

# THE SACRAMENTO BEE

*California is failing on legal cannabis. To honor the will of voters, overhaul is needed*

By Sacramento Bee Editorial Board December 22nd, 2021

Just as with housing, California's experiment with local control over legalized cannabis is failing its citizens.

It's been five years since voters approved Proposition 64, allowing adult recreational marijuana use and launching a so-called Green Rush as legal and illicit entrepreneurs jockeyed for position in a now \$5 billion statewide industry. In 2020, cannabis rivaled grapes, almonds and milk as one of California's top agricultural products.

Since then, however, the power ceded to local authorities has led to unequal access for consumers who live in retail deserts and offered little incentive for longtime illegal cultivators to become legal. The illicit market still earns about double the revenue of California's regulated industry, and cartels have continued growing in our precious forest lands, posing an ongoing public safety and environmental risk. Last year's 125,000-acre Dolan Fire in Big Sur was caused by an illegal grow.

Moreover, some county courts have not completed the process of clearing marijuana charges from criminal records, many of which stemmed from the failed, racist war on drugs. Equity in industry leadership has also remained elusive, with only 23% of California's cannabis business owners identifying as people of color in a state where nonwhite residents make up over 60% of the population.

The aspirational vision of California's cannabis legalization needs a hard reality check. Lawmakers must address an array of negative after-effects of legalization and reform the Adult Use of Marijuana Act next year.

By enabling local jurisdictions to make their own rules on cannabis, state officials have created a system marred by regulatory capture, political corruption and stifling bureaucracy. Nearly two-thirds of California's cities have not licensed any kind of cannabis business. The Sacramento region is no stranger to this. In El Dorado County, law enforcement officials stall good-faith cultivators with bad-faith background checks, costing growers millions of dollars and exposing the county to unnecessary litigation.

Even the city of Sacramento, which has strict rules about retail ownership, was exploited by Ukrainian businessmen with ties to a campaign finance scheme and former Trump attorney Rudy Giuliani. One of the men had acquired no fewer than eight licenses, prompting an FBI bribery investigation, stronger city regulations and an equity program to address the glaring disparities in retail permits.

The state's legal marijuana market is also affected by a flawed tax system. Buyers pay a steep 15% state and local excise tax that marks up transaction costs for customers, who also pay sales taxes. Growers have to pay a cultivation tax before they make a sale. Marijuana cultivation taxes are also subject to annual adjustment for inflation, in contrast to alcohol taxes. Unless state leaders act, some cultivators are threatening to withhold

their taxes when they increase next year. While cannabis tax collections keep climbing, California leaders are leaving potential revenue on the table by imposing such stringent regulations and allowing local governments to abuse their power over such a lucrative commodity.

Prop. 64 was an important milestone in righting historical wrongs and shifting the national culture. Now state regulators need to fix a wayward cannabis regulatory and taxation system so California can fully honor the will of voters.

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