

RULES, ELECTIONS, AND INTERGOVERNMENTAL RELATIONS COMMITTEE
REPORT relative to a proposal to use cannabis tax revenue to establish a Neighborhood Health Fund and other Community Benefit-Type programming.

Recommendations for Council action, as initiated by Motion (Harris-Dawson - Price):

1. REQUEST the City Attorney, with the assistance of the Department of Cannabis Regulation (DCR), City Administrative Officer (CAO), Office of Finance, and the Chair, Rules, Elections, and Intergovernmental Relations (REIR) Committee, to prepare and present the necessary election Ordinance and Resolutions to place a ballot measure before the voters at the November 6, 2018 State General Election entitled the Cannabis Reinvestment Act, and that the ballot measure would include the following elements:
 - a. One percent gross receipts tax on all commercial cannabis activity to be reinvested in the community with all funds going to a newly created Cannabis Reinvestment Trust Fund.
 - i. 50 percent distributed between the Council offices based on the percentage of licenses by Council District. Money to be used within 1/2 mile radius of any licensed cannabis business for various public improvements or child and youth programs, or at the closest public park, public recreation center, or public library. If money is unspent after five years, may be used anywhere in the Council District. Neighborhood Councils will give recommendations to Council office April 1st of every year and Council will approve distribution. Cannot not be used to establish a new sensitive use under Article V Chapter X of the Los Angeles Municipal Code (LAMC).
 - ii. 25 percent distributed to the DCR's Cannabis Regulation Trust Fund for public education and outreach, equity programs, expungement clinics, and other cannabis-related programming. This cannot be used for license processing nor license compliance and enforcement.
 - iii. 25 percent distributed to the Cannabis Youth Prevention and Child Strengthening Grant Program; Youth prevention defined as any youth and/or child development activities ages 0-24; Grant program administered by the Commission on Children, Youth, and Families with final recommendations subject to Council approval. Grant application process to be established by Ordinance.
 - b. Five dollar surcharge on any test of cannabis products conducted by a licensed commercial cannabis testing laboratory with funds going to the Cannabis Reinvestment Trust Fund distributed to the Cannabis Science, Technology, Education, and Math (STEM) Education Grantprogram; Grant program administered by the Commission on Children, Youth, and Families with final recommendations subject to Council approval. Grant application process to be established by Ordinance and this cannot be used to supplant any funding adopted in the Fiscal Year 2018-19 Budget nor any government agency.

- c. Five dollar surcharge on any tickets sold for a temporary cannabis event distributed to the DCR's Cannabis Regulation Trust Fund for public education and outreach, equity programs, expungement clinics, and other cannabis-related programming. This cannot be used for license processing nor license compliance and enforcement.
 - d. Add a one percent gross receipts tax for a licensed cannabis event organizer and a registered cannabis management company to be distributed to the DCR's Cannabis Regulation Trust Fund for public education and outreach, equity programs, expungement clinics, and other cannabis-related programming. This cannot be used for license processing nor license compliance and enforcement.
 - e. Cannabis Corporate Responsibility Policy- requires all licensed commercial cannabis businesses to prepare and deliver a report to the DCR on February 1st of every year describing community engagement, corporate philanthropy, and relationship with surrounding neighborhood(s). Reports to be made public on the DCR website and will be scored in combination with compliance status and any violations from the previous year. Those licensed businesses who score in the top tenth percentile in the City will receive a .25 percent reduction in their general gross receipts tax for the following fiscal year.
2. REQUEST the City Attorney, with the assistance of the DCR, CAO, Office of Finance, and the Chair, REIR Committee, to prepare and present an Ordinance to amend the provisions under Ordinance No. 184841 (Proposition M) to be only effective upon passage of the Cannabis Reinvestment Act and would include the following elements:
 - a. Reduce the medical cannabis gross receipts tax to one percent, increase to four percent over four years.
 - b. Reduce adult use cannabis gross receipts tax to seven percent, increase back to eight percent over four years; unless on-site consumption, then remains ten percent.
 - c. Reduce distribution and testing laboratory gross receipts tax to .25 percent; increase back to one percent over four years.
 - d. Reduce cultivation and manufacturing gross receipts tax to .five percent and increase back to two percent over four years.
 3. AUTHORIZE the City Attorney, with the assistance of the Chair, REIR Committee, to make any technical modifications and/or legal corrections to the election Ordinance, draft ballot resolutions, and any other related actions listed above in order to further the objectives as described in these recommendations.
 4. REQUEST the City Attorney to transmit the necessary reports, Ordinance, and draft ballot resolutions as outlined above to the City Clerk's office no later than 2 pm on Friday June 8, 2018.

Fiscal Impact Statement: Neither the CAO nor the Chief Legislative Analyst (CLA) has completed a financial analysis of this report.

Community Impact Statement: None submitted.

Summary:

On May 23, 2018, your Committee considered a Motion (Harris-Dawson - Price) relative to directing the CAO, with the assistance of the CLA, City Attorney, and other appropriate entities, to report on the feasibility of establishing a Neighborhood Health Fund and other community benefits program to combat the effects of the War on Drugs and improve the health outcomes for the City's communities of color. According to the Motion, the Federal government's War on Drugs has disproportionately impacted communities of color in the City, and proposes that the City use cannabis tax revenue to create a Neighborhood Health Fund. The purpose of the Fund would be to provide grants for various programs to improve the health and well-being of residents in those communities.

After consideration, and after providing an opportunity for public comment, the Committee made a series of recommendations that provide for the preparation of a ballot measure entitled the "Cannabis Reinvestment Act" as detailed in the above recommendations. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

RULES, ELECTIONS, AND INTERGOVERNMENTAL RELATIONS COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
WESSON:	YES
HUZAR:	ABSENT
HARRIS-DAWSON:	YES

ARL
5/23/18

-NOT OFFICIAL UNTIL COUNCIL ACTS-