

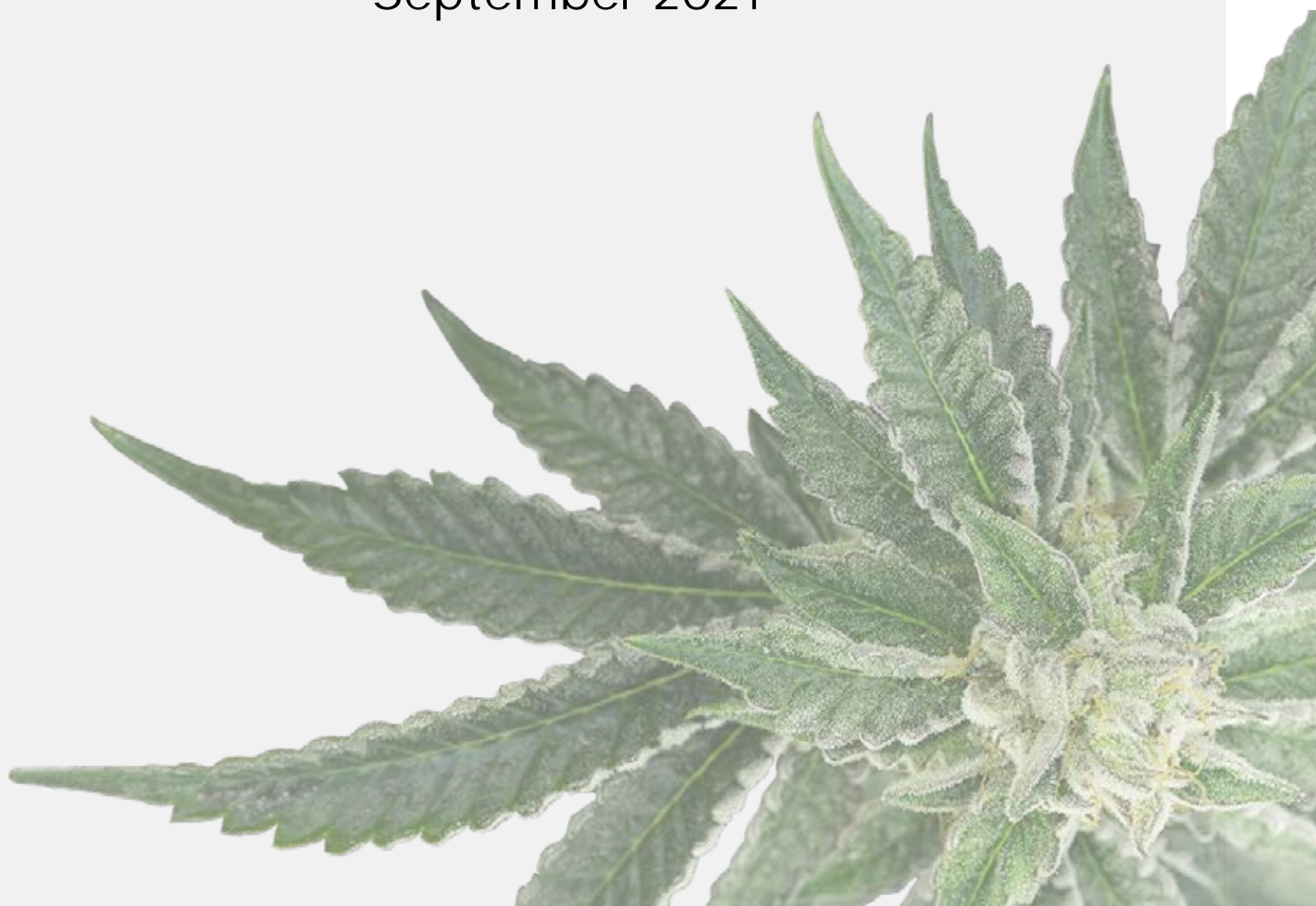


Department of  
Cannabis Control  
CALIFORNIA

# Local Jurisdiction Assistance Grant Program

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Draft Guidelines and Application Instructions  
September 2021



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## I. Grant Overview

The Department of Cannabis Control (Department) announces the availability of \$100 million in funding for the Local Jurisdiction Assistance Grant Program (Grant Program), which will provide funding to local jurisdictions with commercial cannabis licensees needing the greatest assistance in transitioning from provisional licenses to annual licenses. The Grant Program is authorized by the Budget Act of 2021, Item 1115-101-0001 – For local assistance found in Senate Bill 129 (2021).

Under the Medicinal and Adult-Use Cannabis Regulation and Safety Act (Act), the Department is the California state agency that licenses and regulates cannabis businesses. Annual licenses are issued to conduct commercial cannabis activity once an applicant or licensee meets all requirements for annual licensure as determined by the Department. The Act also allows the Department to issue a provisional license for commercial cannabis activity before certain requirements for full, annual licensure are completed. (Business and Professions Code section 26050.2)

In particular, as relevant here, provisional licenses may be issued if the applicant has submitted a completed license application to the Department that also confirms compliance with the California Environmental Quality Act (CEQA) and local ordinances is underway. The Act contains specific timelines for when the Department can no longer issue or renew provisional licenses. Therefore, provisional license holders must complete the annual license process by certain dates or face a potential gap in licensure. Approximately 75 percent of California's commercial cannabis licenses are provisionally licensed.

The Grant Program is allocating \$100 million on a one-time basis to, at a minimum, assist local jurisdictions that have high numbers of provisional licenses obtain CEQA compliance required for annual licensure. Those local jurisdictions eligible to receive grant funding represent those with significant numbers of provisional licenses who are legacy and equity applicants, and provisional licensees that are more likely to have mitigation measures related to environmental compliance. The Grant Program funds will aid local jurisdictions in more expeditiously reviewing provisional licensee local requirements. This in turn will allow the Department to transition provisional licenses to annual licenses, without sacrificing California's environmental commitments. Additional funding was allocated to those local jurisdictions that have received grant funding from the state to support an already established local equity program. The full amount of Grant Program funds are available for encumbrance or expenditure at any time during the grant period, but no later than March 31, 2025.

Local jurisdictions eligible for Grant Program Funding are: the cities of Adelanto, Commerce, Desert Hot Springs, Long Beach, Los Angeles, Oakland, Sacramento, San Diego, and Santa Rosa; the **counties of Humboldt**, Lake, Mendocino, Monterey, Nevada, Sonoma, and Trinity; and the City and County of San Francisco. (Budget Act of 2021, Item 1115-101-0001 – For local assistance.)

Applications will not be accepted from any other local jurisdictions at this time. If funds become available for additional jurisdictions at a later date, the Department will issue updated grant guidelines before re-opening an application period for additional jurisdictions to apply for remaining funds.

## A. Timeline

The following timeline provides due dates and deadlines for the following events related to the Grant Program:

| Event  | Date<br>(Dates are tentative and may be modified) |
|--|---|
| <b>Notice of Funding Availability Release with Draft Guidelines</b>  | <b>September 14 – September 27, 2021</b>          |
| <b>Grant Guidelines and Request for Proposals Published</b>  | <b>September 30, 2021</b>                         |
| <b>Application Submission Period Opens</b>   | <b>October 8, 2021</b>                            |
| <b>Questions and Answers Period Due Date</b> <ul style="list-style-type: none"> <li>Grant applicants or interested parties may submit questions from [Notice of Funding Availability Release Date] to October 8, 2021.</li> <li>Grant applicants or interested parties must submit questions by email to:</li> </ul> | <b>October 8, 2021</b>                            |
| <b>Questions and Answers Posted</b> <ul style="list-style-type: none"> <li>The Department will post answers to questions submitted during the Questions and Answers Period.</li> </ul>   | <b>October 15, 2021</b>                           |
| <b>Last Day to Submit Applications</b> <ul style="list-style-type: none"> <li>Grant applicants must submit applications <b>by 11:59 p.m.</b> on this date.</li> <li>Technical assistance will be available until 4:00 p.m. on this date.</li> </ul>  | <b>November 15, 2021</b>                          |
| <b>Grant Award Notification</b>  | <b>December 2021</b>                              |



## B. Definitions

The following terms used in this document are defined below, unless the context clearly indicates otherwise:

- (a) “Annual license” means a non-provisional license issued by the Department of Cannabis Control pursuant to Section 26050 of the Business and Professions Code.
- (b) “Grant Applicant” refers to either the local jurisdiction applying for funding under this grant program, or to a person authorized by the local jurisdiction to complete an application on behalf of the local jurisdiction (this is usually the primary contact listed on the application, but could also be the secondary contact, signature authority, consultant, or other authorized person).
- (c) “Grantee” means a local jurisdiction that is the recipient of funds pursuant to the Grant Program.
- (d) “Legacy applicant” means an applicant who has submitted, or will submit, an application to a local jurisdiction to engage in commercial cannabis activity within the jurisdictional boundaries of that jurisdiction, and who was conducting commercial cannabis activity in the local jurisdiction in compliance with the Compassionate Use Act of 1996 before September 1, 2016.
- (e) “Local cannabis licensing program” means a program established by a local jurisdiction to permit or otherwise allow a person or entity to engage in commercial cannabis activity within the jurisdictional boundaries of that jurisdiction.
- (f) “Local equity applicant” means an applicant who has submitted, or will submit, an application to a local jurisdiction to engage in commercial cannabis activity within the jurisdictional boundaries of that jurisdiction and who meets the requirements of that jurisdiction’s local equity program.
- (g) “Local equity licensee” means a person who has obtained a license from a local jurisdiction to engage in commercial cannabis activity within the jurisdictional boundaries of that jurisdiction and who meets the requirements of that jurisdiction’s local equity program.
- (h) “Local equity program” means a program adopted or operated by a local jurisdiction that focuses on inclusion and support of individuals and communities in California’s cannabis industry who are linked to populations or neighborhoods that were negatively or disproportionately impacted by cannabis criminalization.



- (i) "Local jurisdiction" means a city, county, or city and county.
- (j) "Provisional license" means a provisional license issued by the Department of Cannabis Control, or its legacy commercial cannabis licensing authorities (the California Department of Food and Agriculture, the California Department of Public Health, or the Bureau of Cannabis Control) pursuant to Section 26050.2 of the Business and Professions Code, to engage in cultivation, manufacture, distribution, testing, or retail activities.

### C. Eligible Applicants and Maximum Funding Amounts

Grant Program funds may not be awarded to any local jurisdiction that is not in the table below.

The following local jurisdictions shall be eligible for funding up to the following amounts:

| Local Jurisdiction               | Grant Program Funding | Additional Funding Due to an Equity Program | Total Maximum Funding Allocated |
|----------------------------------|-----------------------|---|---------------------------------|
| City of Adelanto                 | \$972,696             |   | \$972,696                       |
| City of Commerce                 | \$416,870             |   | \$416,870                       |
| City of Desert Hot Springs       | \$822,160             |   | \$822,160                       |
| County of Humboldt               | \$7,842,974           | \$10,792,162                                | \$18,635,137                    |
| County of Lake                   | \$884,309             | \$1,216,834                                 | \$2,101,143                     |
| City of Long Beach               | \$1,748,537           | \$2,187,405                                 | \$3,935,942                     |
| City of Los Angeles              | \$9,912,238           | \$12,400,122                                | \$22,312,360                    |
| County of Mendocino              | \$7,611,370           | \$10,473,468                                | \$18,084,837                    |
| County of Monterey               | \$1,737,035           |   | \$1,737,035                     |
| City of Oakland                  | \$4,400,293           | \$5,504,727                                 | \$9,905,020                     |
| County of Nevada                 | \$1,221,188           |   | \$1,221,188                     |
| City of Sacramento               | \$2,570,697           | \$3,215,919                                 | \$5,786,617                     |
| City of San Diego                | \$764,261             |   | \$764,261                       |
| City and County of San Francisco | \$1,366,407           | \$1,709,363                                 | \$3,075,769                     |
| City of Santa Rosa               | \$775,841             |   | \$775,841                       |
| County of Sonoma                 | \$1,158,023           |   | \$1,158,023                     |
| County of Trinity                | \$3,295,102           |   | \$3,295,102                     |



For the above local jurisdictions, those that have received grant funding from the state to support an already established local equity program, not including funding awarded by the Governor's Office of Economic and Business Development to provide assistance to conduct a cannabis equity assessment and develop an equity program, are allocated additional funding. These local jurisdictions include, the cities of Long Beach, Los Angeles, Oakland, and Sacramento; the counties of Humboldt, Lake, and Mendocino; and the City and County of San Francisco.

## D. Grant Funding Expenditures

Eligible Grant Program expenditures may start no earlier than the date of approval by the relevant decision maker (such as a governing body) of the local jurisdiction, consistent with applicable law, to enter into the Grant Agreement with the Department and to accept the funding under the Grant Program. Grant Program funds shall be encumbered or expended no later than March 31, 2025. Grantees may expend the maximum funding awarded at any time prior to March 31, 2025.

## E. Eligible and Ineligible Uses for Funding

### 1. Eligible Uses and Costs

Eligible costs may include, but are not limited to the following:

- Local government review, technical support, and certification for application requirements.
- Local government or other professional preparation of environmental documents in compliance with the California Environmental Quality Act for permits, licenses, or other authorizations to engage in commercial cannabis activity.
- Mitigation measures related to environmental compliance, including water conservation and protection measures.
- Other uses that further the intent of the program as determined by the Department, or as identified on a case-by-case basis through review of the local jurisdiction's application and Annual Plan, including Budget Forms.

### 2. Ineligible Uses and Costs

The following activities, products, or costs are ineligible uses under the Grant Program funding and will not be allowed:

- Costs or fees related to litigation.

- Payment of fines or other penalties incurred for violations of environmental laws and regulations.
- State or local commercial cannabis license or application fees, excluding fees related to California Environmental Quality Act compliance and review.
- Supplanting existing cannabis-related funding, i.e. using Grant Program funds for ongoing activities already budgeted for by the local jurisdiction.
- Costs incurred outside the Grant Funding Expenditure period.
- Acquisitions where the purchase price is greater than the appraised value.
- Enforcement costs, related to measures to ensure compliance with local or state commercial cannabis laws or regulations.
- Other prohibited uses as determined by the Department of Cannabis Control.

### 3. Specific Uses

The specific uses below are prohibited as indicated unless the Grant Applicant can provide a detailed description that satisfies the Department as to how the specific use will further the intended purpose of transitioning commercial cannabis licenses from a provisional license to an annual license.

Grant Program funding is allocated for the purpose of assisting provisional license holders to transition to annual license holders. For any specific use or expenditure that may generate income or funding for the local jurisdiction beyond the Grant Funding Expenditure period, the termination of the Grant Agreement, or past March 31, 2025, the Grant Applicant must provide detailed justification for how the expenditure will primarily transition provisional license holders to annual license holders.

| Specific Use                  | Prohibited Uses  | Allowable Uses |
|-------------------------------|--|----------------|
| <b>Alcoholic Beverages</b>    | Purchase or reimbursement of alcoholic beverages.  |                |
| <b>Conferences</b>            | A meeting, retreat, seminar, symposium, workshop, or event whose primary purpose is the dissemination of technical information.                |                |
| <b>Contingency Provisions</b> | Miscellaneous and similar rainy-day funds for events the occurrence of which cannot be foretold with certainty as to the time or intensity, or |                |



| Specific Use  | Prohibited Uses  | Allowable Uses   |
|---|--|--|
|   | with an assurance of their happening.  |  |
| <b>Building and Land-Construction</b><br>Building means any permanent structure that is designed or intended for support, enclosure, shelter, or protection of person, animals, or property having a permanent roof that is supported by columns or walls.<br>Uses related to building and land construction shall be subject to Labor Code section 1782. | Acquisition of buildings, facilities, or land, including lease agreements to own (i.e. rent-to-own).   |  |
| <b>Contractual/Consultant Costs (Professional Services)</b>   |  | Contractual/consultant costs may be allowable and are the expenses associated with purchasing goods and/or procuring services performed by an individual or organization other than the applicant in the form of a procurement relationship. |
| <b>Disparaging Other Products or Organizations</b>  | Projects cannot disparage the work of another group, or the quality, safety, etc. of other products.   |  |
| <b>Entertainment Costs</b>  | Amusement, diversion, and social activities and any costs directly associated with such costs (i.e. bands, tickets to shows, meals, lodging, rentals, transportation, and gratuities). |  |
| <b>Equipment</b><br>Equipment means tangible personal property (including   | Acquisition costs of general purpose equipment or lease agreements to own (i.e., lease-to-own or rent-to-own).   | May be allowable for rental costs of general purpose equipment. Vehicles may be leased, but not purchased.   |



| Specific Use  | Prohibited Uses  | Allowable Uses  |
|---|--|---|
| <p>information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds \$5,000.</p> <p>Acquisition Cost means the cost of the asset including the cost to ready the asset for its intended use. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired.</p> <p>General Purpose Equipment means equipment that is not limited to technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning or refrigeration equipment, reproduction and printing equipment, and motor vehicles.</p> | <p>For vehicle and equipment leases or rentals with an acquisition cost that equals or exceeds \$5,000, rates should be in light of such factors as: rental costs of comparable vehicles and equipment, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the vehicle or equipment leased.</p> | <p>The lease or rental agreement must terminate at the end of the grant period.</p> |
| <p><b>Fines, Penalties, Damages, and other settlements</b></p>  | <p>Costs resulting from violations of, alleged violations of, or failure to comply with, federal, state, tribal, local or foreign laws and regulations.</p>  |   |



| Specific Use   | Prohibited Uses   | Allowable Uses   |
|--|---|--|
| <b>Fundraising and Investments Management Costs</b>  | Organized fundraising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions, regardless of the purpose for which the funds will be used. This includes salaries of personnel involved in activities to raise capital.  |  |
| <b>Goods and Services for Personal Use</b>   | Costs of goods or services for personal use of the recipient's or subrecipient's employees, regardless of whether the cost is reported as taxable income to the employees.  |  |
| <b>Information Technology Systems</b><br><br>Computing devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or "peripherals") for printing, transmitting and receiving, or storing electronic information. | <p>Information technology systems, which include computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources.</p> <p>Examples of prohibited information technology systems include service contracts, operating systems, printers, and computers that have an acquisition cost of \$5,000 or more.</p> <p>Information Technology services such as networking, data management, help/support desk services, etc. are considered indirect costs and may not be charged directly. Indirect costs (also known as "facilities and administrative costs") are costs incurred for</p> | <p>May be allowable for website development, mobile apps, etc., which are not considered to be information technology systems, but rather social media applications, if it is necessary to carry out the Grant Program purpose.</p> <p>May be allowable for information technology systems having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established in accordance by generally accepted accounting principles (GAAP) by recipient or subrecipient for financial statement purposes or \$5,000. Acquisition cost means the cost of the asset including the cost to ready the asset for its intended use.</p> |



| Specific Use  | Prohibited Uses  | Allowable Uses   |
|---|--|--|
|   | common or joint objectives that cannot be identified specifically with a particular project, program, or organizational activity.  | Acquisition costs for software includes those development costs capitalized in accordance with GAAP.   |
| <b>License Fees</b>   | State or local commercial cannabis license or application fees.  | May be allowable for fees related to California Environmental Quality Act compliance and review.   |
| <b>Lobbying</b>   | Expenses associated with attempts to influence the outcomes of any Federal, state, or local election, referendum, initiative, or similar procedure, through in kind or cash contributions, endorsements, publicity, or similar activity. |  |
| <b>Meals</b>  | Meals consumed while in official or non-official travel status.  |  |
| <b>Memberships, Subscriptions and Professional Activities Costs</b> | Costs of membership in business, technical, and professional organizations.  |  |
| <b>Printing and Publications</b>                                    |  | Costs of preparing information leaflets, reports, manuals, and publications that further the intent of the Grant Program; however, the printing of hard copies is discouraged given the prevalence of electronic/ virtual publication means. |
| <b>Salaries and Wages</b>   | Salary and wage amounts charged to grant-supported projects or programs for personnel services must be based on an adequate payroll distribution system that documents such distribution in accordance with generally                    | May be allowable as part of employee compensation for personnel services in proportion to the amount of time or effort an employee devotes to the grant-supported project or program during the period of                                    |



| Specific Use                         | Prohibited Uses   | Allowable Uses   |
|--------------------------------------|---|--|
|                                      | <p>accepted practices of like organizations. Standards for payroll distribution systems are contained in the applicable cost principles (other than those for for-profit organizations).</p> <p>Salaries, wages and fringe benefits for project staff that devote time and effort to non-cannabis related specific venues, tradeshow, events, meetings, programs, conventions, symposia, seminars, etc. where costs cannot be specifically identified and easily and accurately traced to activities that enhance the legalization of commercial cannabis market.</p> | <p>performance under the award, including salaries, wages, and fringe benefits. Such costs must be incurred under formally established policies of the organization, be consistently applied, be reasonable for the services rendered, and be supported with adequate documentation.</p> |
| <b>Training</b>                      |   | <p>May be allowable when the training is necessary to meet the objectives of the project or program.</p>   |
| <b>Travel – Domestic and Foreign</b> | <p>Travel costs to specific states with discriminatory laws. In accordance with California Assembly Bill 1887 costs for travel to states with active discriminatory laws will not be reimbursed. As of the issuance of this document the following states are subject to California's ban on state-funded and state sponsored travel: Alabama, Florida, Montana, Arkansas, Kansas, Kentucky, Idaho, Iowa, Mississippi, North Carolina, Oklahoma, South Carolina, North Dakota, South Dakota,</p>  | <p>May be allowable for travel when provided in the approved budget or with prior written approval when costs are limited to those allowed by formal organizational policy; in the case of air travel, the lowest reasonable commercial airfares must be used.</p>                       |



| Specific Use | Prohibited Uses  | Allowable Uses |
|--------------|--|----------------|
|              | Tennessee, West Virginia, and Texas.<br><br>Prohibited for any foreign travel. |                |

## F. Questions and Answers Process

Questions regarding the application and its requirements must be emailed to [grants@cannabis.ca.gov](mailto:grants@cannabis.ca.gov). The Department must receive questions by October 8, 2021.

Grant Applicants or interested parties may access the Questions and Answers web page from the Grant Funding web page. The Department may group together similar or related questions or re-word them for clarity and respond to them as one question. The Department will post all Questions and Answers approximately one week after the deadline. The posted Questions and Answers are subject to updates. It is the Grant Applicant's responsibility to check the Questions and Answers web page for the latest information.

## II. Application Requirements

In order to receive funding, the Grant Applicant must submit an Application to the Department, which includes all of the following.

### A. Annual Plan

The Grant Applicant must submit the provided Annual Plan Form that describes how the local jurisdiction will address the provisional licensee environmental compliance requirements necessary to transition provisional licenses to annual licensees.

### B. Budget

The Grant Applicant must complete the provided Budget Detail Worksheet. The Budget Detail Worksheet must be completed for proposed costs and expenditures for each year of grant funding.

All Grant Program expenditures must be for activities, products, and costs that have been included in an approved Annual Plan and Budget. Approved expenditures must be incurred and paid after the Grant Fund Expenditure period and before the end of the Grant Term (March 31, 2025). Approved expenditures



must be incurred and paid after the local jurisdiction's decision-making authority (i.e., governing body) authorizes the local jurisdiction to enter into the Grant Agreement and receive Grant Program funding.

All expenditures for which grant funds are used must be incurred and paid no later than March 31, 2025. Grant Program funding is available to local cannabis licensing programs within the eligible local jurisdiction, as well as departments or other programs within the eligible local jurisdiction that may be involved in processes that are necessary for a provisional licensee to meet requirements for annual licensure. Grant Applicants must show how Grant Program funding will be used for its intended purpose of transitioning commercial cannabis licenses from a provisional license to an annual license.

### C. Required Documents

The Applicant must submit the following:

- Application Form (Attachment #1)
- Permitting and Licensing Metrics (Attachment #2)
- Application Budget (Attachment #3)
- Local ordinances, resolutions, or regulations related to applying for a cannabis permit or operating a cannabis business. If this information is available through the local jurisdiction's website, please provide a link or website address to the local ordinance, resolution, or regulation.
- Any additional documents as requested by the Department.

### D. Application Submission Process

*[DCC will insert process for submitting application]*

## III. Application Review and Award Process

### A. Application Review

The Department will review and approve the applications based on factors including, but not limited to, the following:

- The local jurisdiction is an eligible local jurisdiction.
- The local jurisdiction's proposed budget does not exceed the amount for which they are eligible.
- The local jurisdiction has developed and submitted an Annual Plan explaining how they will use the funds, and the Annual Plan is consistent with the Grant Guidelines.





- The local jurisdiction's Annual Plan specifies how the jurisdiction intends to address the licensure requirements necessary to transition provisional licenses to annual licenses and contains specific criteria that will allow the state to determine whether the jurisdiction has made measurable progress toward these goals as determined by the Department of Cannabis Control.

In addition to the above, the Department will also assess the local jurisdiction's objectives and goals for transitioning provisional licenses to annual licenses, the metrics to measure the objectives and goals, and how the Grant Program funds will be used to reach those objectives and goals. The Department will also evaluate the Budget to ensure it is within the maximum award amount for the local jurisdiction and that it aligns with the Annual Plan's goals and objectives. The Department may require and request additional information with deadlines for any requested amendments, modifications, or changes to the Annual Plan or Budget that will clarify or specify the factors above. The Department may deny applications that do not meet the requirements or intent of the program.

The Department's determinations as to the application review and approval, and amount of grant funding awarded, are not subject to appeal.

## B. Award Process

Once applications have been reviewed and a funding determination has been made by the Department, the Grant Applicant will receive a Grant Award Notification. Before receiving an award, a local jurisdiction will also be required to enter into an agreement setting forth further terms and conditions relevant to the receipt and use of grant funding.

Pursuant to applicable local laws, a local jurisdiction may also need to take additional action before receiving a grant award. For example, it may be necessary for a local legislative body to adopt a resolution authorizing a local government agency to accept and/or expend grant funds.

# IV. Grant Administration

## A. Documentation and Reporting Requirements

1. For each year of grant expenditures, the Grantee must provide bi-annual progress reports to the Department on August 15, for the reporting period of January 1 to June 30, and on February 15, for the reporting period of July 1 to December 31. The first bi-annual progress report shall be due August 15, 2022 for all Grantees and shall include any Grant Program expenditures or activities preceding January 1, 2022, if applicable.



2. The progress report must include, at a minimum:

- Progress Report Form (Attachment #4);
- Budget Report Form (Attachment #5);
- Permitting and Licensing Metrics (Attachment #2); and
- Any additional information requested by the Department.

3. The Grantee must be able to demonstrate to the satisfaction of the Department that the Grant Program funds were expended for eligible uses and consistent with the activities identified in its application, and under the Grant Program.

4. The Grantee shall provide a progress report to the Department notwithstanding whether or not the Grant Term has expired, or Grantee has expended the Grant Program funds before the end of the Grant Term. The Grantee shall provide any updated forms, budget worksheets, or Annual Plans if requested by the Department.

5. The Grantee shall maintain such records for possible audit for a minimum of seven (7) years after the grant term end date, or final payment of any grant funds, whichever is later.

6. Failure to adhere to the documentation and reporting requirements may constitute a material breach of the Grant Agreement and can result in termination of the Grant Agreement and funding, the Department recapturing disbursed funds, or reimbursement of expended Grant Program funds to the Department.

## B. Auditing

Beginning January 1, 2021 and annually through January 1, 2026, the California State Auditor will conduct a performance audit of the local jurisdictions receiving Grant Funds, as provided for in the Budget Act of 2021, Item 1115-101-0001 – For local assistance.

The Department, the Department of Finance, the California State Auditor, and their designated representatives, shall have the right to review and to copy any records and supporting documentation pertaining to the performance of the Grant Agreement. The Grantee shall allow the designated representatives access to such records immediately upon request, as well as allow interviews of any employees or staff who may reasonably have information related to such records and the grant program. The Grantee shall also include a provision allowing State review and audit records, as well as the ability to interview employee or staff who may reasonably have information relate to the records and grant program activities, in any contract or subcontract related to the performance of the Grant Agreement.

### C. The Department May Recapture Funds

The Department may recapture funds disbursed as follows:

- Funds are not expended by the date established by the Department, either by March 31, 2025, or an earlier date as determined by the Department.
- Funds are used for an ineligible purpose.
- Use of funds does not comply with the Budget or Annual Plan submitted to, and approved by, the Department.
- The local jurisdiction has failed to demonstrate progress toward addressing requirements necessary to attain annual licensure, as measured by the specific criteria provided in the Annual Plan.

### D. Grant Agreement

These Grant Guidelines, including its provisions and the terms and conditions below, will be attached to, and incorporated by reference, into the Grant Agreement. The Annual Plan, Budget, and all documentation submitted as part of the application shall comprise the Scope of Work (SOW) for the Grant Agreement.

These terms and conditions will comprise in part, the Grant Agreement between the Department and the local jurisdiction receiving grant funding.

1. **Authority.** This Agreement is authorized and entered into pursuant to the Budget Act of 2021, Item 1111-490 –. The Local Jurisdiction Assistance Grant Funding allows for direct assistance to local jurisdictions' commercial cannabis programs to transition provisional licenses to annual licenses.
2. **Grant Term.** The performance period of this Agreement shall be from the specified date of the Grant Funding Expenditure Period through March 31, 2025 ("Grant Term"). Grant funds shall be expended only during the Grant Term.
3. **Grant Award.** Based on the Department's review of the application pursuant to the Grant Guidelines, and conditioned upon the requirements set forth in this Agreement, the Department shall provide Grantee a grant award amount as specified in the Grant Award Notification for the term of this Agreement. In no event shall the Department be obligated to pay any amount in excess of the awarded amount. Grantee waives any and all claims against the Department and the State of California for any costs that exceed the grant award amount identified in the Grant Award Notification.
4. **Unused Grant Funds.** Any amount of grant funds provided for under this Agreement that is not expended by the end of the Grant Term, or at the



termination of this Agreement, whichever is sooner, shall be returned to the Department. Grantee shall notify Department of such unused funds and Department shall provide Grantee with instructions as to how to return the funds.

5. **Funding Contingency Clause.** The funding for this Agreement is allocated pursuant to the Local Jurisdiction Assistance Grant Funding. Grantee agrees that the Department's obligation to pay any sum under this Agreement is contingent upon availability of funds disbursed from the Local Jurisdiction Assistance Grant Funding. If there is insufficient funding, the Department shall have the option to either: 1) terminate this Agreement, whereby no party shall have any further obligations or liabilities under this Agreement, or 2) negotiate an Agreement amendment with Grantee to reduce the grant award and scope of services to be provided under this Agreement.
6. **Grant Fund Disbursement.** Grant funds awarded pursuant to the Local Jurisdiction Assistance Grant Funding will be issued directly to Grantee in one disbursement, upon execution of this Agreement, and passing of a resolution or similar approving authority by the local jurisdiction.
7. **Subcontractors.** No amount of the grant award may be used to subcontract any of the commitments contemplated in this Agreement to another entity or person, unless with the written approval of the Department pursuant to section 13 of this Agreement.
8. **Documentation and Reporting Requirements.** Grantee must be able to demonstrate to the satisfaction of the Department that the grant funds were expended for eligible uses and consistent with the activities identified in its application, and under the Grant Program. Grantee must provide progress and annual reports as specified in the Grant Guidelines. Grantee must maintain records detailing the expenditure of all grant funds for a period of seven (7) years after the end of the Grant Term, and shall provide this information to the Department upon request.
9. **Audit.** The books, accounts, files, receipts, and other records of Grantee which are applicable to this Agreement shall be made available for inspection, review, and audit immediately upon request by the Department and its representatives to verify proper use of the grant award, in accordance with the Grant Guidelines.
10. **Eligible Uses.** Grant funds shall be used for the purpose of assisting local applicants and local licensees in that local jurisdiction to transition from provisional licenses to annual license, and to successfully operate in, the state's regulated cannabis marketplace and consistent with the Grant



Guidelines and the Grantee's application for Local Jurisdiction Assistance Grant Funding. As determined by the Department, upon its review, Grantee shall reimburse the Department for any ineligible or improper uses of grant funds.

11. **Termination of Agreement.** This Agreement may be terminated by the Department upon action, or inaction by the Grantee that constitutes a material breach of this Agreement. A material breach includes, but is not limited to, refusal or inability to complete the commitments contemplated in this Agreement or the Grant Guidelines, improper expenditure of grant funds, failure to properly maintain records or allow the Department access to records as required under this Agreement or the Grant Guidelines, and failure to timely complete and submit the reports required under this Agreement or the Grant Guidelines. The Department will notify Grantee in writing if it intends to terminate the Agreement pursuant to this section and provide Grantee an opportunity to cure the breach within thirty (30) calendar days.
12. **Assignment.** This Agreement is not assignable by Grantee, either in whole or in part, without the consent of the Department in the form of a written amendment.
13. **Amendment.** This Agreement may be amended or modified only in writing signed by all parties.
14. **Grantee – Representations and Warranties.** Grantee represents and warrants that:
  - a. Grantee is an eligible applicant as set forth in the Grant Guidelines;
  - b. It is not a party to any agreement, written or oral, creating obligations that would prevent it from entering into this Agreement or satisfying the terms herein;
  - c. All of the information in its grant application and all materials submitted to the Department are true and accurate; and
  - d. Grantee's governing body has authorized the Grantee to enter into this Agreement and has designated by title the individual authorized to sign the Agreement on behalf of Grantee.
15. **Nondiscrimination.** Grantee shall comply with all applicable federal and state laws and statutes related to **nondiscrimination**, including, but not limited to, race, color, national origin, gender, handicap or disability, sexual preference, drug addiction, and alcoholism.



16. **Union Activities.** Grantee acknowledges that Government Code Section 16645.2 applies to this Agreement. Pursuant to Government Code Section 16645.2, Grantee certifies that none of the grant award will be used to assist, promote, or deter union organizing. If Grantee makes expenditures to assist, promote, or deter union organizing, it shall maintain records sufficient to show that no portion of the grant award was used for those expenditures. Grantee shall provide those records to the Attorney General upon request.
17. **Media Release.** Grantee may elect to issue a press release related to this Agreement, but any release shall be approved by the Department in writing prior to such release. Such approval shall not be unreasonably withheld.
18. **Indemnification/Warranty and Disclaimer/Limitation of Liability.** Grantee shall defend, indemnify, and hold the Department and its agents or assigns, harmless from and against all claims, damages, and liabilities (including reasonable attorneys' fees) arising from this Agreement due to the Grantee's breach of this Agreement, or the result of the Grantee's negligence or willful misconduct. UNDER NO CIRCUMSTANCES WILL THE STATE OF CALIFORNIA, THE DEPARTMENT, ITS AGENTS OR EMPLOYEES, BE LIABLE TO THE GRANTEE FOR ANY DIRECT, INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES THAT ARISE FROM THIS AGREEMENT.
19. **Force Majeure.** If by reason of force majeure Grantee's performance hereunder is delayed or prevented, then the performance by Grantee may be extended for the amount of time of such delay or prevention. The term "force majeure" shall mean any fire, flood, earthquake, or public disaster, strike, labor dispute or unrest, embargo, riot, war, insurrection or civil unrest, any act of God, any act of legally constituted authority, or any other cause beyond the Grantee's control which would excuse Grantee's performance as a matter of law.
20. **Notice of Force Majeure.** Grantee agrees to provide the Department written notice of an event of force majeure under this Agreement within ten (10) days of the commencement of such event and within ten (10) days after the termination of such event, unless the force majeure prohibits Grantee from reasonably giving notice within this period. Grantee will give such notice at the earliest possible time following the event of force majeure.
21. **Integration.** This Agreement (including the exhibits hereto and any documents explicitly incorporated by reference, and any written amendments hereof executed by the Parties) constitutes the entire Agreement between the Parties related to this grant award and supersedes





all prior agreements and understandings, oral and written, between the Parties with respect to the grant award described herein.

22. **Notice.** Within thirty calendar (30) days of the effective date of this Agreement, Grantee shall notify the Department, in writing, of the name, address, phone number, and email of its contact person for future communication relating to this Agreement. In addition, Grantee agrees to immediately inform the Department of any changes to the name, address, phone number, and email of its contact person. Unless otherwise specified in this Agreement, any notice required or permitted to be given under this Agreement to the Department shall be emailed to [grants@cannabis.ca.gov](mailto:grants@cannabis.ca.gov).
23. **Ambiguities.** Each Party has had the opportunity to seek the advice of counsel or has refused to seek the advice of counsel. Each Party and its counsel, if appropriate, have participated fully in the negotiation, drafting, review, and revision of this Agreement. Any rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not apply in interpreting this Agreement. The language in this Agreement shall be interpreted as to its fair meaning and not strictly for or against any Party.
24. **Necessary Acts, Further Assurances.** The Parties shall at their own cost and expense execute and deliver any further documents and shall take such other actions as may be reasonably required or appropriate to carry out the intent and purposes of this Agreement.
25. **Sections and Other Headings.** The section and other headings contained in the Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.
26. **Representation on Authority of Parties/Signatories.** Each person signing this Agreement represents and warrants that he or she is duly authorized and has legal capacity to execute and deliver this Agreement. Each Party represents and warrants to the other that the execution and delivery of this Agreement and the performance of such Party's obligations hereunder have been duly authorized, and that this Agreement is a valid and legal agreement binding on such Party and enforceable in accordance with its terms.
27. **Severability.** If any portion of this Agreement is to any extent invalid, illegal, or incapable of being enforced, such portion shall be excluded to the extent of such invalidity, illegality, or unenforceability; all other terms hereof shall remain in full force and effect.
28. **Governing Law and Consent to Jurisdiction.** The Agreement will be governed, construed, and enforced according to the laws of the State of





California without regard to its conflict of laws rules. Each party hereby irrevocably consents to the exclusive jurisdiction and venue of any state court located within Sacramento County, State of California in connection with any matter arising out of this Agreement or the transactions contemplated under this Agreement.

#### E. Fund Disbursement

Grant Program funds not originally distributed, and funds recaptured, by the Department may be redistributed by the Department to any local jurisdiction with both a local cannabis licensing program and local equity program until June 30, 2025.

