

**DEPARTMENT OF  
CANNABIS REGULATION**

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April 21, 2018

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 2018-19 PROPOSED BUDGET**

Dear Honorable Members:

The Department fully appreciates and supports the funding and resources included in the 2018-19 Proposed Budget. The Department would like to thank the Mayor and his Budget Team for their continuous support during the budget process and for recommending key resources needed to continue the Department's licensing and compliance programs for authorized commercial cannabis businesses, as well as resources to begin developing social equity and public education and outreach programs.

In the first year, the Department has successfully implemented Phase One of the licensing program and has begun issuing temporary approvals. To date, the Department has granted temporary approval to over 140 businesses eligible for "Proposition M Priority Processing" and has collected \$3.5 million.

Fiscal Year 2017-18 interim budget requests have expanded the number of authorized position authorities from five to 28. The Civil Service Commission recently allocated 13 of the interim positions and the Department has begun interviewing candidates to fill these important positions. The number of filled positions should increase from four to 18 by June 30<sup>th</sup>. This will greatly increase the Department's capacity to communicate with members of the general public, review applications, begin Phase One inspections, and launch Phase 2. The Department recently completed system development and user acceptance training for Phase Two and should be prepared to launch Phase Two before July 1<sup>st</sup>.

The 2018-19 Proposed Budget includes funding and resources to support the licensing and regulation of commercial cannabis activity. At this time, the Department does not have the authority to enforce against unlawful commercial cannabis activity or to otherwise cite or levy code violation inspection fees, non-compliance fees, or other fees against unlicensed or otherwise unlawful cannabis businesses. Should the City expand the Department's responsibilities and operations to address unlawful commercial cannabis businesses or further expand programming related to social equity or public education then additional resources may be requested through interim budget requests. The City continues to develop and implement cannabis policies and regulations in the following areas:

#### Enforcement:

A Collaborative Enforcement Strategy against unlawful commercial cannabis activity is critical to the success of the City's newly established commercial cannabis regulatory program. For decades, the City of Los Angeles has experienced the adverse impacts associated with a proliferation of unlawful cannabis businesses despite a general prohibition on cannabis activity and significant enforcement action being taken by the City Attorney and other members of law enforcement.

The Department of Cannabis Regulation is currently collaborating with the Mayor, City Council and other City Departments and Offices to develop and implement a collaborative enforcement strategy to reduce the size of the illicit market and to address complaints from constituents regarding unlawful commercial cannabis activity.

#### Social Equity:

Seeking to acknowledge and partially address the harms of past cannabis policies and their enforcement, the City's current Social Equity Program aims to promote ownership and employment opportunity within the City's cannabis industry and is intentionally a critical component of the City's commercial cannabis licensing program.

Currently, the Social Equity Program includes Outreach and Recruitment, Priority Processing, Business, Licensing and Compliance Assistance, the review and administration of Social Equity Agreements, and if established, a Fee Deferral Program and access to an Industry Investment Fund.

As the development of the Social Equity Program continues, the Department of Cannabis Regulation looks forward to working with the Mayor and City Council to continue to further the goals of social equity and to expeditiously implement and fund the various components of the Social Equity Program.

Public Education and Outreach:

A Public Education and Outreach Program is a fundamental component of the responsible implementation of the City's new cannabis policies. As the largest municipality to regulate commercial cannabis activity, the City of Los Angeles should prepare to educate the many, diverse stakeholders impacted by the recent shift in local policy.

The Department of Cannabis Regulation aims to be a trusted resource for community members and cannabis businesses seeking cannabis related information.

Thank you for this opportunity to address your Committee. We appreciate your careful consideration and look forward to discussing these important items with the Committee. If you have any questions, please contact me at (213) 978-0738.

Sincerely,



CAT PACKER  
Executive Director  
Department of Cannabis Regulation

c: Herb Wesson, City Council President  
Miguel Sangalang, Deputy Mayor for Budget and Innovation  
Richard Llewellyn, City Administrative Officer  
Sharon Tso, Chief Legislative Analyst