

The background of the entire page is a collage of US \$100 bills, some overlapping and some partially visible. A large, vibrant green cannabis leaf is positioned on the right side, with its serrated leaves extending across the bills. The leaf's veins are clearly visible, and it has a natural, slightly textured appearance.

SHOW ME THE MONEY:

Cannabis Revenue and Cities in Los Angeles County

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EXECUTIVE SUMMARY

Since the passage of Proposition 64 in 2016, California state and local governments have collected millions in new revenue from the sale and cultivation of recreational cannabis. Proposition 64 directed state agencies to invest a substantial part of the new state revenues in services to support low-income and vulnerable children and adults, such as youth substance abuse prevention and treatment, mental health services, job training and placement, and legal services for the formerly incarcerated.

Through local ballot measures, numerous local governments have put in place additional taxes on cannabis businesses. Whereas Proposition 64 provided the state with guidelines in how to spend the new revenue, the measure was silent on the topic of local cannabis tax policy. Local governments have complete discretion when it comes to taxing and spending cannabis at the local level.

This report sheds light on how local governments in Los Angeles County are collecting and spending local cannabis tax revenues.¹ Through researching city budgets, we have learned that:

1. Unlike state agencies, local governments, for the most part, are not seeking to repair some of the harms caused by the War on Drugs by reinvesting cannabis revenues in impacted communities.
2. Local governments tend to spend the lion share of cannabis revenues on general government services and law enforcement. In a small number of cases, local governments are investing revenues in community-based services and/or in social equity programs.
3. There is little transparency in city budgets regarding cannabis expenditures.

Local governments have complete discretion when it comes to taxing and spending cannabis at the local level.

For decades, local governments sent people to prison for using, selling and/or growing cannabis, with a disproportionate impact on Black and Brown communities.² In our view, now that cannabis is legal and is generating tax revenue, local governments have a responsibility to use those revenues to support communities harmed in the past. Given that perspective, **we recommend that local governments do the following:**

1. Incorporate participatory budgeting in the allocation of cannabis funds
2. Improve transparency and accountability of cannabis revenues and expenditures
3. Use cannabis revenue to fund community programs and youth substance use prevention for those most impacted.

We urge local activists in cities with legal cannabis to organize on this issue and to bring forward recommendations to local officials with the goal of redirecting revenue to activities that bring healing and health to our most impacted communities.

For more information, please contact Jim Keddy at Youth Forward, jim@youth-forward.org.

¹ This report follows the publication of a statewide analysis of local cannabis tax policy, *California Cannabis Taxes: A Windfall for Law Enforcement or an Opportunity for Healing Communities*, published by Youth Forward in 2020. This report may be found at <https://www.youth-forward.org/>.

² For a review of the racialized history of marijuana arrest rates in California, see *When the Smoke Clears: Racial Disparities in California's Marijuana Arrests*, at <https://phadvocates.org/when-the-smoke-clears/>.

PROPOSITION 64, TAX POLICY AND LOCAL GOVERNMENTS

In 2016, Proposition 64 was passed by voters as a commonsense reform to our outdated and racist drug laws. The legislation decriminalized cannabis possession, legalized the use of recreational marijuana, set a framework for the licensing of legal cannabis businesses, and created a state tax structure that dedicates the new revenues collected from state cannabis taxes to specific purposes. In part, Proposition 64 was promoted as means to repair the harm done to communities of color damaged by the War on Drugs by using the funds generated by the sale of recreational marijuana to pay for afterschool programs and youth substance abuse prevention and treatment.

Since 2016, state agencies have invested hundreds of millions of cannabis revenue in low-income communities across the state in childcare, the prevention of youth substance abuse, legal services for the formerly incarcerated, job training, mental health counseling and other essential services. Three of the major Prop 64-funded grant programs managed by state agencies explicitly reference prioritizing communities harmed by the War on Drugs.³

While Proposition 64 created a state regulatory and tax function, the ballot measure was largely silent on the role of local governments and gave local governments the option of permitting or banning cannabis businesses in their jurisdictions. The ballot measure was also silent on local tax policy. Local governments have the authority to tax cannabis, with voter approval, just like they can tax other businesses. Local governments have complete discretion over how to spend the new revenues. This spending dilemma forms the crux of the research questions for this report:

In part, Proposition 64 was promoted as means to repair the harm done to communities of color damaged by the War on Drugs by using the funds generated by the sale of recreational marijuana to pay for afterschool programs and youth substance abuse prevention and treatment.



How do nine cities within the greater area of Los Angeles, that have passed cannabis tax measures, spend their revenues?



Are localities spending their local cannabis tax dollars on law enforcement? And if so, how much revenue is going toward law enforcement?



Are local cannabis dollars being used by local governments to promote equity and to support individuals and communities most harmed by past cannabis policy and the War on Drugs?

In this report, we describe common spending trends across jurisdictions and challenges community leaders may face in carrying out budget advocacy on these new revenues. We also uplift policy and budget recommendations.

³ Those grant programs are the Community Reinvestment Grants Program, managed by the Governor's Office of Business and Economic Development, Elevate Youth CA, managed by the Department of Health Care Services and the Youth Community Access Grants Program, managed by California Natural Resources Agency.

A RACIAL AND HEALTH EQUITY PERSPECTIVE

Before we dive into the analysis of city budgets, we would like to share our perspective regarding cannabis revenues. When making decisions about the allocation of cannabis revenues, we believe local policymakers must consider the racialized history of cannabis policy. In taxing local cannabis businesses, local officials are not just taxing any business or product. They are generating revenue from a product that has been a major driver of the incarceration of Black and Brown communities and of the impoverishment and traumatization of Black and Brown families. These are not just new dollars to be used to maintain the status quo but must be spent to address past wrongs committed on Black and Brown communities targeted by the War on Drugs. Without this lens, local officials leave the past harm caused by their misguided policies unaddressed; they continue the pattern of underinvesting in the most marginalized communities. Local governments should spend cannabis dollars to reduce and prevent substance abuse, to support reentry, to expand economic opportunities, to support youth development, and to enhance community health. Unfortunately, this is not what we are seeing when it comes to cannabis spending. In fact, cities have tended to direct these revenues to expand law enforcement infrastructure and to maintain the status quo.

OVERALL TRENDS WITH CANNABIS REVENUES

In the table below, we list the cities included in this analysis and the population of each city.

Table 1. Cities analyzed in this report and their populations

City	Population
Maywood	24,562
Culver City	39,970
Lynwood	65,505
Bellflower	77,408
El Monte	106,970
Pasadena	135,732
Pomona	148,338
Long Beach	456,062
Los Angeles	3,849,000

These cities were selected because they allow for legal cannabis businesses in their jurisdictions, collect cannabis tax revenue and include cannabis information, specifically revenue data, in their publicly available budget documents. This report excludes the cities that passed cannabis legislation within Los Angeles County if cannabis information (cannabis revenue and spending) was not available in their budgets. Lack of information could stem from various reasons, but often is due to the lack of transparency with the accounting of cannabis funds and/or due to their recent implementation of cannabis policy.

The budgets examined span six fiscal years (FY), consisting of Fiscal Years 2017-2023. This time frame marks the start of cannabis policies and revenues being collected at the local level after Propositions 64 was passed. We pulled data

from publicly available budget documents and our research looked at actual spending data or the most up-to-date estimates for Fiscal Year 2021-2022 (FY22) or Fiscal Year 2022-2023 (FY23), due to the newness of cannabis policy in some cities.

Local city budgets are comprised of revenues (money that a jurisdiction receives) and expenditures (money spent by a jurisdiction to cover operational costs). Cities receive revenues from different sources such as sales taxes, licenses, permits, fees, and more. These types of locally-generated revenues are collected from local residents and businesses and contribute to the general fund, a fund that holds flexible spending dollars to be used for general operating costs and services. Revenues can either be unrestricted or restricted. Unrestricted, or discretionary revenues, are funds that can be used for a variety of spending purposes. Restricted revenues are funds that can be only spent on specific purposes. State and federal funding that comes down to localities are often restricted funds. Cannabis revenues are typically discretionary and deposited for the most part into local governments' general funds, unless they were targeted for specific purposes vis-à-vis a ballot measure. The chart on the following page documents the types of cannabis-related revenues each city collects and the title of each fund.



Table 2. Cities analyzed in this report and their cannabis-related revenues

City	Cannabis-Related Revenue Categories
Bellflower (2017)	<ul style="list-style-type: none"> • Business Tax • Cannabis Application / Permit Fees (Licenses and Permits)
Culver City (2018)	<ul style="list-style-type: none"> • Cannabis Business Tax • Cannabis Tax • Cannabis Permit Fees
El Monte (2020)	<ul style="list-style-type: none"> • Reimbursements to the City for Cannabis Litigation • City Cannabis Application Fees • Third Party Review Cannabis Application Fee⁴
Long Beach (2016)	<ul style="list-style-type: none"> • Cannabis License Application Fee/Tax
Los Angeles (2017)	<ul style="list-style-type: none"> • Cannabis Business Tax • Cannabis Regulation Special Revenue Trust Fund⁵
Lynwood (2022) ⁶	<ul style="list-style-type: none"> • Quarterly Cannabis Tax • Cannabis Cultivation⁷ • Cannabis Delivery Permit Fees • Cannabis Amended Application Fees • Cannabis Cost Recovery Fee • Code Enforcement --Cannabis Violation Fees
Maywood (2018)	<ul style="list-style-type: none"> • Cannabis Sales Tax • Cannabis License Fee • Cannabis Compliance and Review Fees
Pasadena (2018)	<ul style="list-style-type: none"> • Cannabis Tax
Pomona (2018)	<ul style="list-style-type: none"> • Cannabis Business Tax • Cannabis Permit Fee

⁴ Third party review application is a fee for phase 3 of El Monte's cannabis application procedures. Every application undergoes a third party review for cultivation, distribution, retail, and manufacturing. This fee is to fund this review process. "El Monte Budget FY2021-2022." *Finance*, 11 Aug. 2021, <chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.ci.el-monte.ca.us/DocumentCenter/View/4538/City-of-El-Monte-Adopted-Budget-2022-PDF>.

⁵ Los Angeles Cannabis Regulation Special Revenue Trust fund is a fund that contains revenue sources from the general fund, permit fees, state grants, and interests. The largest revenue source for this fund comes from permit fees and the fund receives monies from fees paid for the licensing and permitting of new and existing cannabis retailers, cultivators, and manufacturers in the City of Los Angeles. "Budget Fiscal Year 2021-22." *Budget and Financial Information*, 2021, <https://lacontroller.org/wp-content/uploads/2021/09/Budget-2021-22-Electronic.pdf>.

⁶ Lynwood started discussions of cultivating and manufacturing cannabis in 2016 but did not place a measure to tax commercial cannabis business until 2022. "Lynwood Moves Closer to Legalizing Commercial Cannabis Manufacturing.," *Los Angeles Times*, 8 Dec. 2016, <https://www.latimes.com/local/lanow/la-me-lynwood-marijuana-20161207-story.html>. "Lynwood, California, Proposition TR, Marijuana Sales Tax Measure (November 2022)." *Ballotpedia*, [https://ballotpedia.org/Lynwood,_California,_Proposition_TR,_Marijuana_Sales_Tax_Measure_\(November_2022\)](https://ballotpedia.org/Lynwood,_California,_Proposition_TR,_Marijuana_Sales_Tax_Measure_(November_2022)).

⁷ Cannabis cultivation in Lynwood: it is not clear if this is a fee or a tax but Lynwood has a cannabis cultivation fund that is intended to hold funds coming in for the application for a commercial cannabis business license. Lynwood is not taking applications currently and there is no money in the fund as of Fiscal Year 2020-2021 (FY21) "Application Procedure To Operate A Commercial Cannabis Business in Lynwood." *City of Lynwood Cannabis Application*, Department of Development, Compliance and Enforcement Services, <chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/http://lynwood.ca.us/wp-content/uploads/2017/02/LYNWOOD-CANNABIS-APPLICATION-PROCEDURE.pdf>.

When city officials first estimated potential cannabis tax revenues, they expected hundreds of thousands to millions of dollars in annual revenues. For the first few years, revenues came in significantly lower than initially expected. However, during the pandemic, cities saw growth in cannabis revenues that surpassed initial estimates. For example, in 2018, the City of Maywood estimated initial cannabis revenues would bring in \$1.2 to \$1.6 million annually during their promotion of the ballot measure.⁸ Yet, their first accounting of revenues related to cannabis taxes in Fiscal Year 2018- 2019 Actuals⁹ (FY19) was \$946,286, much lower than initial estimates. However, the onset of the pandemic and the years following have led to an increase in cannabis tax revenues and Maywood was no exception. The City saw a 190 percent increase¹⁰ in cannabis revenues from Fiscal Year 2018-2019 (FY19) of the above value to \$2.8 million in Fiscal Year 2019-2020 (FY20), significantly higher than previous revenues. Generally, cities continue to anticipate long-term growth for these funds.¹¹

It is important to note the impact of the COVID-19 pandemic on the local budgets of the cities examined in this report. During the pandemic, cannabis revenues increased while other city revenues flatlined or were significantly reduced. Multiple jurisdictions noted that the increase in cannabis revenues was a direct factor in general fund revenues growth during a time when cities anticipated lower overall revenues. For instance, Maywood's Fiscal Year 2021-2022 (FY22) budget¹², which saw a 23 percent increase in general fund revenues, states, "the main driver for increased revenues in the general fund is the continued growth in the cannabis industry." Between Fiscal Year 2018-2019 (FY19) and Fiscal Year 2019-2020 (FY20), El Monte¹³ saw a 200 percent increase¹⁴ in cannabis revenues, while Bellflower¹⁵ saw an 88 percent increase¹⁶ with an additional 14 percent increase projected for Fiscal Year 2020-2021 (FY21). The growth of the cannabis market during the pandemic was driven by the increased consumer demand for products. The higher demand for cannabis occurred at the same time more cities chose to permit cannabis businesses. This opened opportunities¹⁷ for cities to collect fees and taxes that ultimately increased revenues. During economic hardships, cannabis revenues grew and aided local governments' financial operations.

8 "Maywood, California, Measure CT, Marijuana Business Tax (November 2018)." *Ballotpedia*, [https://ballotpedia.org/Maywood,_California,_Measure_CT,_Marijuana_Business_Tax_\(November_2018\)](https://ballotpedia.org/Maywood,_California,_Measure_CT,_Marijuana_Business_Tax_(November_2018)).

9 "Adopted Budget Fiscal Year 2021-2022 ." *City Budget*, <https://cityofmaywood.com/DocumentCenter/View/1075/2021-to-2022-Fiscal-Year-Budget-Book>.

10 City of Maywood Fiscal Year 2018-2019 Actuals cannabis revenues : \$946,286 to \$2,752,397 in Fiscal Year Actuals 2019-2020.

11 "Adopted Budget Fiscal Year 2021-2022 ." *City Budget*, <https://cityofmaywood.com/DocumentCenter/View/1075/2021-to-2022-Fiscal-Year-Budget-Book>.

12 Ibid.

13 "El Monte Budget FY2021-2022." *Finance*, 11 Aug. 2021, <chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.ci.el-monte.ca.us/DocumentCenter/View/4538/City-of-El-Monte-Adopted-Budget-2022-PDF>.

14 City of El Monte Fiscal Year 2018-2019 Actual cannabis revenues total: \$259,416 to \$780,210 in Fiscal Year Actuals 2019-2020.

15 "2019-2021 Operating Budget City of Bellflower." *Budget*, 2020, <chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://cms5.revize.com/revize/bellflowerca/Document%20Center/Department/Finance/Budget/2019-21%20FINAL%20BUDGET.pdf>.

16 Bellflower Fiscal Year 2018-2019 Actual cannabis revenues total \$743,406 to \$1,475,759 in Fiscal Year Actuals 2019-2020 with another increase in Fiscal Year Budgeted 2020-2021 to \$1,669,000.

17 Research, GlobalData Thematic. "Why Did the Cannabis Industry Blossom during the Pandemic?" *Pharmaceutical Technology*, 7 Apr. 2022, <https://www.pharmaceutical-technology.com/comment/cannabis-industry-blossom-pandemic/>.

OVERALL TRENDS WITH EXPENDITURES

Focusing on how cannabis revenues are allocated is critical because this relatively new funding stream is expected to see long-term growth. Local city leaders have full discretion in the creation of local cannabis policy and can outline spending priorities in ballot measure language. Traditionally, discretionary dollars such as cannabis revenues have made their way to support general city services and law enforcement agencies. Historically, we have seen law enforcement budgets significantly increase and departments expanded because of increased drug enforcement. Yet, Proposition 64 decriminalized cannabis use, sale, and possession. Proponents of Proposition 64 argued that, with legalization, local communities could expect cost savings in the form of reduced spending and scope of law enforcement. Disappointingly, we see the opposite: cities are using these dollars to fund city operations and are both directly and indirectly investing cannabis revenues in law enforcement.

Generally, cannabis revenues are classified as a general sales tax, meaning the dollars collected are deposited in the general fund.¹⁸ In many cases, cities included language in their cannabis tax ballot measures that indicated the types of activities that could be funded by the new tax revenue. All the cities examined except Bellflower included specified activities to which cannabis dollars were to be allocated in their ballot measure language. Those activities included spending for police, public safety (defined broadly), fire, youth programs, road repairs, and parks. However, once cities started collecting these cannabis revenues, they have provided few details on how much they are funding each of those activities. Only few localities provided some level of detail for

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how these dollars were spent across departments and programs. This lack of transparency creates a barrier for community members and advocates to hold elected officials accountable and ensure dollars are spent in ways that adheres to the needs of local communities and to the intent of Proposition 64.

When examining cannabis expenditures, we categorized the most common spending trends into three categories: administrative, programmatic, and law enforcement.



Photo: Culver City Crossroads

¹⁸ Bragg, Steven. "General Fund Definition." *AccountingTools*, 5 July 2022, <https://www.accountingtools.com/articles/general-fund>.

ADMINISTRATIVE EXPENDITURES

Administrative spending supports the implementation of cannabis policy and/or general city management and operations. In essence, local cannabis revenues may pay for the administrative staff needed to implement cannabis policy and the regulation of the industry, thereby covering the policy's operating costs. We see cities spend their cannabis dollars for administrative purposes for both cannabis and non-cannabis spending. Non-cannabis spending is spending that goes towards general city administrative purposes unrelated to cannabis policy and implementation costs. Examples of this include Bellflower, where we see 61 percent of its cannabis revenues in Fiscal Year 2019-2020 Actuals used for cannabis related administrative spending. Additionally, we noticed that some cities also use these cannabis-related administrative dollars to benefit enforcement indirectly. When we reference indirect spending toward enforcement, we refer to how cities allocate funds to non-law enforcement departments but ultimately these staff partner with law enforcement to crack down on illegal cannabis business. An example of this type of expenditure is an administrative position in the city clerk's office whose main function is to support enforcement of illegal cannabis businesses.

PROGRAMMATIC EXPENDITURES

Details of programmatic spending were limited across jurisdictions. For example, El Monte provides details of the cannabis tax revenue that supports city public safety programs and identifies which programs are included in that city public safety programs category. However, there is no detail on how much or which programs are being prioritized or received funding. In our research, four cities provided programmatic spending detail for how they are implementing some care-based or community reinvestment programs. These positive policy program implementation examples include Bellflower's cannabis education fund for drug education and rehabilitation, Los Angeles' development of a social equity program, Long Beach's development of a public health and safety program, and Pomona's creation of a cannabis community benefit fund to run community programs and projects. It is beyond the scope of this report to evaluate the effectiveness of these cannabis-funded programs.

Although the cities outlined above provided total spending amounts for these programs, cities did not provide additional information on how they are using the funds. For example, Long Beach's Fiscal Year 2020-2021 (FY21) budget shows that the City allocated \$2.5 million for "Racial Equity Program Support" and \$3.6 million for a "Public Health and Safety Program." Beyond those line items, the budget document does not provide staffing and/or program details. We cannot identify how much of the \$2.5 million for the Racial Equity Program Support is allocated to staff, supplies, contracting with other departments or local community organizations. Even though localities are spending money on programs, community and advocates are not clear which programs exist, what programs are in development to serve communities, when they launched, what geographic areas these programs are targeting, and any evaluation metrics or opportunities for community input on where and what programs they would like to see.

¹⁹ "2019-2021 Operating Budget City of Bellflower." *Budget*, 2020, [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://cms5.revize.com/revize/bellflowerca/Document%20Center/Department/Finance/Budget/2019-21%20FINAL%20BUDGET.pdf](https://cms5.revize.com/revize/bellflowerca/Document%20Center/Department/Finance/Budget/2019-21%20FINAL%20BUDGET.pdf).

²⁰ City of Bellflower for Fiscal Year 2019-2020 Actuals spent \$183,000 of their cannabis revenues on what we categorized as administrative spending. As noted in the report cities fail to account for how all the cannabis revenues coming in is spent, so our data comes from what cannabis accounting cities make publicly available through the budget.

²¹ "City of Long Beach Adopted Fiscal Year 2020 Budget." *Financial Management*, https://www.longbeach.gov/globalassets/finance/media-library/documents/city-budget-and-finances/budget/budget-documents/fy-21-adopted-budget/05k---executive-summary-from-proposed-book_updated-with-footnote-.

LAW ENFORCEMENT EXPENDITURES

Cannabis dollars expand law enforcement infrastructure in several ways. Police departments are typically the largest department in any city bureaucracy and receive the largest portion of general fund dollars. Many cannabis ballot measures name law enforcement as a priority for expenditures. Seven of the nine jurisdictions we reviewed name police or public safety as a recipient of cannabis dollars in their ballot measure language. Lastly and most importantly, local governments prioritize cannabis dollars for enforcement-related cannabis activities, which is demonstrated in the frequent framing of “shutting down” illegal cannabis businesses and enforcement of legal cannabis businesses. Additionally, some localities have set aside funds to enable law enforcement agencies to cover costly overruns. For example, in Los Angeles Fiscal Year 2021-2022 (FY22) budget²², the cannabis expenditure budget does not include a line item to the police department, but in the police department footnotes of the budget, the city “designated \$5 million within the [police] department’s sworn overtime to account for investigating and enforcing laws related to illegal cannabis business.” This example illuminates both the lack of transparency for how these dollars are truly spent and how law enforcement entities are being supported by cannabis revenues.

Even though many city ballot measures specifically call out law enforcement as a spending category, it is difficult to track the exact amount of cannabis spending on enforcement. This is largely due to the lack of transparency in local budgets.

Even though many city ballot measures specifically call out law enforcement as a spending category, it is difficult to track the exact amount of cannabis spending on enforcement. This is largely due to the lack of transparency in local budgets. Numerically, budgets outlining cannabis spending may show that enforcement dollars get a smaller share of funding compared to administration and programmatic activities, but localities find ways to prioritize dollars towards enforcement such as the LA City example would illuminate.

When examining how cities spend in this category, we see both direct and indirect investments in enforcement. Directly, cities allocate these dollars to agencies that provide regulatory and enforcement of the cannabis industry, including police departments, fire departments, and city attorney offices. However, we see that cannabis spending



Photo: Wikipedia

²² “Budget Fiscal Year 2021-22.” *Budget and Financial Information*, 2021, <https://lacontroller.org/wp-content/uploads/2021/09/Budget-2021-22-Electronic.pdf>.

on enforcement can also be embedded within administration and programming spending. For example, under Long Beach Health and Human Services Department, the City funds a Health and Public Safety cannabis education program²³ through cannabis dollars that is run by the California Office of Traffic Safety.²⁴ However, the California Office of Traffic Safety that is running the program also provides funds²⁵ to the Long Beach's Police Department (LBPD) for traffic safety programs. This is important to show that law enforcement agencies have influence and touchpoints in different areas that involve cannabis, even when the aim seemingly has nothing to do with enforcement.

The evidence of cannabis revenues being used towards enforcement-related administrative costs illustrate cities' prioritizing revenues towards further criminalizing cannabis-related activities, which has significant and long-term equity impacts. Administrative expenses are typically tied to hiring personnel to oversee cannabis policy implementation, which means dollars are programmed to cover salaries and benefits year over year, shrinking the size of remaining resources and making it harder to reallocate to other community-centered priorities. For example, Culver City²⁶ uses cannabis administration dollars to fund positions in the City Manager's Office and cannabis enforcement dollars to fund the City Attorney's Office to work on legal issues related to the application and permitting of cannabis businesses. In addition, the work plans under community development for Fiscal Year 2019-2020 (FY20)²⁷ include cannabis regulations that aim to "continue assisting with permitting process and inspections for cannabis business" with "enforcement as needed." In Fiscal Year 2020-2021 (FY21)²⁸ the city created a community development enforcement services division that conducts "ongoing citywide enforcement services."

Furthermore, across jurisdictions, local governments make a note to uplift accomplishments related to enforcement. Several cities, including Bellflower, Culver City, Los Angeles, Lynwood, and Pomona, prioritize dollars towards "cracking down" on the illegal cannabis businesses. While the campaign for Proposition 64 promised savings and a reduced

need for law enforcement due to cannabis decriminalization, the reality is that cities continue to turn to cannabis-related activities as a justification for increased spending for law enforcement. Even in budgets that lack transparent accounting of enforcement budget line items, it is clear through the budget narrative that jurisdictions continue using cannabis policies to push enforcement goals. The legalization of cannabis is generating wealth for a relatively small number of well-financed, primarily white entrepreneurs while cannabis policy continues to fund growth in law enforcement.

The evidence of cannabis revenues being used towards enforcement-related administrative costs illustrate cities' prioritizing revenues towards further criminalizing cannabis-related activities, which has significant and long-term equity impacts.

23 Presumably "GreenLightLB" is the program the City is using cannabis dollars for. There is no clear designation to the actual program name or description being funded in Long Beach's budget documents. However, outside data collection can point us in the direction that this is the Health and Public Safety education program funding cannabis education in the City.

24 "Long Beach Cannabis Education Program GreenLightLB." *Cannabis Education Program*, <https://www.longbeach.gov/health/services/directory/marijuana-education-program/>.

25 "Long Beach Police Department." *LBPD Awarded \$380,000 Grant from the Office of Traffic Safety*, [https://www.longbeach.gov/police/press-releases/lbpd-awarded-\\$380000-grant-from-the-office-of-traffic-safety/](https://www.longbeach.gov/police/press-releases/lbpd-awarded-$380000-grant-from-the-office-of-traffic-safety/).

26 "City of Culver City Adopted Budget Fiscal Year 2021/2022." *City of Culver City*, 2021, <https://www.culvercity.org/City-Hall/Departments/Finance>.

27 Ibid.

28 Ibid.

Some cities, such as Long Beach²⁹, created a cannabis oversight and enforcement program to “regulate the cannabis industry in Long Beach [which] includes licensing and regulating legal businesses, enforcing local laws, and implementing the cannabis social equity program.” The Long Beach example illustrates direct enforcement spending and indirect spending tied to enforcement because the oversight and enforcement program is tasked to enforce local laws, but it also must implement the social equity program. Long Beach also demonstrates enforcement-related programming through its Public Health and Safety program. This program³⁰ uses cannabis funds to “provide public health and public safety services, related to emergency response, police, and fire services, continuum of public safety services, homelessness, drug prevention and treatment, environmental and food safety services, and other health and safety services.” Although we see positive, community-supportive programming, law enforcement is also included. In addition, there are no spending breakdowns on how much money is dedicated to running the cannabis social equity program and how much is charged to reach the regulation and enforcement tasks.

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OVERALL SPENDING HIGHLIGHTS

Bellflower, Los Angeles, and Long Beach are the best examples of transparency when it comes to expenditures, but even their information is limited. The lack of transparency, coupled with the prevalence of indirect spending towards enforcement, hinders advocates’ ability in understanding how their communities are being impacted.

On the following page is a checklist showing the different cities in review and the level of spending information they provided. Due to the cities’ lack of transparency around cannabis spending, the chart could only be partially filled in. This illustrates just how little information is available to the public on how localities are spending their cannabis revenues. Overall, only three cities have two or more check marks across the chart indicating that they gave some level of cannabis spending information. All cities except Pasadena³¹ provided some cannabis revenue information. This furthers the point that advocates, and community members are not aware of where this money is going and cannot adequately advocate for and influence the spending of these dollars.

²⁹ “City of Long Beach Adopted Fiscal Year 2020 Budget.” *Financial Management*, https://www.longbeach.gov/globalassets/finance/media-library/documents/city-budget-and-finances/budget/budget-documents/fy-21-adopted-budget/05k---executive-summary-from-proposed-book_updated-with-footnote-.

³⁰ “City of Long Beach Adopted Fiscal Year 2020 Budget.” *Financial Management*, https://www.longbeach.gov/globalassets/finance/media-library/documents/city-budget-and-finances/budget/budget-documents/fy-21-adopted-budget/05k---executive-summary-from-proposed-book_updated-with-footnote-.

³¹ The City of Pasadena does not provide an accounting of revenue and expenditures but references providing cannabis permits and overall cannabis business activities.

Table 3. City Cannabis Spending Transparency Checklist

City	Revenue information	Administration Spending Information	Enforcement Spending Information	Programmatic Spending Information
Bellflower	✓	✓		✓
Culver City	✓			
El Monte	✓			
Long Beach	✓	✓	✓	✓
Los Angeles	✓	✓		✓
Linwood	✓			
Maywood	✓			
Pasadena	✓			
Pomona	✓			

Here we have all the cities in review and their total cannabis revenues for Fiscal Year 2019-2020 (FY20) from largest to smallest revenue collection. We see the top four cities (Los Angeles, Long Beach, Maywood, and Bellflower) have revenues over \$1 million coming in for that fiscal year with the remaining four (El Monte, Lynwood, Culver City, and Pomona –excluding Pasadena) with revenues over \$100k.

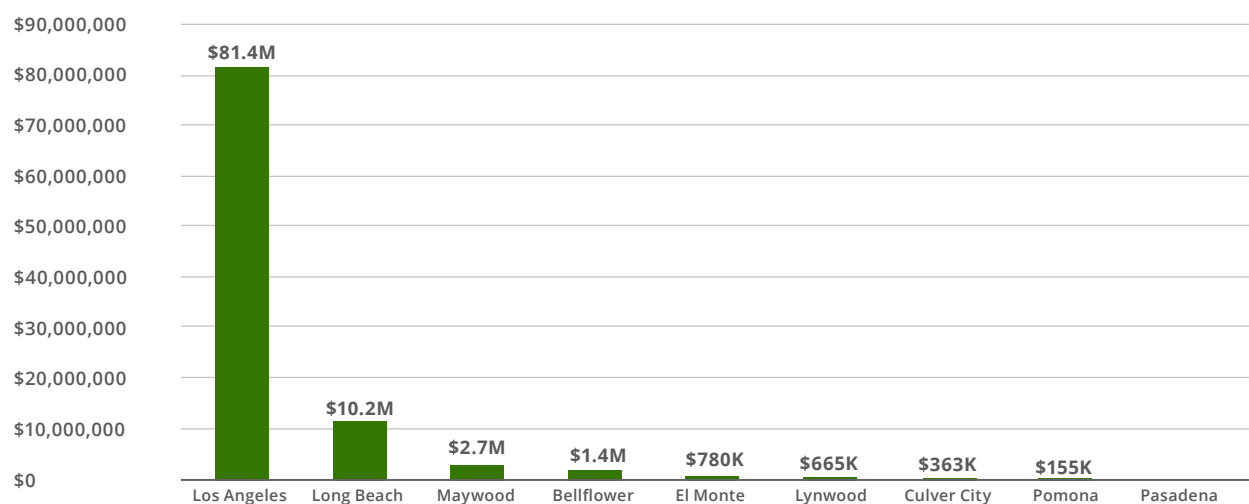
Table 4. FY20 Actual Total Cannabis Revenues

Table 5. Fiscal Year 2019-2020 (FY20) Cannabis Spending Categories: Bellflower, Long Beach, and Los Angeles

	TOTAL REVENUES	Administrative Expenditures	% of Admin Expenditures Compared to Total Expenditures	Enforcement Expenditures	% of Enforcement Expenditures Compared to Total Expenditures	Programmatic Expenditures	% of Programmatic Expenditures Compared to Total Expenditures	TOTAL EXPENDITURES
Bellflower	\$1,475,759	\$183,000	61%			\$117,500	39%	\$300,500
Long Beach	\$10,289,430	\$1,401,975	35%	\$1,239,402	31%	\$1,358,623	34%	\$4,000,000
Los Angeles	\$81,492,000	\$9,058,787	94%			\$573,129	6%	\$9,631,916

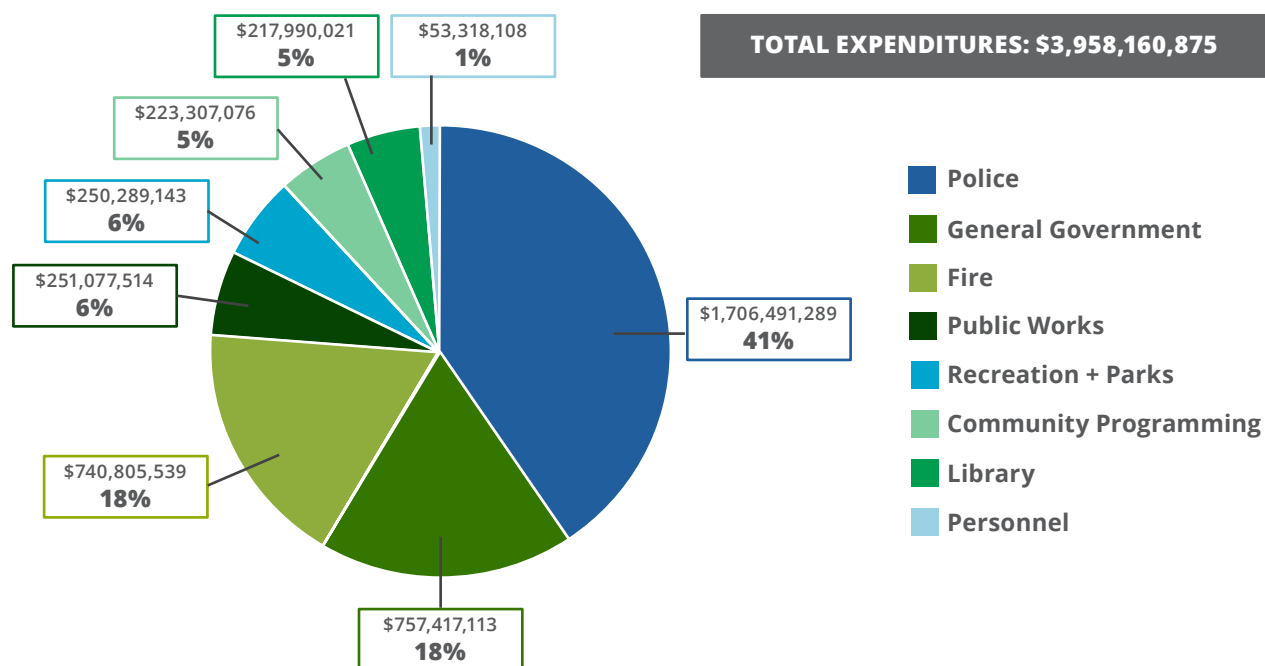
This chart displays the three cities (Bellflower, Long Beach, and Los Angeles) that provided the most spending information used in the analysis of this report. Even though this is a small sample size, we can see from the spending information provided, these three jurisdictions spent larger portions of their cannabis dollars on administrative spending with Los Angeles being on the extreme end with 94 percent of its reported cannabis spending going towards administrative expenditures. Los Angeles is also on the extreme end due to its level of expenditure accounting. The City saw cannabis revenues come in at over \$81.4 million for Fiscal Year 2019-2020 (FY20) Actuals³² but only \$9.6 mil of that spending was detailed in the budget. Although we state that 94 percent of its dollars were spent administratively, that is only for the amount available through the budget detailed. Programmatic spending is the next highest reported spending category with enforcement spending the least. However, as we explain prior this simple snapshot does not tell us the entire story. Enforcement spending is being undercounted as it is intertwined with other spending categories and prioritized across jurisdictions.

Los Angeles only provides cannabis spending detail for 11 percent of their cannabis revenues in Fiscal Year 2019-2020 (FY20). Thus, there is over \$70 million dollars we can assume went into the general fund, but we do not know for sure how those dollars are being spent.

It is important to note that the last column has total expenditures, and those numbers are lower than the total revenues in the first column. These jurisdictions only provided detail for some of their cannabis spending, not all. For instance, Los Angeles only provides cannabis spending detail for 11 percent of their cannabis revenues in Fiscal Year 2019-2020 (FY20). Thus, there is over \$70 million dollars we can assume went into the general fund, but we do not know for sure how those dollars are being spent. This is a trend we see across these three cities. Even with decent transparency of cannabis spending illustrated by Bellflower, Long Beach, and Los Angeles, there continues to be large unknowns to how local jurisdictions are spending these dollars.

³² "City of Los Angeles FY 22-23 Revenue Outlook." *Budget and Financial Information*, https://cao.lacity.org/budget22-23/2022-23Revenue_Outlook.pdf.

Table 6. LA City FY22 Proposed Budget General Fund Department Expenditures Breakdown



The City of Los Angeles for Fiscal Year 2021-2022 (FY22) allocated over 40 percent of their most flexible dollars to police, the highest distribution percentage among the categories. Additionally, categories typically labeled “public safety” (police and fire, and general government) here receive more than 75 percent of the cities’ unrestricted funds. Cannabis revenue spending is following this same trend of dollars being allocated primarily to administrative and enforcement spending. The remaining spending categories (personnel, library, community programming, recreation & parks, and library) combined do not make up the total dollars allocated towards police; combined they only receive about half of what the police department receives.

Our research shows that:

- 1. Local governments are not being transparent about how cannabis dollars are being spent.** The publicly available data is not adequate and fails to provide community members and advocates with information on where cannabis-related resources are being directed.
- 2. Localities are only using a fraction of cannabis revenues on cannabis-related spending.** For example, Bellflower saw \$1.4 million in cannabis revenues but only allocated 20 percent of these funds for activities specifically related to cannabis.

3. Local governments overwhelmingly use cannabis dollars to fund administrative and general city services, and, for the most part, are not funding community-based programs and/or youth substance use prevention and treatment.

While some of the administrative spending can be attributed to launching new programs and implementing the policy, we also see cities prioritize enforcement strategies over community programming.

4. Enforcement-related cannabis spending is being undercounted. The way enforcement related spending is tracked in the budget, it looks as though localities are not prioritizing that spending. However, we see that administrative and programmatic spending contributes to cannabis enforcement. Thus, more spending is going towards enforcement than what local governments present to the public.

A final note is that some jurisdictions direct cannabis dollars towards city reserve accounts, or rainy-day funds. For Fiscal Year 2019-2020 (FY20) Long Beach contributed \$40,000 of cannabis revenues towards the city's rainy-day fund with estimates for the rainy-day fund for Fiscal Year 2020-2021 (FY21) Proposed will grow to \$85,851.³³ Los Angeles for Fiscal Year 2021-2022 (FY22) Proposed³⁴ set aside over \$20 million dollars of cannabis revenues into their reserve for future use. Allocating cannabis dollars in this way demonstrates that local governments are saving these dollars for a future, unknown purpose and disregarding communities' immediate needs and the urgency of repairing the harm done to impacted communities.

Input from Los Angeles Community Leaders

To include community voice in this report, Adwoa Akyianu of the Youth Forward staff conducted interviews with leaders of 10 community organizations in LA County. She interviewed staff from the following organizations:

Community Coalition

Inner City Struggle

**Empowering Pacific Islander
Communities (EPIC)**

Community Health Councils

Khmer Girls in Action

Flintridge Center

Urban Peace Institute

2nd Call

Gente Organizada

**South Los Angeles Movement (SLAM)
Coalition**

³³ "Fiscal Year 2022 Adopted Budget- Long Beach, California." *Financial Management*, <https://www.longbeach.gov/globalassets/finance/media-library/documents/city-budget-and-finance/budget/budget-documents/fy-23-proposed-budget/2023-budget-book-0802-community-budget>.

³⁴ "Budget Fiscal Year 2021-22." Budget and Financial Information, 2021, <https://lacontroller.org/wp-content/uploads/2021/09/Budget-2021-22-Electronic.pdf>.

In July of 2020, Adwoa traveled to Los Angeles to meet with organizations in person to gain further understanding of what residents are experiencing. The interviews consisted of two main questions:

1. What do you know about how your local city is currently spending its local cannabis revenue?
2. Where would you like to see cannabis tax revenue invested and for what purpose?

Those interviewed expressed a unanimous desire for their local city to invest cannabis revenue in their local communities. Some recurring themes were:

Mental health

Community leaders believe cannabis revenues should be invested in mental health supports for youth and adults. They expressed frustration with the lack of licensed therapists in Black and Brown communities compared to other communities. This theme was raised as a priority by several organizations. People also acknowledged the trauma caused to their communities by the War on Drugs and see investments in mental health as a form of reparations.

Support Services

Those interviewed noted that funding the following services and program would improve the health and wellbeing of their communities:

- Reentry services for the formerly incarcerated
- Prearrest youth diversion program
- Community led youth programs

Green spaces and food access

Some interviewed expressed strong concerns about food deserts, in which residents have limited access to nutritional food. Residents noted there are numerous liquor stores in their communities and “markets” that do not sell fresh produce or grocery items. In addition, they stressed the need for more green spaces in their neighborhoods.

Addressing the devastation of the War on Drugs

Community leaders in South LA noted the gruesome harm and suffering experienced by the War on Drugs. Militarization, over-policing and criminalization have wreaked havoc in these communities for decades. This has resulted in displaced residents and a lack of funding and resources. Thus, residents want to redirect cannabis funds away from law enforcement and toward community reinvestment.



Photo: Artistic Captures

EXAMPLES OF CARE-BASED/COMMUNITY REINVESTMENT EXPENDITURES

While the spending of cannabis revenue in these nine cities has not lived up to the intent of Proposition 64, there are some positive policies and programs in Pomona, Los Angeles, and Long Beach that could help advocates shape equitable cannabis legislation.

POMONA

Pomona³⁵ established a Cannabis Community Benefit Fund for community programs and/or projects. The city also incorporated “equity applicants”³⁶ that provides business permits for individuals with existing cannabis-related convictions who hold a majority ownership stake in the proposed business.

LOS ANGELES

The City of Los Angeles’ policies present several examples that could serve as models for other jurisdictions. The City set up the Department of Cannabis Regulation³⁷, which is dedicated to running and overseeing cannabis regulation, and established a Cannabis Regulation Special Revenue Fund Trust, which houses all the city’s local cannabis revenues.

Los Angeles also established social equity program and a community-centered process of implementing new cannabis policies. The social equity program³⁸ seeks to promote equitable

³⁵ “City of Pomona Adopted Operating Budget | Fiscal Year 2022-23.” *Budget*, 1 July 2022, <https://www.pomonaca.gov/home/showpublisheddocument/4469/637872806616930000>.

³⁶ “Equity Applicant Form.” *City of Pomona Commercial Cannabis Permit Program*, <https://www.dropbox.com/s/I1kyxmhrq7022c/%5BCCPP%5D%20Equity%20Applicant.pdf?dl=0>.

³⁷ “Budget Fiscal Year 2021-22.” *Budget and Financial Information*, 2021, <https://lacontroller.org/wp-content/uploads/2021/09/Budget-2021-22-Electronic.pdf>.

³⁸ “Social Equity Program: About the Program.” *About the Program | Cannabis Regulation*, <https://cannabis.lacity.org/social-equity-program/about-program/about-program>.

ownership and employment opportunities in the cannabis industry to decrease disparities in life outcomes for marginalized communities and address disproportionate impacts of the War on Drugs. This program plans to center equity in cannabis policy development and implementation. The city's policymaking process included community stakeholders' feedback on cannabis activities before the policy was approved by the City Council. The ballot measure³⁹ called for a community oversight provision and requires citizen input prior to the establishment of a regulatory framework. No other city in this evaluation included a citizen's oversight provision. In addition, the cannabis regulation department⁴⁰ has a citizen's commission to aid in oversight over the department. The city publishes events on their website to keep community informed of cannabis implementation and legislation updates, including updates relating to the social equity program.

LONG BEACH

Long Beach's policies offer better transparency and creates opportunities for residents and advocates to engage in the decision-making of how cannabis revenues should be spent. These processes are helpful for residents and organizers to track revenues and spending and hold local governments accountable. In addition, the city has the budget⁴¹ available in Spanish—a result of community organizing efforts to force more budget accessibility.

Long Beach created a cannabis racial equity program⁴² to address long term impacts of federal and state cannabis enforcement policies on Black and other communities of color. The program⁴³ aims to do this by supporting the opening of cannabis businesses, employment in cannabis businesses, the creation of a fresh start program, and community reinvestment. The community reinvestment initiative⁴⁴ requires cannabis businesses to submit plans describing how they intend to support and reinvest in communities most impacted by the War on Drugs. Businesses can reinvest by direct financial contributions, volunteer hours (valued at \$50/hour), and in-kind donations. These plans are reviewed by the city's office of equity to approve and track community reinvestment plans. The city⁴⁵ has also established some community priority areas that include child and youth development, violence prevention, re-entry, and economic inclusion.

The cities described above included community-centered values in the development of their cannabis policies, but it is unclear how these values are reflected in the implementation of these policies. It is also worth noting that, while state agencies have prioritized using cannabis revenues for the prevention of youth substance use, we do not see a commitment to funding prevention by local governments.



Infographic by Emma DiMaggio | Signal Tribune

³⁹ Los Angeles County Elections Office, "CONSOLIDATED MUNICIPAL AND SPECIAL ELECTIONS MARCH 7, 2017: MEASURE APPEARING ON THE BALLOT," accessed 2022.

⁴⁰ "Budget Fiscal Year 2021-22." *Budget and Financial Information, 2021*, <https://lacontroller.org/wp-content/uploads/2021/09/Budget-2021-22-Electronic.pdf>.

⁴¹ "Community Budget Summary." *City of Long Beach Fiscal Year 2022-2023 Proposed Budget*, chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.longbeach.gov/globalassets/finance/media-library/documents/city-budget-and-finance/budget/budget-documents/fy-23-proposed-budget/2023-budget-book-0809_sp.

⁴² "Cannabis Social Equity Program - Longbeach.gov." *Office of Equity*, <https://longbeach.gov/globalassets/health/healthy-living/office-of-equity/tnp>.

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ Ibid.

Examples of Local Communities Organizing on Cannabis Revenue

Across the state, organizers, activists, and local officials are organizing to redirect cannabis revenue to children and youth services and to community reinvestment projects. Here are a few examples:

Santa Cruz

In November of 2021, voters approved Measure A which amended the Santa Cruz city charter to allocate 20% of the revenue from the city's cannabis business tax to youth and early childhood development services and programs. This effort was led by Councilmember Martine Watkins and by local children's advocates.

Sacramento

Since 2018, Sac Kids First, a coalition of child and youth advocates, has been organizing to create a children's fund in the city budget.⁴⁶ Youth Forward serves as the coordinating entity of this coalition. In November of 2022, voters approved the Child and Youth Health and Safety Act which requires the city to invest the equivalent of 40% of its cannabis tax in child and youth services annually. Currently, the city collects about 23 million annually from its cannabis tax. The ballot measure is projected to generate an additional 9 to 10 million in addition to existing city spending on children and youth services. The measure will also require the city to create a 5-year strategic plan and evaluation strategy prioritizing children and youth most impacted by poverty, violence, and trauma.

City of Los Angeles

The LA Equity Fund is a proposed citizens' ballot initiative to reduce the City's cannabis retail tax, eliminate the medical tax, and reallocate the tax revenues away from the City's General Fund to a Special



Sac Kids First photos: @ask.maj

⁴⁶ <https://sackidsfirst.org/>

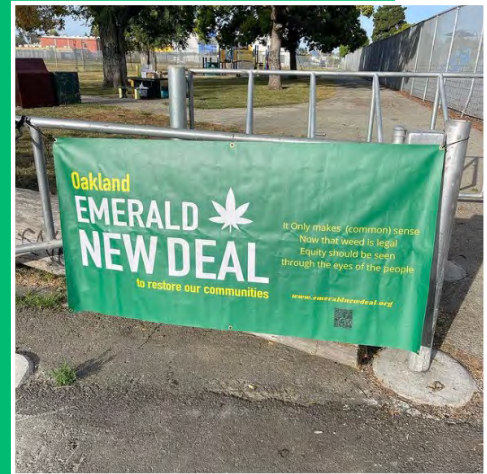
Community Reinvestment Fund.⁴⁷ The LA Equity Fund would create the nation's largest cannabis community reinvestment fund with over \$100 million per year and growing every year as the hundreds of remaining businesses are permitted. In addition to investing millions into youth and reentry jobs, reparations, violence prevention, immigrant services, harm reduction and climate action, the LA Equity Fund revenue allocations target the 3 big barriers to social equity ownership: lack of financing, lack of technical/business assistance, and illicit market proliferation.

Oakland

Community activists in Oakland have been organizing in support of the Emerald New Deal, a proposal to require the City of Oakland to invest 100% of its cannabis tax revenue in community reinvestment to support those most harmed by the War on Drugs.⁴⁸ Organizers are currently hoping to get a measure placed on the 2024 ballot to make this happen.

Fresno

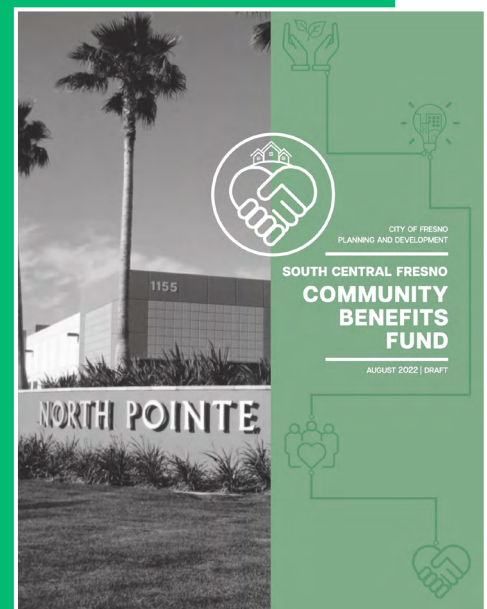
In November of 2018, voters in Fresno approved Measure A which places taxes on cannabis businesses and directs 10% of the tax revenue to a Community Benefit Fund. The measure requires the City to establish a Community Benefit Commission to provide input to the City Council on how to spend the 10% set aside for community benefit purposes. Currently, community leaders in Fresno are organizing to conduct a community survey to provide input to the Commission and the City Council on how to best invest the funding dedicated to community reinvestment.



https://www.instagram.com/emerald_newdeal/



https://www.instagram.com/emerald_newdeal/



Cover Image: City of Fresno Planning and Development

⁴⁷ <https://www.laequityfund.org/>

⁴⁸ <https://www.emeraldnewdeal.org/>

RECOMMENDATIONS FOR LOCAL GOVERNMENTS AND COMMUNITY LEADERS

1. Incorporate Participatory Budgeting in the Distribution of Cannabis Funds

Participatory budgeting⁴⁹ empowers residents and connects local governments more directly to their constituents. This approach ensures local governments provide better budget transparency and accessibility, thereby dismantling the status quo and putting power into the hands of community residents. Local governments need to collaborate with community members, and trusted community-based organizations, to establish an equity framework in how these dollars should be spent. This needs to include community in the planning, implementation, and evaluation of cannabis spending. This kind of community driven participatory budgeting would redirect strategies of over-policing and criminalization to community alternatives that contribute to healing and health in impacted communities. In our review, we did not find that any of the cities in this study currently use a participatory budgeting model for the allocation of cannabis revenues.

2. Improve Cannabis Revenue Transparency and Accountability

Currently, city budgets are documents designed for use by local government staff, and, for the most part, are not designed to be accessible to community residents. Local officials need to make local budgets digestible with accessible language and easy-to-understand visuals that help community residents understand spending priorities. The budget also needs to be accessibly not only in concepts, but also in language. Community residents needs to be able to read and understand budget impacts on their community and be able to provide informed input.

3. Invest Cannabis Revenue in Community Programs for Those Most Impacted

We recommend that local governments follow the lead of state agencies and invest cannabis revenues in specific programs to benefit community, noting that this may look different in different communities at different times. This requires local governments to work closely with community residents to ensure spending meets the needs of the most impacted. This can be accomplished in several ways:

- **Cannabis Dollars Set Aside.** Local governments could set aside funds for community-based organizations that provide community services that bring healing and repair harm in communities most impacted by the War on Drugs and that prevent and reduce youth substance use.
- **Fixed Percentage.** Following the lead of Santa Cruz and Sacramento, local governments could set aside a fixed percentage of the revenues for specific programming uplifted by community. The percentage approach can help limit how much money goes to enforcement and can ensure more dollars to go to community-supported programs.

⁴⁹ "What Is Pb?" *Participatory Budgeting Project*, 17 July 2020, <https://www.participatorybudgeting.org/what-is-pb/>.

