

BUDGET AND FINANCE COMMITTEE REPORT relative to enforcement against illegal commercial cannabis activity, cannabis budget policy, and related matters.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. CONCUR with Recommendation Nos. 1, 3, and 4 of the Rules, Elections, and Intergovernmental Relations Committee report dated November 16, 2018 (attached to the Council file 18-1800-S2).
2. DIRECT the Los Angeles Police Department (LAPD), Los Angeles Fire Department, the Department of Cannabis Regulation (DCR), Los Angeles Department of Building and Safety, and Chief Legislative Analyst (CLA), with the assistance of the City Attorney and any other relevant offices or departments, to establish a working group to manage and direct enforcement efforts against illegal cannabis businesses.
3. REQUEST the City Attorney to prepare and present an ordinance whereby the DCR would receive \$3 million annually for three years to fund the Business, Licensing, and Compliance Program.
4. INSTRUCT the DCR, CLA, and the City Administrative Officer (CAO) to report on the cannabis budget policy; an analysis of youth development funding and other Social Equity Program needs in the City; and, gaps in the current funding and potential policy defects.
5. INSTRUCT the DCR to submit an annual budget and spending plan for the Social Equity Program; and, INSTRUCT the DCR and the CAO, and REQUEST the City Attorney, to report whether Cannabis Regulation Special Revenue Funds can be used to fund the Social Equity Program.
6. TRANSFER \$1.5 million from the Unappropriated Balance, Various Programs and Services Contingent Revenue Account, Fund No. 100/58, Account No. 580273, to the DCR, Cannabis Regulation Special Revenue Fund, Fund No. 60E, Account No. to be determined, for the purposes of the Fee Deferral Program and the Social Equity Program.

Fiscal Impact Statement: The CLA and CAO joint report on illegal cannabis enforcement, dated November 9, 2018 states that the recommendations have no impact on the General Fund. The CAO and CLA report on cannabis budget policy, dated November 15, 2018 states that should the Council elect to adopt a policy or Ordinance whereby the DCR would receive funding based on a percentage of cannabis revenue, there would be a commensurate impact on the General Fund as these funds are currently budgeted for City services. Should the Council elect to adopt a policy or Ordinance whereby the DCR would receive \$3 million annually, there would be a \$3 million impact to the General Fund each year the funding is received. Should the Council instruct the DCR to submit an annual budget request, the General Fund impact will be determined at the time the annual budget is adopted. Should the Council elect to appropriate \$2 million from the Unappropriated Balance for a Social Equity Fee Deferral Program, there would be an impact of \$2 million to the General Fund.

Community Impact Statement: None submitted.

SUMMARY

At its regular meeting held on April 1, 2019, the Budget and Finance Committee considered joint reports from the CLA and CAO dated November 9, 2018 and November 15, 2018, and a Rules, Elections, and Intergovernmental Relations Committee report dated November 16, 2018, relative to illegal cannabis enforcement, the cannabis budget policy, and other related matters.

The Director of the DCR presented the reports and answered the Budget and Finance Committee's questions regarding the recommendations in the report. The DCR reported that Phase 2 licensing is currently on hold due to the lack of funds for the Fee Deferral Program, and continued delay will impact other Social Equity Program efforts. Without further funding and assistance, the DCR is unable to move forward with Phase 3 licensing.

Additionally, at the request of the Budget and Finance Committee, representative of the LAPD and the City Attorney provided an update regarding efforts against illegal cannabis activities. The DCR, LAPD, and the City Attorney jointly stated that current enforcement tactics are being reviewed to find methods to centralize enforcement. The Committee recommended that the Departments may want to consider working with other agencies like the California Occupational Safety and Health Administration to curtail illegal cannabis activities.

After providing an opportunity for public comment, the Budget and Finance Committee concurred with Recommendation Nos. 1, 3, and 4 and provided clarifying or technical amendments for Recommendation Nos. 2, 5, and 6 of the Rules, Elections, and Intergovernmental Relations Committee dated November 16, 2019; and, after further deliberation, the Budget and Finance Committee provided additional instructions to fund the Fee Deferral Program and the Social Equity Program outreach efforts for Fiscal Year 2018-19. This matter is now forwarded to Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
KREKORIAN	YES
PRICE	YES
KORETZ	ABSENT
BONIN	YES
BLUMENFIELD	ABSENT

AC 4-1-19 18-1800-S2

-NOT OFFICIAL UNTIL COUNCIL ACTS-