



COUNTY OF HUMBOLDT

For the meeting of: 8/27/2024

File #: 24-1219

To: Board of Supervisors

From: Planning and Building Department

Agenda Section: Departmental

Vote Requirement: Majority

SUBJECT:

Department of Cannabis Control (DCC) Local Jurisdiction Assistance Grant Program (LJAG) Cannabis Farmer Water and Energy Conservation Projects Update

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive the report on the status and changes to Humboldt County's portion of the LJAG program resulting from a year-long state operational audit of the DCC grant program.

STRATEGIC PLAN:

This action supports the following areas of your Board's Strategic Plan.

Area of Focus: Safe & Healthy Communities

Strategic Plan Category: 1009 - Expand county infrastructure resilience

DISCUSSION:

A state audit of the DCC grant program has resulted in changes to the county's ability to issue grants to individuals previously approved to receive DCC grants. The report will provide background on what was done and what has changed.

In November 2021, the Board of Supervisors authorized the Planning and Building Department to submit a grant application for \$18.6 million in LJAG funding to the DCC to provide cannabis farmers grant money for water storage and conservation and to conversion from generators to green energy sources and to fund a hydrological study of local watersheds to assist in determining guidelines for new wells associated with cultivation.

The Board of Supervisors approved allocating grants to cannabis farmers based upon specific ranking criteria. For water use related grants the criterial component was whether an applicant was a provisional license holder and within an impacted or refuge watershed and for power grants how much power would be converted to a renewable source and whether they were a provisional license holder. The ranking criteria prioritized the provisional license holders, but since these were grants to address cumulative environmental concerns, the grants were also available to annual license holders.

In January of 2022, a grant agreement between the County of Humboldt and the DCC for \$18,635,137 was executed to fund a watershed study impacts from wells and to fund a Board of Supervisors-approved prioritized grantee list for water and energy conservation. LACO was contracted to perform the first phase of the watershed study and funds began to be disbursed to 258 "round one" area qualified farms in April of 2023. The approved "round two" list was to be funded with the 20% DCC withheld, once

it was released. The unfunded “round three” list would be funded with any unused or residual funds from rounds one and two.

In September of 2023, the DCC halted the release of grant funds in response to a state operational audit of the LJAG program. The state audit included a complete audit of all the work done by the County of Humboldt. During the 18 months of the audit, the county was instructed to stop issuing funds associated with the LJAG program. The results of the audit have not yet been formally published but county staff are aware of the findings. The DCC is now clarifying that the LJAG grant funds should not have been released to projects with an “annual” state license status at the time of grant application.

The DCC amended the agreement with the county, DCC is no longer allowing the release of grant funds for any projects that had a state status of “annual” at the time of application. The Board of Supervisors-approved list of eligible grantees has been reviewed and all annual license holders from the round two and round three lists have been removed. There are 101 approved and ranked projects that had provisional licenses and are eligible for the remaining DCC LJAC grant funds. The remaining funding is more than sufficient to cover the cost of these eligible projects.

These remaining 101 applicants with “provisional” license status at the time of application have been notified of the additional funding availability and are in the process of determining whether to pursue this funding and provide the required documentation to the county. Additionally, due to the extended timeframe for completion of the audit and staffing issues with the contractor, LACO, the funded watershed study cannot be completed. The agreement with LACO was terminated and the unspent funds for this task were reallocated to be available as grants for the water and energy projects on the approved list.

It is unknown at this time how many of these 101 approved farms will pursue the grant money available now that the county can allocate on-hand funding to them.

Planning and Building Department resumed issuing grants to provisional license holders on July 26, 2024.

SOURCE OF FUNDING:

Department of Cannabis Control LJAC grant

FINANCIAL IMPACT:

The county will be required to return any unspent DCC LJAG funds back to the DCC in 2025. The Planning and Building Department will return at a future meeting to provide an update on the status of any funds anticipated to be returned to the DCC, as it is currently unknown how many farms on the approved list will pursue and subsequently be awarded the reallocated grant funding.

The changes in DCC LJAG program criteria will not impact the total for the department’s portion of the original grant award for administration of the program.

OTHER AGENCY INVOLVEMENT:

Office of Grants Management
Department of Cannabis Control

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board may choose not to accept the report.

ATTACHMENTS:

N/A

PREVIOUS ACTION/REFERRAL:

Meeting of: 11/2/2021; 6/14/2022; 10/4/2022; 2/7/2023
File No.: 21-1540; 22-714; 22-1192; 23-90