

## COUNTY OF LAKE CANNABIS TAX USAGE & EXPENDITURE POLICIES & PROCEDURES

### I. PURPOSE

The following policies and procedures provide history and guidelines for the expenditure of Cannabis Cultivation & Business Tax funds.

### II. HISTORY

The Cannabis Cultivation and Business Taxes, authorized by Lake County voters through Measure C and Measure K, are both general purpose taxes not designated for specific uses. For tax revenue associated with Measure C, while the funds are a general tax available for whatever purpose the Board of Supervisors deems appropriate, the impacts to law enforcement, environmental protection, and water quality protection resources were noted as particular potential needs, along with the establishment of additional education programs for County youth relating to drug and alcohol use.

Any fund category that can have its needs met through other revenue sources, including the use of grants, fees, or State provided programming will have its allocation redistributed to the Stabilization Fund if necessary or redistributed to other categories. Any unused funds remaining in an individual category will rollover and be redistributed for use the following year pursuant to the allocation detailed below.

### III. ALLOCATION OF FUNDS

- 1) *Planning/Code Enforcement/Water Resources/Environmental Health*– (20%) There has been a continued funding gap with these services in regard to cost recovery via planning fees and administrative fines. This gap is currently met by the General Fund.
- 2) *Law Enforcement* – (12.5%) - This reflects the increased for resources to provide law enforcement services. There were two deputy sheriff positions funded through the cannabis tax revenues as of 2019. This allocation would continue to fund those positions as well as potentially add additional positions as revenue increases.
- 3) *Economic Development/Housing/Risk Reduction* – (12.5%) - These areas have been identified as high priorities in the County. This allocation would provide the funding necessary to address related projects and programs.
- 4) *Youth Alcohol & Drug Education Programs* - (2.5%) - This represents the establishment or continued funding of educational programs for County youth relating to drug and alcohol use. This category represents the highest designated allocation of State discretionary spending of cannabis tax revenue, at 60% via YEPETIA, meaning that other priorities have a much lower allocation of outside revenue available to them. This has been the experience with both anticipated and already available Prop 64 Grant funding.

- 5) *CannGrant* - (10%) - This is the internal grant program which represents departmental requests for grant funds to cover both one time and recurring costs. The amount of grant funding available in a given year will depend upon of how much of this allocation must be reserved to fund previously incurred obligations.
- 6) *Workforce Retention & Development* – (30%) - There are many departments where staff is impacted by the cannabis industry, both legal and illegal in Lake County. In just reviewing some of the priorities included in Measure C, there are readily identifiable impacts to the Sheriff, District Attorney, Probation, Public Defender, County Counsel, Agriculture, Community Development, Public Works, Water Resources, and Environmental Health. There are more indirect, less quantifiable impacts that touch nearly every department requiring staff time. With the County’s recognition that staff represents both its greatest cost and resource, cannabis tax can support this recurring and steadily growing expense.
- 7) *Board of Supervisors Discretionary Spending Fund* – (\$500,000) - The \$500,000 allocation would be split evenly across the 5 districts. This resulting \$100,000 would be available to at the discretion of each Supervisor to spend wherever the greatest need exists within their district. The spending does not need to meet the criteria defined in any of the discussed categories.
- 8) *Cannabis Revenue Stabilization Fund* – (Up to One Year of Ongoing Expenses) – This allocation would be adjusted to reflect whatever allocation would be necessary to achieve a balance equal to one year of expected ongoing expense. This provides for smoothing of potential revenue shortfalls and allow the aforementioned services to be fully funded without the need for cuts to services. Allocations to the Stabilization Fund would cease so long as a balance approximating ongoing expenses is achieved.
- 9) *Capital Improvement & Deferred Maintenance Fund* – (\$1,000,000) – Due to past funding shortfalls, there are many county facilities that are in need of necessary repairs and improvements. The \$1,000,000 allocation would allow these deferred actions to be addressed.

The Cannabis Tax allocation, as described above, shall be regularly reviewed during County budget cycle. The purpose of the review is to determine whether or not the Cannabis Tax allocations specified above should be revised to most effectively service the goals detailed above.