Date: May 5, 2023

From: William Koch
Deputy Director, Community and Local Equity Grants Unit
California Governor's Office of Business and Economic Development
1325 J Street, 18th Floor
Sacramento, CA 95814

To: Peggy Murphy
Economic Development Coordinator, County of Humboldt
825 Fifth St. Room 112
Eureka, CA 95501

RE: Cannabis Equity Grants Program for Local Jurisdictions – Local Jurisdiction Program Criteria Review

Dear Peggy Murphy:

The Governor's Office of Business and Economic Development (GO-Biz) administers the Cannabis Equity Grants Program for Local Jurisdictions (CEG Program), which was created by the California Cannabis Equity Act (Stats. 2018, Ch. 794; Bus. & Prof. Code § 26240 et seq.). As an increasing number of local jurisdictions have created cannabis equity programs each year and seek funding through the CEG Program, GO-Biz has identified an increasing need to ensure that local equity program criteria are aligned with the California Cannabis Equity Act and not overly inclusive. Beginning with CEG Program applications submitted in the fall of this year, 2023, GO-Biz will be placing additional emphasis on the screening of local equity program criteria.

The California Cannabis Equity Act includes the following summarized declarations and findings:

- Cannabis prohibition had a devastating impact on communities across California and across the United States. **Persons convicted of a cannabis offense and their families suffer the long-term consequences of prohibition**. These individuals have a more difficult time entering the newly created adult-use cannabis industry due, in part, to a lack of access to capital, business space, technical support, and regulatory compliance assistance.
- **The collateral consequences associated with cannabis law violations**, coupled with generational poverty and a lack of access to resources, make it extraordinarily difficult for persons with convictions to enter the newly regulated industry.
- It is the intent of the Legislature in enacting this act to ensure that persons **most harmed by cannabis criminalization and poverty** be offered assistance to enter the multibillion dollar cannabis industry.

GO-Biz has conducted a review of Humboldt County's cannabis equity program and has identified the following eligibility criteria that appear to be overly inclusive/inconsistent with the California Cannabis Equity Act and/or may violate the Equal Protection Clauses of the U.S. and California Constitutions, and Article 1, Section 31 of the California Constitution (Prop. 209):

- The applicant has obtained or applied for a cannabis cultivation, distribution, manufacturing, retail or other cannabis-related permit (either interim or permanent), and the permit is for a business located in a community defined by Humboldt County as having a poverty rate of 17% or above.
- The applicant has engaged in or currently engages in small-scale cultivation of cannabis on property in Humboldt County owned, leased, or with the express permission of the owner, with a cultivation area 10,000 square feet, or less.
- The applicant is a woman, person of color, or LGBTQ individual who has worked or currently works in the cannabis industry.

In addition, the three "initial qualifications" identified below for Humboldt County's cannabis equity program, which all must be met, are insufficient to stand on their own as criteria compatible with the California Cannabis Equity Act.

1. The applicant's household is at or below the moderate income level based on current year available Department of Housing and Urban Development (HUD) Income Limits (ILs) for Humboldt County.
2. The applicant is a Humboldt County resident.
3. The applicant is a shareholder or has at least 20% ownership interest in a cannabis business, such as cultivation, distribution, manufacturing, retail, testing, laboratory, or micro-business.

And finally, the "alternative qualifications" identified below for Humboldt County's cannabis equity program appear to be overly inclusive/inconsistent with the California Cannabis Equity Act.

1. The applicant is one of the following:
    a. An individual permitted for, or seeking a permit for, a Humboldt County cannabis business; or
    b. A board member of a non-profit cannabis business which is located, or has 75% or more of operations occurring, in Humboldt County; or
    c. An individual with a membership interest in an incorporated cooperative, such as an Agricultural Cooperative established pursuant to California Business and Professions Code section 26220 - 26231.2, which is located, or which has 75% or more of operations, in Humboldt County.
2. The applicant is seeking entry into the legal cannabis industry and has resided in Humboldt County for at least five years during the period 1971–2016.

As indicated previously in this memo, beginning with CEG Program applications submitted in the fall of this year, GO-Biz will be placing additional emphasis and screening of local equity program criteria. Jurisdictions with cannabis equity program criteria deemed by GO-Biz as overly inclusive/inconsistent with

the California Cannabis Equity Act and/or in violation of the Equal Protection Clauses of the U.S. and California Constitutions, and Article 1, Section 31 of the California Constitution (Prop. 209), may be ineligible for funding through the CEG Program or have contractual restrictions and limitations placed on how CEG Program funding provided by GO-Biz may be utilized.

If you would like technical assistance with respect to revising your jurisdiction's cannabis equity program criteria, please do not hesitate to contact your CEG Program Grant Manager Michael Guss, at Michael.Guss@gobiz.ca.gov.

Respectfully,

William Koch

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