

## Communication from Public

**Name:** Mayra Delgado

**Date Submitted:** 04/25/2025 01:34 PM

**Council File No:** 25-0418

**Comments for Public Posting:** To the Honorable Members of the Los Angeles City Council and Budget and Finance Committee, My name is Mayra Delgado, and I am writing on behalf of the many licensed cannabis operators in Los Angeles who will be profoundly impacted by the proposed FY 2025–26 budget for the Department of Cannabis Regulation (DCR). This budget proposal represents more than a shift in funding—it signifies a critical tipping point in the sustainability of the legal cannabis industry in Los Angeles. The decision before you will not only determine how DCR operates in the coming year, but also whether hundreds of compliant businesses, including Social Equity Applicants, can afford to remain in the regulated market at all. **Drastic Fee Increases with No Added Benefits** Under this budget, many licensees will see a 45% to 65% increase in their annual licensing and compliance costs. For a single storefront retailer, that could mean an additional \$13,720 in fees each year. For a vertically integrated operation with multiple licenses, the increase could exceed \$40,000 annually. These are not marginal adjustments—they are destabilizing, especially for small businesses, equity licensees, and legacy operators. And yet, the proposal offers no meaningful service improvements in return. There are no commitments to faster license processing, more predictable inspection timelines, or enhanced applicant support. Licensees will pay significantly more—without seeing a return in transparency, efficiency, or results. **Fee Revenue Used to Expand DCR’s Internal Operations** Instead of investing in tools that help businesses comply or succeed, over 70% of new fee revenue is allocated toward internal salaries, staffing, and administrative costs. At the same time, enforcement funding to address the unlicensed market—a critical concern for legal operators—is being eliminated from the budget entirely. This sends the wrong message. It suggests that compliance comes with increasing financial burdens, while non-compliance carries fewer risks. It rewards those operating illegally and penalizes those trying to do things the right way. **Elimination of General Fund Support** The DCR is proposing to eliminate all General Fund support and instead rely solely on license fee revenue. This puts the entire weight of the department’s operations on the backs of licensed cannabis businesses—despite the fact that the cannabis industry contributes millions annually to the City’s general fund through

sales taxes, Measure M, and other revenue sources. No other department is expected to achieve 100% cost recovery from its regulated population—why should cannabis operators be held to this standard, especially in a time of economic instability? Unused Special Revenue Reserves Adding to the concern, the DCR currently has over \$21 million in its Special Revenue Fund, yet no plan has been presented to use these funds to offset the fee increases or support struggling operators. This reserve could be used to create a more measured transition toward cost recovery, provide grants or fee waivers for equity applicants, or invest in licensing system improvements. Instead, it sits idle while fees are set to surge.

**Negative Impact on Social Equity Goals** The cannabis industry in Los Angeles was built on the promise of equity—of correcting harms and creating pathways for communities historically impacted by the War on Drugs. But this budget proposal undermines that promise. It raises barriers to entry and increases costs on operators least able to absorb them, threatening to reverse the progress made toward a more inclusive, just industry. Many Social Equity Applicants already struggle with compliance costs, legal fees, and limited access to capital. By raising fees without providing targeted support, the City risks creating an equity program in name only.

**A Call for Reform, Not Retrenchment** Los Angeles should be a national leader in thoughtful, community-centered cannabis regulation. That requires a regulatory system that is responsive, accountable, and supportive—not punitive or inaccessible. I respectfully urge you to:

- \* Reject the DCR's proposed budget in its current form.
- \* Mandate a phased fee increase that gives operators time to adjust.
- \* Require the use of DCR's Special Revenue Fund to offset short-term impacts.
- \* Restore funding for enforcement against unlicensed operators.
- \* Tie any future staffing increases to measurable performance improvements.
- \* Center the needs of Social Equity Applicants in all budgetary decisions.

This is a moment to course-correct. To listen to those who are invested in building a successful, compliant, and equitable cannabis industry in Los Angeles—and to lead with policy that reflects those values. Thank you for your time, and for your commitment to fairness, accountability, and community in this vital policy area.

Respectfully, Mayra Delgado  
Cannabis Business Development

## **Policy Memo: Recommendations to Alleviate Financial Burdens on Cannabis License Holders**

**To:** Los Angeles Department of Cannabis Regulation (DCR), Budget and Finance Committee, and City Council Members

**From:** Mayra Delgado/leafead

**Subject:** Sustainable Alternatives to Proposed FY 2025–26 Fee Hikes

**Date:** 4/25/25

Re: Department of Cannabis Regulation 2025–26 Budget Proposal

### **Overview**

In light of the proposed FY 2025–26 budget for the Department of Cannabis Regulation (DCR) and the current tax crisis facing Los Angeles cannabis businesses, we submit the following recommendations to mitigate financial strain on license holders. Without immediate action, the combined impact of high local taxes, steep state excise taxes, and proposed regulatory fee increases may force many legal businesses into closure or noncompliance—particularly small, independent, and Social Equity operators.

### **Recommendations**

#### **1. Utilize DCR's \$21 Million Special Revenue Fund**

DCR currently holds over \$21 million in its Special Revenue Fund. A portion of this reserve should be used to:

- Offset annual license fees and renewal costs for small and Social Equity operators
- Launch a Fee Rebate Program for businesses in full compliance
- Support infrastructure improvements (portal upgrades, technical assistance, training)

#### **2. Implement Tiered Fee Structures Based on Revenue**

Adopt a sliding scale fee model to ensure that fees reflect an operator's ability to pay:

- Under \$500K/year in revenue = 50% of base fee
- \$500K–\$2M = standard base fee
- Over \$2M = 125% of base fee

This model has been successfully applied in cities like Oakland and Berkeley and fosters a more equitable licensing system.

#### **3. Phase in Full Cost Recovery Over 3–5 Years**

Rather than implementing steep increases all at once, DCR should propose a phased approach:

- Year 1: 25% increase
- Year 2: 50% increase
- Year 3: Full cost recovery (if necessary)

This approach allows licensees time to budget, grow, and adapt, while preventing immediate financial shocks.

#### **4. Introduce Fee Waivers and Hardship Relief Programs**

Offer full or partial fee forgiveness to:

- Social Equity Applicants in good compliance
- Licensees with demonstrated financial hardship
- Startups in their first 1–2 years of operation

This program could be supported using grant funds or the Special Revenue Fund.

#### **5. Recommend Local Cannabis Tax Relief Measures**

DCR should use its influence and data to support the following policy reforms:

- Cap local gross receipts taxes for retailers and distributors at 1–2%
- Suspend local tax collection for new equity operators during their initial startup period
- Explore tying local taxes to net income, rather than gross revenue

#### **6. Invest in Cost-Saving Operational Efficiencies**

Rather than expanding DCR headcount, invest in technologies that streamline services:

- Automated license renewal and compliance tracking
- Virtual inspections when possible
- Outsourcing non-core activities (e.g., training, navigation support) to community nonprofits

#### **7. Publicly Support State-Level Cannabis Tax Reform**

Join other California jurisdictions and trade associations in advocating for:

- Reduction or suspension of the state excise tax
- Reform of the cultivation tax
- Greater flexibility for local tax reinvestment

### **Conclusion**

The City of Los Angeles has a clear choice: support a sustainable and inclusive legal cannabis market, or risk destabilizing it through aggressive cost recovery strategies that disproportionately impact those least able to pay.

We urge DCR and the City Council to adopt a more equitable path forward—one that preserves public revenue while protecting jobs, reducing the illicit market, and fulfilling the promises of the Social Equity Program.

**Respectfully submitted,**

Mayra Delgado

Cannabis Compliance Officer

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## Communication from Public

**Name:** Sam Kon

**Date Submitted:** 04/25/2025 01:51 PM

**Council File No:** 25-0418

**Comments for Public Posting:** Dear Chair Blumenfield and Members of the Budget and Finance Committee, My name is Sam Kon, and I am a licensed cannabis operator in Los Angeles. I'm writing to express strong opposition to the proposed FY 2025–26 budget for the Department of Cannabis Regulation (DCR). As a small business owner who has followed every rule, paid every fee, and committed to operating legally, this proposal feels like a betrayal. The proposed 45% to 65% fee increases will cost operators like me \$13,000 to \$41,000 more annually — with no service improvements, no increased enforcement, and no added value for license holders. This budget shifts the cost of running DCR entirely onto licensees, while cutting critical services like enforcement against the illicit market. Meanwhile, DCR holds over \$21 million in unused special revenue — funds that could and should be used to offset these increases. If this budget is approved as-is, it will push many of us out of the legal market — especially Social Equity Applicants and small, legacy operators. It threatens jobs, compliance, and the stability of the local industry. I respectfully urge the Committee to: \* Reject the current budget proposal; \* Require DCR to phase in cost recovery over multiple years; \* Use its special fund to reduce burdens on operators; \* Restore funding for enforcement against unlicensed activity; \* Tie fee increases to improved services and measurable accountability. Thank you for your time and attention to this matter. Sincerely, Sam Kon Kolor Konzept Inc