

Overview: Humboldt maximizes local cannabis tax revenue (and state funding) to support stakeholders in the cannabis industry and aid those affected by the war on drugs.

Challenge: Cannabis operators face a flurry of regulatory and market challenges as they try to thrive in a new legal environment. In addition, a comprehensive analysis completed by CCRP and HSU demonstrated that Humboldt has been disproportionately impacted by the war on drugs and individuals in our community [are still feeling those effects today](#). Cannabis businesses lack capital, access to banking and in many cases the technical expertise to overcome these challenges. Locally, cannabis cultivators were paying a locally passed tax and having a hard time seeing any formal program aimed at supporting those who were going legal. At the state level, we faced an extremely short time frame to study the local effects of the war on drugs, and develop a program to distribute state grant funding.

Innovative Solution: To create a diversified support program with a single point of contact and a multi-pronged effort that supports the cannabis industry who cannot rely on traditional, federally funded programs. Project Trellis is made up of three main components; a local micro-grant program for cannabis operators; a marketing initiative; and a [state-funded social equity initiative](#). We packaged these efforts together and housed them in our Economic Development Team. The program is called Project Trellis to signify to the cannabis industry that we are trying to develop a support structure that will help their industry thrive. Also, by using Economic Development it gave the industry and stakeholders a single point of contact where there are experts who understand the resources that businesses need to thrive

Originality: We didn't find any other jurisdiction that used cannabis tax revenue to support the cannabis industry from a business development standpoint in such a direct way as our local growers and businesses wanted. Several had increased law enforcement or invested in permitting. We needed a program specifically designed for the cannabis industry at this stage in legalization. Combining the social equity effort with the rest of program seemed a natural fit. The **micro-grant program** is designed to help smaller farmers and those who lack the expertise needed to thrive in a regulated market. However, in part because it involves a locally passed tax around a high-profile issue, the Board also appointed 7 representatives to evaluate applications in open, Brown Act-compliant meetings, and make funding recommendations based on the program criteria. We decided to pursue a **marketing program** after receiving significant

feedback from the cannabis industry and stakeholders. To support this effort, an in-depth analysis of Humboldt's Geographic Indicators was completed by the [Humboldt County Growers Alliance in partnership with the Origins Council and also oriGIn](#). Rather than awarding small grants to promote individual businesses, promoting the local industry as a whole has potential to increase the value and secure a larger marketshare of all cannabis products. We used a model similar to the way Transient Occupancy Taxes are used locally where a portion of the tax revenue is used for marketing. The **social equity program** was original because those programs traditionally had taken root in larger, urban areas that are more racially diverse than Humboldt County. However, we knew Humboldt County was Ground Zero for the war on drugs as it relates to cannabis (i.e. through such operations like Green Sweep which entailed armed federal military personnel making raids and excursions into Humboldt County https://en.wikipedia.org/wiki/Operation_Green_Sweep), and the social impacts our community had sustained were significant. Properly studying those impacts were difficult, particularly because we did not have county staff with that expertise, and had 30 days to conduct the study and get the program adopted by the Board. These short timelines put state funding at risk. We utilized an existing contract with Humboldt State's California Center for Rural Policy, and they enlisted virtually all of their staff to conduct the study.

Cost Effectiveness: The micro-grant and marketing initiatives are funded with a 10% diversion of a locally passed cannabis cultivation tax, and the social equity initiative is funded with state revenues from Senate Bill 1294. In FY 2019-20, the funding was broken down as follows:

Local micro-grant program: \$180,225 (25% of local cannabis tax diversion); Marketing initiative: \$432,540 (60% of local cannabis tax diversion); Social Equity Program: \$1.3 million (state revenue). Total program value was \$2.1 million.

Humboldt County has more cultivation licensees than any other county. We received more state funding via the social equity program than any other jurisdiction except the City of Oakland. The state allows up to 10% of the award to be used for administrative costs, which we've combined with local funding to hire a staff person to oversee Project Trellis.

Results: We conducted a marketing assessment that lays out how a regional approach to marketing goods has worked in other industries like coffee and various wines. This assessment will inform our marketing approach when we go out to RFP for a vendor to run the program. We received over 80 applications for micro-grants and awarded funding to recommended projects. We received funding from the state in April of this year for the social equity program and hired a program coordinator this summer. COVID-19 has slowed award of these funds, but we anticipate award going out in the fall.

Project or Program Contact: Scott Adair, Director, Economic Development, sadair@co.humboldt.ca.us, 707-445-7745