

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
July 26, 2022
3:15 PM

To: Board of Supervisors

Through: Ann Edwards, County Executive

From: Amanda Thomas, Chief Fiscal Officer
Office of Budget and Debt Management

Subject: Adoption Of A Resolution Calling For An Election To Present To The Voters Of The County A Proposed Ordinance To Establish A Special Tax On Cannabis And Hemp Business Activities; Introduction Of An Ordinance To Add Chapter 3.50 To Title 3 Of The Sacramento County Code Establishing A Cannabis Business Tax On Cannabis And Hemp Business Activities Within The Unincorporated Area Of The County; Waive Full Reading And Continue To August 1, 2022 For Adoption

District(s): All

RECOMMENDED ACTION

1. Adopt the attached Resolution calling for an election to present to the voters of the County a proposed Ordinance adding Chapter 3.50 to Title 3 of the Sacramento County Code establishing a Special Tax on Cannabis and Hemp business activities within the unincorporated area of the County and ordering consolidation of said election with the consolidated general election called for November 8, 2022;
2. Introduce by title only, waive first reading, receive public comment, and direct staff to return on August 1, for a second reading and potential adoption of the attached Ordinance to add Chapter 3.50 to Title 3 of the Sacramento County Code establishing a Tax on Cannabis and Hemp business activities within the unincorporated area of the County; waive full reading of the Ordinance.

(Majority Vote Required)

BACKGROUND

In November 2016, California voters approved Proposition 64 - The Adult Use of Marijuana Act (AUMA). AUMA legalizes specified personal use and cultivation of marijuana for adults 21 years of age or older; reduces criminal penalties for specified marijuana-related offenses for adults and juveniles; and authorizes resentencing or dismissal and sealing of prior, eligible marijuana-

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Page 2

related convictions. The proposition includes provisions on regulation, licensing, and taxation of legalized use. AUMA was approved by 51.8% of unincorporated Sacramento.

On July 27, 2021, members of the Board of Supervisors (Board) requested that the County Executive establish a team with County Counsel to provide information for the Board to consider policy options regarding cannabis cultivation, processing, manufacturing or distribution, and retail dispensaries in the unincorporated County. Staff retained the consulting services of HdL Companies (HdL) to prepare a fiscal analysis of the cannabis industry in the unincorporated County. HdL is a recognized industry leader in the development, implementation and enforcement of cannabis management programs for local governments in California, having partnered with over 175 California cities and counties on cannabis-related programs.

On May 10, 2022, HdL Companies presented the fiscal analysis to the Board, provided other relevant information to inform the Board's decision-making on cannabis tax policy, and provided recommendations on a potential tax structure.

The Board directed staff to return with the cannabis business tax ordinance and associated ballot measure for the November election. The Board also expressed interest in hearing about the public safety and health aspects of allowing cannabis activities in unincorporated Sacramento County, which would require future action from the Board separate from adoption of the Cannabis Tax Measure Resolution and tax ordinance. On June 15, 2022, the Sheriff's Office and the Department of Health Services provided a presentation to the Board on the health and safety aspects of cannabis activities, and on July 12, 2022, the Board received a presentation on the medical and health benefits of cannabis.

On July 12, 2022, the Board considered a version of proposed Chapter 3.5 of the Sacramento County Code which would have established a cannabis business license tax as a general tax. The Board also considered a resolution to present the Ordinance to the County for public vote. The resolution required a 2/3 approval of the Board. The Board did not approve the resolution. The attached revised proposed Ordinance and Resolution were drafted in response to Supervisor Serna's request to bring the item back to the Board as a special tax measure.

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Page 3

To include the Cannabis Tax Measure on the November 2022 ballot, the Resolution must be approved by the Board and provided to the Registrar of Voters by August 1, 2022. Should the voters approve the tax measure by a 2/3 majority, staff will return to the Board with a comprehensive cannabis program. Cannabis activities allowed in the unincorporated County would remain unchanged until the voters approve a tax measure and the County Board of Supervisors approves a cannabis regulatory program. In other words, industrial hemp cultivation and cannabis activities in the unincorporated County would continue to be regulated pursuant to Title 6, Chapters 6.87 and 6.88 of the County Code.

FINANCIAL ANALYSIS

The Department of Voter Registration and Elections (the Department) charges election administration fees for each ballot measure based on the number of registered voters. The calculated fees that would result from this countywide measure would be \$397,302; however, the net cost to the County would be limited to additional costs incurred as a result of placing this measure on the ballot and likely could be absorbed in the Department's budget. If the Board would like staff to conduct public outreach to educate the community regarding this tax measure, an estimated additional \$125,000 would be included in the total cost. Any additional costs would be funded by net county cost and included in the Revised Recommended Budget for Fiscal Year 2022-23.

Attachment(s):
RES – Resolution
ORD – Ordinance