

**DEPARTMENT OF  
CANNABIS REGULATION**

CANNABIS REGULATION  
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April 21, 2021

Honorable Members of the City Council  
Budget and Finance Committee  
c/o Office of the City Clerk  
City Hall, Room 395  
Los Angeles, California 90012

Attention: Richard Williams, Legislative Assistant II

**DEPARTMENT OF CANNABIS REGULATION 2021-22 PROPOSED BUDGET**

Dear Honorable Members:

The Department of Cannabis Regulation (Department) appreciates the funding and resources included in the Mayor's Fiscal Year (FY) 2021-22 Proposed Budget. The Department would like to thank the Mayor and his Budget Team for their support during the budget process and for continuing key resources that support the Department's licensing, social equity, public education and outreach, and compliance programs. As a part of the funding dedicated specifically to Racial and Social Justice, the Proposed Budget allocates \$3 million for Business, Licensing, and Compliance assistance to support the City's Social Equity Program to help cannabis entrepreneurs from communities hit hardest by the war on drugs. This represents the second year of the City's three-year funding commitment to establish a Social Equity Program.

During our budget hearing, the Department looks forward to discussing several important issues with your Committee, including but not limited to:

- The mission and status of the Social Equity Program
- Community reinvestment funded by new cannabis tax revenue
- Coordinated and equitable enforcement strategies and related funding

**Overview of Commercial Cannabis Fees and Tax Receipts**

The Department of Cannabis Regulation continues to administer its licensing and regulatory programming expanding the number of businesses lawfully authorized to engage in commercial cannabis activity within the City of Los Angeles. In addition to processing annual license applications for approximately 435 *existing* commercial cannabis businesses with Temporary Approval and processing approximately 598 additional applications for *existing* businesses that have yet to receive Temporary Approval during FY 2021-22, the Department will continue to expand its responsibilities by accepting and processing additional applications for *new* businesses. By June 30, 2022, the Department anticipates that a minimum of 1,000

businesses will have local authorization or Temporary Approval to engage in commercial cannabis activity within the City.

Commercial cannabis business activity provides three direct sources of revenue to the City: license fees and fines, business taxes, and sales taxes. License fees and fines are deposited into the Department's Cannabis Regulation Special Revenue Trust Fund to offset the Department's direct and indirect operational costs, while business and sales tax receipts are deposited into the General Fund as unrestricted revenue. Since the beginning of the City's medical and adult-use commercial cannabis licensing and regulatory program on January 1, 2018, commercial cannabis business tax and sales tax revenue has increased significantly.

Commercial cannabis businesses are projected to remit \$157.7 million in business taxes next year which represents a 25% increase. Additionally, the Department anticipates \$22 million in special fund revenue from cannabis application and license fees. These amounts will continue to expand provided the Department is allowed to move forward in its efforts to license new cannabis businesses. The City anticipates a steady expansion of cannabis-related revenue. Commercial cannabis businesses are essential businesses within the City that continue to operate during the Safer at Home Executive Order.

**Conclusion:**

The Department recognizes the budgetary constraints the City faces in FY 2021-22 and is prepared to contribute to the City's overall fiscal health by ensuring licensed commercial cannabis business activities advance as projected and continue to provide an on-going revenue stream to the City.

We appreciate your leadership, as well as your careful consideration of our budget request and look forward to discussing these important items with the Committee.

Thank you for the opportunity to address your Committee. If you have any questions, please contact me at (213) 978-0738.

Sincerely,



CAT PACKER  
Executive Director  
Department of Cannabis Regulation

- c: Honorable Nury Martinez, City Council President  
Ana Guerrero, Chief of Staff, Office of the Mayor  
Matt Szabo, Deputy Chief of Staff, Office of the Mayor  
Jeanne Holm, Deputy Mayor of Budget and Innovation  
William Chun, Deputy Mayor of Economic Development  
Sharon Tso, Chief Legislative Analyst  
Richard H. Llewellyn, Jr., City Administrative Officer  
Nicholas Campbell, City Administrative Officer  
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