do not operate in a consistent manner nor with a standardized check list.
<i>Response F12</i> The Board of Supervisors disagrees partially with this finding. During small focus groups conducted by staff, the industry has reported that the inspection process can be inconsistent. However, efforts are underway to improve the process, including a compliance inspection checklist which is specific to each commercial cannabis activity	

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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
<i>Response R1</i> The Board of Supervisors will implement this recommendation 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.
<i>Response R2</i> The Board of Supervisors will implement this recommendation 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
<i>Response R3</i> The Board of Supervisors will work with the Assessor’s Office to implement this recommendation by December 31, 2022		

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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.
<i>Response R4</i> The recommendation requires further analysis. This recommendation would require initial research and analysis to identify the feasibility of such a study. In collaboration with the Cannabis Program, Economic Development will assist with further research and analysis to determine the data and resources needed to conduct this study. The level of data, research and analysis required is undetermined at this time and may require the assistance of a specialized third-party resource. Once initial analysis is complete a scope and timeframe for the study can be proposed.	
R5	Include in the Cannabis Program annual report, an accounting of all FTEs funded by the CTF. Implementation by December 31, 2022.
<i>Response R5</i> Board of Supervisors will implement this recommendation by December 31, 2022	
R6	Cannabis Program adopt a consistent process for inspection and check list. Implementation by December 31, 2022.
<i>Response R6</i> The Board of Supervisors has implemented this recommendation. Staff has implemented a new compliance inspection process that is both less frequent and focuses resolving existing violations. Additionally, a compliance inspection checklist has been developed which is specific to commercial cannabis activities	