



MEMORANDUM

DATE: September 25, 2023
TO: General Government Committee
FROM: Steve Dunicliff, Interim Director, Cannabis
Sara McBurney, Senior Program Manager, Cannabis
SUBJECT: Cannabis Equity Grants Program for Local Jurisdictions – Local Jurisdiction
Program Criteria Review

Background on Local Equity Entrepreneur Program (LEEP) Grant

The State’s Cannabis Equity Grants Program for Local Jurisdictions aims to advance economic justice for populations and communities impacted by cannabis prohibition and the War on Drugs (WoD) by providing support to local jurisdictions as they promote equity in California and eliminate barriers to entering the newly regulated cannabis industry for equity program applicants and licensee. The County has submitted applications for LEEP funding in the four rounds which have opened so far; three of those applications were funded. With \$6 million awarded from the State and administered by the Governor’s Office of Business & Economic Development (GO-Biz) and \$100,000 in matching grant funds from the Board of Supervisors (BOS), the program offers applicants waivers of cannabis business expenses, direct grants funds for start-up and ongoing expenses and direct technical assistance based on individual needs and circumstances.

To date, the Mendocino Cannabis Department (MCD) has administered approximately \$4 million in assistance through direct grant and waivers to eligible applicants prior to announcing a “pause” on processing of additional applications. The MCD is looking to distribute an additional \$910K in direct grant assistance prior to October 31, 2023.

Background on Local Jurisdiction Assistance Grants Program (LJAGP)

Mendocino County was one of 21 local jurisdictions awarded funds from Department of Cannabis Control (DCC) for the LJAGP. This one-time funding is to assist local jurisdictions with the greatest need to transition provisional licensees to annual licenses. In January 2022, the County was awarded over \$17.5 million in assistance, a portion of which was set aside by County staff to offer direct grants and fee waivers to qualified provisional license holders located within the unincorporated areas of Mendocino County.

On February 17, 2023, the County received notification that the LJAGP Grant was under routine audit; to date, this audit has not yet been cleared. On May 22, 2023, the Board approved an amendment to this grant; in part, this amendment set aside funding for completion of a programmatic Environmental Impact Report (EIR).

The MCD is currently revising the Direct Grant and Waiver Program Manual previously shared with the Board to maximize the effectiveness of this program. MCD is receiving comment from DCC staff and from



community advocates. The manual will ultimately guide distribution of \$4.8 million dollars to local operators to assist with the transition to annual licensure.

General Updates

- Due to inaccurate information given by the MCD at a public meeting, MCD will open an eligibility window specifically for equity applicants who qualified for local verification under the criterion of being an “individual who has obtained or applied for a cannabis permit in Mendocino County, or who has worked in or currently works in the cannabis industry, and was arrested and/or convicted of a non-violent cannabis-related offense” but did not apply during the previous submission period. The dates of this submission window have not yet been confirmed by the Department and will be announced via CannaNote.
- The MCD is looking to issue a Request for Proposal (RFP) to contract with one qualified contractor to provide Cannabis Grant Program administrative services. The current draft schedule will have proposals due October 30, 2023; MCD anticipates bringing a related agreement to the Board for approval by December 5, 2023.

LEEP Updates

- In a memo dated May 10, 2023, GO-Biz communicated that the County’s Equity Eligibility criterion related to applicants who “lived within a 5-mile radius of the location of raids conducted by the Campaign Against Marijuana Planting (CAMP) program” does not include enough supporting data and would not be allowed as written in future funding requests. MCD responded to this request in a review memo dated September 15, 2023. GO-Biz requested additional data to support this criterion on September 16, 2023, which includes a map of CAMP raids in jurisdiction, the dates of when the raids occurred, and the corresponding 5-mile radius. Additionally, GO-Biz has called out that the 5-mile criterion lacks a requirement for individuals to have lived within that geography at the time of the raids, nor sets a minimum amount of time to have lived within the geography.
- As a result of the unsettled issue regarding the 5-mile radius, at this time, MCD is unable to move forward with any direct grant distribution for those who qualify solely under the 5-mile radius criterion.
- The County's deadline for distribution of LEEP funds is October 31, 2023. The MCD requested an extension of this deadline which GO-Biz was unable to approve.
- \$659,000 in funding was dispersed to equity applicants during 2022/2023 for fee waivers and approximately \$910,000 in funding remains available for distribution through the direct grant program. MCD has already begun processing direct grant applications to maximize the amount of funding the County is able to release prior to the grant deadline at the end of next month.
- As a preliminary audit finding, the Department received notice from GO-Biz on September 1, 2023, that all Round 1 and 2 funding that was not expended by grant expiration dates will likely need to be returned to the State. The total amount of funds is dependent on finalized audit findings, but staff believes this amount is about \$400,000. The majority of funding that may be returned was designated for technical assistance.



- The MCD is investigating measures to minimize the amount of funds to be returned GO-Biz, including options on the classification of subcontractor expenses. Additionally, the Department is evaluating the possibility of a retroactive amendment to pay for services performed.
- Any remaining funds from Round 3 not expended by October 31, 2023, will need to be sent back to the State.
- The Department is planning to apply for Round 5 funding. The submission period will be open in coming weeks.

LJAGP Updates

- Mendocino County's LJAG program is still under audit from the California Department of Finance.
- The MCD is currently revising the Direct Grant and Waiver Program Manual previously shared with the Board to maximize the effectiveness of this program. MCD is receiving comment from DCC staff and from community advocates. The manual will ultimately guide distribution of \$4.8 million dollars to local operators to assist with the transition to annual licensure. The program manual is currently a reimbursement model with an award amount of up to \$50,000 per applicant.
- The Department anticipates the expected timeline for direct grant application submittal will be January 2024.
- Direct grant funds are intended to support local operators with transition to annual licensure prior to December 31, 2024.

Attachments

- Local Equity Program Review Memo-Mendocino County – the Memo sent from GO-Biz highlighting concerns with Mendocino County's cannabis equity program
- Mendocino Local Equity Program Criteria Review – The MCD response to the Local Equity Program Review Memo
- Audit Memo #2 9-1-2023-County of Mendocino – The summary of preliminary findings and request for additional information from the LEEP routine audit.