Office of the Assessor

Response to the

2021-2022 Monterey County Civil Grand Jury

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

RESPONSE TO: Findings F1 thru F12

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.

Response F1:

The Assessor is not involved in this finding.

F2: The major source of cannabis revenue in Monterey County comes from assessed square footage of cultivation.

Response F2:

The Assessor is not involved in 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 business, including dispensaries processors, quality assurance testing, delivery, transportation, and disposal.

Response F3:

Assessed taxes are based upon purchase prices of Cannabis properties and reported Business Property Statements, as mandated by the Revenue and Taxation Code.

F4: In the past five years, just under $70 million has been collected in Cannabis tax revenues.

Response F4:

The Assessor is not involved in this finding.

F6: County FTEs (staff) have increased from 6 to 28 in fiscal 2021-2022 involving multiple agencies that regulate, inspect legal cannabis, and enforce the eradication of illegal cannabis in the county.

Response F6:

The Assessor's Office was not assigned any FTE related to the Cannabis Industry for fiscal year 2021-2022.

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.

Response F7:

The Assessor is not involved in this finding.

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**.**

Response F8:

The Assessor is not involved in this finding.

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.

Response F9:

The Assessor is not involved in 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.

Response F10:

The Assessor is not involved in 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.

<u>Response F11:</u>

The Assessor is not involved in this finding.

F12: Many inspections do not operate in a consistent manner nor with a standardized check list.

Response F12:

The Assessor is not involved in this finding.

RESPONSE TO: Recommendations R1 through R6

RECOMMENDATIONS

R1: Requires 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.

Response R1:

The Assessor's Office will be happy to participate in any way they can; however, their involvement should be restricted to assessments of real property and personal property.

R2: Revise Monterey County Cannabis Program webpage to include easy-to-follow directions for accessing revenues and expenditures. Implementation by December 31, 2022.

Response R2:

The Assessor's Office is not involved with the Monterey County Cannabis Program webpage.

R3: Monterey County to monitor and report on the improved property value and tax re-assessment due to Cannabis Compliance Regulations. Implementation by December 31, 2022.

Response R3:

Property values and tax reassessments are not regulated by Cannabis Compliance and regulations. Property values and tax reassessments are based upon the purchase prices of Cannabis properties and reported Property Statements

R4: Direct 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.

Response R4:

The Assessor’s Office is not involved with the Economic Development Manager.

R5: Include in the Cannabis Program annual report, an accounting of all FTEs funded by CTF. Implementation by December 31, 2022.

Response R5:

The Assessor’s Office is not involved with the Cannabis Program annual report.

R6: Cannabis Program adopt a consistent process for inspection and check list. Implementation by December 31, 2022.

Response R6:

The Assessor’s Office is not involved with process for inspection and checklist.