

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: June 15, 2023

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Iso *Anak Keotahian - rg For* Council File No: 23-0002-S47
Chief Legislative Analyst Assignment No: 23-06-0324

SUBJECT: AB 1565 (Jones-Sawyer) – California Cannabis Tax Fund; Local Equity Program Grants

CLA RECOMMENDATION: Adopt Resolution (Price – Harris-Dawson) to include in the City’s 2023-24 State Legislative Program SUPPORT for AB 1565 (Jones-Sawyer) which would require the State Controller to appropriate and disburse funding annually that directly furthers the purpose of the Social Equity Program.

SUMMARY: On April 12, 2023, Resolution (Price – Harris-Dawson) was introduced in support of AB 1565 (Jones-Sawyer), which would require the State Controller to appropriate and disburse up to \$15 million in funding annually that directly furthers the purposes of the Social Equity Program. The Resolution states the City has adopted a Social Equity Program with a mission to promote equitable ownership and employment opportunities in the cannabis industry in an effort to decrease disparities in life outcomes for marginalized communities, and address the disproportionate impacts of the War on Drugs. According to the Resolution, AB 1565 would require the State Controller to disburse funding to the State’s Department of Cannabis Control which would administer these funds for local equity programs and assist local equity applicants and licensees. The Resolution indicates that AB 1565 would help further the mission of the City’s Social Equity Program by helping applicants and licensees gain entry into, and successfully operate in, the State’s regulated cannabis marketplace.

Therefore, the Resolution seeks an official position of the City of Los Angeles to support AB 1565 (Jones-Sawyer) which would require the State Controller to appropriate and disburse funding annually that directly furthers the purpose of the Social Equity Program.

BACKGROUND: In 2016, proponents of the Adult Use of Marijuana Act (AUMA) argued that the State’s legalization of recreational cannabis should recognize and address the historical effects of cannabis prohibition on low-income and minority populations, as a lawful industry begins to profit and enter the regulated marketplace. Prior to the legalization of recreational cannabis, individuals engaging in the use of cannabis were incarcerated for activities that were now made legal by the AUMA. Due to this, proponents of the AUMA argued that communities that have been disproportionately impacted by the illegality of cannabis use should be afforded an opportunity to participate in the legalized marketplace.

Compliance with cannabis licensing laws, both at the local and state level, in addition to standard business start-up costs, have been shown to create significant barriers for populations without access to capital or financing to enter the cannabis industry. SB 1294 (Bradford; 2018), also known as the California Cannabis Equity Act (Equity Act), codified the state’s recognition of local equity programs

designed to enable populations or neighborhoods that were negatively or disproportionately impacted by cannabis criminalization to become participants in the cannabis marketplace. Through the Equity Act, local jurisdictions could apply for and receive grant funding for the purposes of providing technical assistance to local equity applicants or licensees seeking to gain entry into the cannabis marketplace. Over the last several years, the City's Department of Cannabis Regulation has received grant funding from the Equity Act, and has used this funding to assist with startup and ongoing costs, and technical and business development assistance for applicants and participants in the City's Social Equity Program.

AB 1565 (Jones-Sawyer) would supplement funding for local equity programs by amending Cannabis Tax Law to create a new required annual disbursement from the Cannabis Tax Fund of up to \$15 million. This funding would be disbursed by the Department of Cannabis Control to provide support for local equity applicants and licensees in gaining entry into the state's regulated cannabis marketplace. The author of the bill notes that AB 1565 would provide front-end support to help reduce barriers to entry, as well as increase access for local equity applicants and licensees to other forms of state assistance (e.g., tax credits). It should be noted that if passed, this bill's provisions would not go into effect until July 1, 2028, as Proposition 64 (Adult Use of Marijuana Act) expressly prohibits the Legislature from changing how funds are allocated within the Cannabis Tax Fund.


Support for AB 1565 (Jones-Sawyer) would be consistent with past and current City support for State legislation associated with the provision of grant funding that assists with local equity programs.

DEPARTMENTS NOTIFIED

Department of Cannabis Regulation

BILL STATUS

02/17/23	Introduced.
05/31/23	Passed in Assembly and order to the Senate.
06/14/23	Referred to Senate Committee on Business, Professions, and Economic Development.


Steve Luu
Analyst

SMT:sl

Attachments: 1. Resolution (Price – Harris-Dawson)
2. AB 1565 (Jones-Sawyer)

RESOLUTION

~~RULES, ELECTIONS, INTERGOVERNMENTAL RELATIONS~~

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must first have been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the Control, Regulate and Tax Adult Use of Marijuana Act was approved by the voters of California in November 2016, and granted the state the authority to tax and regulate the adult-use of cannabis; and

WHEREAS, Measure M was approved by voters in the City of Los Angeles in March 2017, and granted the City Council the authority to tax and regulate adult-use cannabis within the City of Los Angeles; and

WHEREAS, the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA) requires that cannabis businesses obtain a license from both the State of California and their local jurisdiction in order to conduct lawful commercial cannabis activity; and


WHEREAS, the City of Los Angeles has adopted a Social Equity Program with a mission to promote equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities, and to address the disproportionate impacts of the War on Drugs in these communities; and

WHEREAS, AB 1565 (Jones-Sawyer) is a bill currently pending in the State legislature that would require the Controller to disburse up to \$15,000,000 to the State of California's Department of Cannabis Control effective July 1, 2028, and every fiscal year thereafter;

WHEREAS, the passage of AB 1565 (Jones-Sawyer) would support Social Equity Program Applicants and Licensees in the City of Los Angeles and furthers the mission of the Social Equity Program by assisting equity applicants and licensees gaining entry into, and successfully operating in, the State's regulated cannabis marketplace;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by adoption of this Resolution, the City of Los Angeles hereby includes in the 2023-2024 State Legislative Program SUPPORT for AB 1565 (Jones-Sawyer) to require the Controller to appropriate and disburse funding annually that directly furthers the purpose of the Social Equity Program.

PRESENTED BY:


CURREN D. PRICE, JR.
Councilmember, 9th District

SECONDED BY:



APR 12 2023



ORIGINAL

ASSEMBLY BILL

No. 1565

Introduced by Assembly Member Jones-Sawyer

February 17, 2023

An act to amend Section 34019 of the Revenue and Taxation Code, relating to taxation, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1565, as introduced, Jones-Sawyer. California Cannabis Tax Fund: local equity program grants.

Existing law, the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA), an initiative measure, authorizes a person who obtains a state license under AUMA to engage in commercial adult-use cannabis activity pursuant to that license and applicable local ordinances. The Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), among other things, consolidates the licensure and regulation of commercial medicinal and adult-use cannabis activities. MAUCRSA establishes the Department of Cannabis Control within the Business, Consumer Services, and Housing Agency to administer the act.

Under existing law, the California Cannabis Equity Act, a local equity program is a program adopted or operated by a local jurisdiction that focuses on inclusion and support of individuals and communities in California's cannabis industry who are linked to populations or neighborhoods that were negatively or disproportionately impacted by cannabis criminalization, as specified. The act authorizes the department to provide technical assistance to a local equity program that helps local equity applicants or local equity licensees, as defined. Under that act, the Governor's Office of Business and Economic Development is

required to administer a grant program to assist a local jurisdiction with the development of a local equity program or to assist local equity applicants and local equity licensees through a local equity program, as specified.

Existing law establishes the California Cannabis Tax Fund as a continuously appropriated special fund consisting of specified taxes, interest, penalties, and other amounts related to commercial cannabis activity. Each fiscal year, AUMA requires the Controller to make disbursements from the fund pursuant to a specified schedule. Existing law authorizes the Legislature to amend, on and after July 1, 2028, the provisions relating to the disbursement and allocation of moneys in the fund by majority vote to further the purposes of AUMA, as specified.

This bill would require, effective July 1, 2028, the Controller to disburse up to \$15,000,000, as specified, to the department for the 2028–29 fiscal year and every fiscal year thereafter. The bill would require the department to use the disbursements to support local equity programs in eligible local jurisdictions to assist local equity applicants and licensees gaining entry into, and to successfully operate in, the state’s regulated cannabis marketplace, as specified. By expanding the purposes for which continuously appropriated moneys may be used, the bill would make an appropriation. The bill would declare that its provisions further the purposes and intent of AUMA.

Vote: majority. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 34019 of the Revenue and Taxation Code
2 is amended to read:
3 34019. (a) (1) For each fiscal year, the Department of Finance
4 shall estimate revenues to be received pursuant to Sections 34011,
5 34011.2, and 34012 and provide those estimates to the Controller
6 no later than June 15 of each year. The Controller shall use these
7 estimates when disbursing funds pursuant to this section. Except
8 as provided in paragraph (2), before any funds are disbursed
9 pursuant to subdivisions (b), (c), (d), and (e) of this section, the
10 Controller shall disburse from the tax fund to the appropriate
11 account, without regard to fiscal year, the following:

1 (A) Reasonable costs incurred by the board for administering
2 and collecting the taxes imposed by this part; provided, however,
3 such costs shall not exceed 4 percent of tax revenues received.

4 (B) Reasonable costs incurred by the Department of Cannabis
5 Control for implementing, administering, and enforcing Division
6 10 (commencing with Section 26000) of the Business and
7 Professions Code to the extent those costs are not reimbursed
8 pursuant to Section 26180 of the Business and Professions Code.
9 This paragraph shall remain operative through the 2022–23 fiscal
10 year.

11 (C) Reasonable costs incurred by the Department of Fish and
12 Wildlife, the State Water Resources Control Board, and the
13 Department of Pesticide Regulation for carrying out their respective
14 duties under Division 10 (commencing with Section 26000) of the
15 Business and Professions Code to the extent those costs are not
16 otherwise reimbursed.

17 (D) Reasonable costs incurred by the Governor’s Office of
18 Business and Economic Development for implementing,
19 administering, and enforcing Chapter 23 (commencing with Section
20 26240) of Division 10 of the Business and Professions Code.

21 (E) Reasonable costs incurred by the Controller for performing
22 duties imposed by the Control, Regulate and Tax Adult Use of
23 Marijuana Act, including the audit required by Section 34020.

24 (F) Reasonable costs incurred by the Department of Finance
25 for conducting the performance audit pursuant to Section 26191
26 of the Business and Professions Code.

27 (G) Reasonable costs incurred by the Legislative Analyst’s
28 Office for performing duties imposed by Section 34017.

29 (H) Sufficient funds to reimburse the Division of Labor
30 Standards Enforcement and the Division of Occupational Safety
31 and Health within the Department of Industrial Relations and the
32 Employment Development Department for the costs of applying
33 and enforcing state labor laws to licensees under Division 10
34 (commencing with Section 26000) of the Business and Professions
35 Code.

36 (2) Notwithstanding paragraph (1), the Controller shall not make
37 disbursements pursuant to subparagraph (A), (B), (C), (E) or (H)
38 for the 2022–23 and 2023–24 fiscal years.

39 (b) The Controller shall next disburse the sum of ten million
40 dollars (\$10,000,000) to a public university or universities in

1 California annually beginning with the 2018–19 fiscal year until
2 the 2028–29 fiscal year to research and evaluate the implementation
3 and effect of the Control, Regulate and Tax Adult Use of Marijuana
4 Act, and shall, if appropriate, make recommendations to the
5 Legislature and Governor regarding possible amendments to the
6 Control, Regulate and Tax Adult Use of Marijuana Act. The
7 recipients of these funds shall publish reports on their findings at
8 a minimum of every two years and shall make the reports available
9 to the public. The Department of Cannabis Control shall select the
10 universities to be funded. The research funded pursuant to this
11 subdivision shall include but not necessarily be limited to:

12 (1) Impacts on public health, including health costs associated
13 with cannabis use, as well as whether cannabis use is associated
14 with an increase or decrease in use of alcohol or other drugs.

15 (2) The impact of treatment for maladaptive cannabis use and
16 the effectiveness of different treatment programs.

17 (3) Public safety issues related to cannabis use, including
18 studying the effectiveness of the packaging and labeling
19 requirements and advertising and marketing restrictions contained
20 in the act at preventing underage access to and use of cannabis and
21 cannabis products, and studying the health-related effects among
22 users of varying potency levels of cannabis and cannabis products.

23 (4) Cannabis use rates, maladaptive use rates for adults and
24 youth, and diagnosis rates of cannabis-related substance use
25 disorders.

26 (5) Cannabis market prices, illicit market prices, tax structures
27 and rates, including an evaluation of how to best tax cannabis
28 based on potency, and the structure and function of licensed
29 cannabis businesses.

30 (6) Whether additional protections are needed to prevent
31 unlawful monopolies or anticompetitive behavior from occurring
32 in the adult-use cannabis industry and, if so, recommendations as
33 to the most effective measures for preventing such behavior.

34 (7) The economic impacts in the private and public sectors,
35 including, but not necessarily limited to, job creation, workplace
36 safety, revenues, taxes generated for state and local budgets, and
37 criminal justice impacts, including, but not necessarily limited to,
38 impacts on law enforcement and public resources, short- and
39 long-term consequences of involvement in the criminal justice

1 system, and state and local government agency administrative
2 costs and revenue.

3 (8) Whether the regulatory agencies tasked with implementing
4 and enforcing the Control, Regulate and Tax Adult Use of
5 Marijuana Act are doing so consistent with the purposes of the
6 act, and whether different agencies might do so more effectively.

7 (9) Environmental issues related to cannabis production and the
8 criminal prohibition of cannabis production.

9 (10) The geographic location, structure, and function of licensed
10 cannabis businesses, and demographic data, including race,
11 ethnicity, and gender, of licenseholders.

12 (11) The outcomes achieved by the changes in criminal penalties
13 made under the Control, Regulate and Tax Adult Use of Marijuana
14 Act for cannabis-related offenses, and the outcomes of the juvenile
15 justice system, in particular, probation-based treatments and the
16 frequency of up-charging illegal possession of cannabis or cannabis
17 products to a more serious offense.

18 (c) The Controller shall next disburse the sum of three million
19 dollars (\$3,000,000) annually to the Department of the California
20 Highway Patrol beginning with the 2018–19 fiscal year until the
21 2022–23 fiscal year to establish and adopt protocols to determine
22 whether a driver is operating a vehicle while impaired, including
23 impairment by the use of cannabis or cannabis products, and to
24 establish and adopt protocols setting forth best practices to assist
25 law enforcement agencies. The department may hire personnel to
26 establish the protocols specified in this subdivision. In addition,
27 the department may make grants to public and private research
28 institutions for the purpose of developing technology for
29 determining when a driver is operating a vehicle while impaired,
30 including impairment by the use of cannabis or cannabis products.

31 (d) The Controller shall next disburse the sum of ten million
32 dollars (\$10,000,000) beginning with the 2018–19 fiscal year and
33 increasing ten million dollars (\$10,000,000) each fiscal year
34 thereafter until the 2022–23 fiscal year, at which time the
35 disbursement shall be fifty million dollars (\$50,000,000) each year
36 thereafter, to the Governor’s Office of Business and Economic
37 Development, in consultation with the Labor and Workforce
38 Development Agency and the State Department of Social Services,
39 to administer a community reinvestments grants program to local
40 health departments and at least 50 percent to qualified

1 community-based nonprofit organizations to support job placement,
2 mental health treatment, substance use disorder treatment, system
3 navigation services, legal services to address barriers to reentry,
4 and linkages to medical care for communities disproportionately
5 affected by past federal and state drug policies. The office shall
6 solicit input from community-based job skills, job placement, and
7 legal service providers with relevant expertise as to the
8 administration of the grants program. In addition, the office shall
9 periodically evaluate the programs it is funding to determine the
10 effectiveness of the programs, shall not spend more than 4 percent
11 for administrative costs related to implementation, evaluation, and
12 oversight of the programs, and shall award grants annually,
13 beginning no later than January 1, 2020.

14 (e) The Controller shall next disburse the sum of two million
15 dollars (\$2,000,000) annually to the University of California San
16 Diego Center for Medicinal Cannabis Research to further the
17 objectives of the center, including the enhanced understanding of
18 the efficacy and adverse effects of cannabis as a pharmacological
19 agent.

20 (f) By July 15 of each fiscal year beginning in the 2018–19
21 fiscal year, the Controller shall, after disbursing funds pursuant to
22 subdivisions (a), (b), (c), (d), and (e), disburse funds deposited in
23 the tax fund during the prior fiscal year into sub-trust accounts,
24 which are hereby created, as follows:

25 (1) Sixty percent shall be deposited in the Youth Education,
26 Prevention, Early Intervention and Treatment Account, and
27 disbursed by the Controller to the State Department of Health Care
28 Services for programs for youth that are designed to educate about
29 and to prevent substance use disorders and to prevent harm from
30 substance use. The State Department of Health Care Services shall
31 enter into interagency agreements with the State Department of
32 Public Health and the State Department of Education to implement
33 and administer these programs. The programs shall emphasize
34 accurate education, effective prevention, early intervention, school
35 retention, and timely treatment services for youth, their families,
36 and caregivers. The programs may include, but are not limited to,
37 the following components:

38 (A) Prevention and early intervention services including
39 outreach, risk survey and education to youth, families, caregivers,
40 schools, primary care health providers, behavioral health and

1 substance use disorder service providers, community and
2 faith-based organizations, fostercare providers, juvenile and family
3 courts, and others to recognize and reduce risks related to substance
4 use, and the early signs of problematic use and of substance use
5 disorders.

6 (B) Grants to schools to develop and support student assistance
7 programs, or other similar programs, designed to prevent and
8 reduce substance use, and improve school retention and
9 performance, by supporting students who are at risk of dropping
10 out of school and promoting alternatives to suspension or expulsion
11 that focus on school retention, remediation, and professional care.
12 Schools with higher than average dropout rates should be
13 prioritized for grants.

14 (C) Grants to programs for outreach, education, and treatment
15 for homeless youth and out-of-school youth with substance use
16 disorders.

17 (D) Access and linkage to care provided by county behavioral
18 health programs for youth, and their families and caregivers, who
19 have a substance use disorder or who are at risk for developing a
20 substance use disorder.

21 (E) Youth-focused substance use disorder treatment programs
22 that are culturally and gender competent, trauma informed,
23 evidence based, and that provide a continuum of care that includes
24 screening and assessment (substance use disorder as well as mental
25 health), early intervention, active treatment, family involvement,
26 case management, overdose prevention, prevention of
27 communicable diseases related to substance use, relapse
28 management for substance use and other cooccurring behavioral
29 health disorders, vocational services, literacy services, parenting
30 classes, family therapy and counseling services, medication-assisted
31 treatments, psychiatric medication, and psychotherapy. When
32 indicated, referrals must be made to other providers.

33 (F) To the extent permitted by law and where indicated,
34 interventions shall utilize a two-generation approach to addressing
35 substance use disorders with the capacity to treat youth and adults
36 together. This would include supporting the development of
37 family-based interventions that address substance use disorders
38 and related problems within the context of families, including
39 parents, foster parents, caregivers, and all their children.

1 (G) Programs to assist individuals, as well as families and
2 friends of drug using young people, to reduce the stigma associated
3 with substance use including being diagnosed with a substance
4 use disorder or seeking substance use disorder services. This
5 includes peer-run outreach and education to reduce stigma,
6 anti-stigma campaigns, and community recovery networks.

7 (H) Workforce training and wage structures that increase the
8 hiring pool of behavioral health staff with substance use disorder
9 prevention and treatment expertise. Provide ongoing education
10 and coaching that increases substance use treatment providers'
11 core competencies and trains providers on promising and
12 evidenced-based practices.

13 (I) Construction of community-based youth treatment facilities.

14 (J) The departments may contract with each county behavioral
15 health program for the provision of services.

16 (K) Funds shall be allocated to counties based on demonstrated
17 need, including the number of youth in the county, the prevalence
18 of substance use disorders among adults, and confirmed through
19 statistical data, validated assessments, or submitted reports prepared
20 by the applicable county to demonstrate and validate need.

21 (L) The departments shall periodically evaluate the programs
22 they are funding to determine the effectiveness of the programs.

23 (M) The departments may use up to 4 percent of the moneys
24 allocated to the Youth Education, Prevention, Early Intervention
25 and Treatment Account for administrative costs related to
26 implementation, evaluation, and oversight of the programs.

27 (N) If the Department of Finance ever determines that funding
28 pursuant to cannabis taxation exceeds demand for youth prevention
29 and treatment services in the state, the departments shall provide
30 a plan to the Department of Finance to provide treatment services
31 to adults as well as youth using these funds.

32 (O) The departments shall solicit input from volunteer health
33 organizations, physicians who treat addiction, treatment
34 researchers, family therapy and counseling providers, and
35 professional education associations with relevant expertise as to
36 the administration of any grants made pursuant to this paragraph.

37 (P) On or before July 10, 2023, the State Department of Health
38 Care Services shall provide to the Legislature, pursuant to Section
39 9795 of the Government Code, a spending report of funds from
40 the Youth Education, Prevention, Early Intervention and Treatment

Account for the 2021–22 and 2022–23 fiscal years. On or before July 10, 2024, and annually thereafter, the State Department of Health Care Services shall provide to the Legislature, pursuant to Section 9795 of the Government Code, a spending report of funds from the Youth Education, Prevention, Early Intervention and Treatment Account for the prior fiscal year.

(2) Twenty percent shall be deposited in the Environmental Restoration and Protection Account, and disbursed by the Controller as follows:

(A) To the Department of Fish and Wildlife and the Department of Parks and Recreation for the cleanup, remediation, and restoration of environmental damage in watersheds affected by cannabis cultivation and related activities including, but not limited to, damage that occurred prior to enactment of this part, and to support local partnerships for this purpose. The Department of Fish and Wildlife and the Department of Parks and Recreation may distribute a portion of the funds they receive from the Environmental Restoration and Protection Account through grants for purposes specified in this paragraph.

(B) To the Department of Fish and Wildlife and the Department of Parks and Recreation for the stewardship and operation of state-owned wildlife habitat areas and state park units in a manner that discourages and prevents the illegal cultivation, production, sale, and use of cannabis and cannabis products on public lands, and to facilitate the investigation, enforcement, and prosecution of illegal cultivation, production, sale, and use of cannabis or cannabis products on public lands.

(C) To the Department of Fish and Wildlife to assist in funding the watershed enforcement program and multiagency taskforce established pursuant to subdivisions (b) and (c) of Section 12029 of the Fish and Game Code to facilitate the investigation, enforcement, and prosecution of these offenses and to ensure the reduction of adverse impacts of cannabis cultivation, production, sale, and use on fish and wildlife habitats throughout the state.

(D) For purposes of this paragraph, the Secretary of the Natural Resources Agency shall determine the allocation of revenues between the departments. During the first five years of implementation, first consideration should be given to funding purposes specified in subparagraph (A).

(E) Funds allocated pursuant to this paragraph shall be used to increase and enhance activities described in subparagraphs (A), (B), and (C), and not replace allocation of other funding for these purposes. Accordingly, annual General Fund appropriations to the Department of Fish and Wildlife and the Department of Parks and Recreation shall not be reduced below the levels provided in the Budget Act of 2014 (Chapter 25 of the Statutes of 2014).

(3) Twenty percent shall be deposited into the State and Local Government Law Enforcement Account and disbursed by the Controller as follows:

(A) To the Department of the California Highway Patrol for conducting training programs for detecting, testing, and enforcing laws against driving under the influence of alcohol and other drugs, including driving under the influence of cannabis. The department may hire personnel to conduct the training programs specified in this subparagraph.

(B) To the Department of the California Highway Patrol to fund internal California Highway Patrol programs and grants to qualified nonprofit organizations and local governments for education, prevention, and enforcement of laws related to driving under the influence of alcohol and other drugs, including cannabis; programs that help enforce traffic laws, educate the public in traffic safety, provide varied and effective means of reducing fatalities, injuries, and economic losses from collisions; and for the purchase of equipment related to enforcement of laws related to driving under the influence of alcohol and other drugs, including cannabis.

(C) To the Board of State and Community Corrections for making grants to local governments to assist with law enforcement, fire protection, or other local programs addressing public health and safety associated with the implementation of the Control, Regulate and Tax Adult Use of Marijuana Act. The board shall not make any grants to local governments that ban both indoor and outdoor commercial cannabis cultivation, or ban retail sale of cannabis or cannabis products pursuant to Section 26200 of the Business and Professions Code or as otherwise provided by law.

(D) For purposes of this paragraph, the Department of Finance shall determine the allocation of revenues between the agencies; provided, however, beginning in the 2022–23 fiscal year the amount allocated pursuant to subparagraph (A) shall not be less than ten million dollars (\$10,000,000) annually and the amount

1 allocated pursuant to subparagraph (B) shall not be less than forty
2 million dollars (\$40,000,000) annually. In determining the amount
3 to be allocated before the 2022–23 fiscal year pursuant to this
4 paragraph, the Department of Finance shall give initial priority to
5 subparagraph (A).

6 (g) Funds allocated pursuant to subdivision (f) shall be used to
7 increase the funding of programs and purposes identified and shall
8 not be used to replace allocation of other funding for these
9 purposes.

10 (h) (1) *Effective July 1, 2028, subject to paragraph (2), the*
11 *Controller shall disburse the sum of fifteen million dollars*
12 *(\$15,000,000) to the Department of Cannabis Control for the*
13 *2028–29 fiscal year and every fiscal year thereafter. The*
14 *department shall use the disbursements to support local equity*
15 *programs in eligible local jurisdictions to assist local equity*
16 *applicants and licensees gaining entry into, and to successfully*
17 *operate in, the state’s regulated cannabis marketplace under*
18 *Chapter 23 (commencing with Section 26240) of Division 10 of*
19 *the Business and Professions Code.*

20 (2) *If the amount of the disbursement specified in paragraph*
21 *(1) would result in a reduction of funds to accounts established*
22 *pursuant to subdivisions (d) and (f) in any subsequent year from*
23 *the amount allocated to each account in the 2027–28 fiscal year,*
24 *then the disbursement shall be the highest amount, if any, that*
25 *would not result in that reduction.*

26 ~~(h)~~

27 (i) Effective July 1, 2028, the Legislature may amend this section
28 by majority vote to further the purposes of the Control, Regulate
29 and Tax Adult Use of Marijuana Act, including allocating funds
30 to programs other than those specified in subdivisions (d) and (f).
31 Any revisions pursuant to this subdivision shall not result in a
32 reduction of funds to accounts established pursuant to subdivisions
33 (d) and (f) in any subsequent year from the amount allocated to
34 each account in the 2027–28 fiscal year. Prior to July 1, 2028, the
35 Legislature may not change the allocations to programs specified
36 in subdivisions (d) and (f).

1 SEC. 2. The Legislature finds and declares that this act furthers
2 the purposes and intent of the Control, Regulate and Tax Adult
3 Use of Marijuana Act.

O