

12. 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 programs for County youth.

The allocated dollar figures for the fund categories will be funded first from the cannabis tax revenues during the year. Next, the percentage based categories will have funds allocated based on the remaining balance of revenue.

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. FUNDING PROCEDURE

The Cannabis Tax Committee will serve as the primary point of contact and review for those departments requesting funds pursuant to Categories #1 - #4 below. A department head would approach the Committee with a proposed use, providing sufficient detail on the request and cost for the Committee to make an informed decision. Similarly, the Road Map Task Force will be the primary point of contact and review for those requests within its purview.

In the event that that a Supervisor, rather than a department head, needs to bring a request forward pursuant to this policy an item will then be placed on the next available Board of Supervisors agenda. At this point, the Board can have a preliminary discussion on the item and determine whether the item should be referred to the Committee for more in depth analysis and implementation.

The same processes discussed above shall apply to Category #5. However, since the Board has not already allocated the funds towards a particular purpose, a Committee recommended request shall be placed on the consent agenda for the next available Board of Supervisors meeting. This ensures an opportunity for all Supervisors to review prior to final approval.

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IV. ALLOCATION OF FUNDS

- 1) *Planning/Code Enforcement/Water Resources/Environmental Health* – (30%) 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* – (30%) - This reflects the increased d allocation for resources to provide law enforcement services. There were two deputy sheriff positions funded through the cannabis tax revenues starting in 2019. In 2020, an additional position was added for the Sheriff to participate in a code enforcement task force, along with the funding to acquire Automated License Plate Readers.
- 3) *Economic Development/Housing/Risk Reduction* – (30%) - 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 Programs* - (10%) - This represents the establishment or continued funding of programs for County youth. This category represents the highest designated allocation of State discretionary spending of cannabis tax revenue, at 60% via YEPEITA, 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* - (\$500,000) – This allocation can be used to fund projects that are not encompassed by one of the existing allocations. These grants would be awarded through the procedure described in Section III.
- 6) *Workforce Retention & Development* – (\$3,250,000) - 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. These funds will be allocated as necessary to offset General Fund costs.
- 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.

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8) *Cannabis Revenue Stabilization Fund* – (Minimum of One Year of Ongoing Expenses) – This allocation would be adjusted to reflect whatever allocation would be necessary to achieve a balance equal to at least 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. These funds will also be available to satisfy remaining obligations from CannGrants awarded in the prior fiscal year that have not yet been completed.

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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.

10) *Road Map Task Force* – (\$1,000,000) – This provides funding for the Board designated task force to focus on community revitalization efforts in this fiscal year's designated target area.

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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.

(Adopted by the Board of Supervisors 10/27/20)