

April 30, 2018

Supervisor Karen Mitchoff  
Supervisor Candace Anderson  
Supervisor Diane Burgis  
Supervisor John Gioia  
Supervisor Federal Glover  
659 Pine St  
Martinez, CA 94553

**RE: Recreational cannabis taxation policy**

**To the Contra Costa Board of Supervisors:**

On May 8, as the Board initiates consideration of the taxation of cannabis-related activities in the unincorporated parts of the county, **we urge you to consider using new tax dollars for prevention services to reduce drug use and abuse and related incarcerations.** In particular, evidence-based interventions in the earliest years have been shown to provide the highest returns on investment, particularly by reducing the higher costs of addiction treatment and of incarceration. For that reason, **we also urge you to consider the creation of a Contra Costa Early Childhood Development Fund, using a portion of cannabis revenues as the initial funding source.**

Every child deserves to be happy and healthy, with equal opportunities to reach their full potential. The first five years of life – starting in the prenatal period – provide the greatest window of opportunity to build a strong foundation for lifelong health and wellbeing. During this critical period of development, a healthy brain forms 700 new neural connections every second, reaching 90% of the size of an adult's brain by age five. Responsive, nurturing caregiving in safe, engaging environments fosters healthy brain development, laying a strong foundation for children to develop the social, emotional, cognitive and physical skills needed to thrive in school and throughout life.

However, not all children begin life with the same strong foundation. Exposure to chronic stressors (poverty and discrimination) or adverse childhood experiences (abuse and neglect, parental mental illness and substance abuse, or family violence) can disrupt healthy brain development, creating lifelong negative impacts on learning, behavior and health. As the number of adverse experiences in a child's life increases, so does the risk for developmental delays, behavioral problems, low educational attainment, lower wages in adulthood, and poor health outcomes later in life, such as heart disease, diabetes, addiction and depression. The cumulative effects of adversity, stress and trauma are even greater for children who lack nurturing relationships with their parents and primary caregivers.

Scientists and economists agree that investing in high-quality early childhood development programs – such as early care and education, developmental and behavioral health services, and parenting and family support – produces the greatest benefits to children, families and society. New research from Nobel Laureate James Heckman and colleagues shows that **investments in high quality early childhood development programs for disadvantaged children can deliver a 13% annual return on investment** by improving life outcomes related to health, education, employment, and social behaviors, which in turn

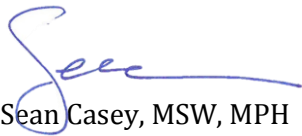
decreases the costs to taxpayers for government-funded treatment and remediation services.<sup>i</sup> Similarly, benefit-cost analyses from the Washington State Institute for Public Policy show investing in evidence-based parenting programs yields as much as \$8 for every \$1 spent.<sup>ii</sup> Heckman states, “The highest rate of return... comes from investing as early as possible. Starting at age three or four is too little too late, as it fails to recognize that skills beget skills in a complementary and dynamic way. Efforts should focus on the first years [of childhood] for the greatest efficiency and effectiveness.”<sup>iii</sup>

**The discussion of recreational cannabis taxation, offers a new opportunity for this Board to consider how public dollars can be responsibly spent on programs known to have outcomes in the short and long terms.** County general funds tend to be restricted for purposes that fulfill state and federal mandates, many of which are intended to treat or remediate problems that are deeply entrenched in families and communities. First 5’s Prop 10 funding for the programs that work is declining precipitously, and by 2020 we will be unable to fund many of the programs that county residents have grown to rely on.

**We recommend that the Board pursue the establishment of an Early Childhood Development Fund,** using a portion of cannabis-related tax revenue. By establishing such a fund, the Board would be making a clear statement that Contra Costa County prioritizes children’s needs and is committed to reducing the number of youth who end up in our jails and prisons. The Board could follow the example set by several neighboring California counties that have established Early Childhood Development Funds, which will strengthen countywide systems of early childhood development services by emphasizing prevention, innovation, accountability, and measurable results.<sup>iv</sup>

First 5 stands ready to work with you to develop plans for responsible investment of new tax dollars resulting from cannabis sales in our county. I look forward to a rich discussion of how to ensure that new county revenue is dedicated to the priorities you all hold as community members and leaders.

Sincerely,



Sean Casey, MSW, MPH  
Executive Director

First 5 Contra Costa Children and Families Commission

Cc: David Twa, County Administrator  
Ruben Hernandez, Current Planning, Principal Planner  
Anna Roth, Director of Health Services  
Kathy Gallagher, Director of Employment and Human Services

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<sup>i</sup> García, Jorge Luis, James J. Heckman, Duncan Ermini Leaf, and María José Prados. “The Life-cycle Benefits of an Influential Early Childhood Program.” (2016)

<sup>ii</sup> Washington State Institute for Public Policy, Benefit-Cost Results, <http://www.wsipp.wa.gov/BenefitCost>

<sup>iii</sup> Heckman, J. 2014. Invest in Early Childhood Development: Reduce Deficits, Strengthen the Economy. [www.heckmanequation.org](http://www.heckmanequation.org)

<sup>iv</sup> Examples of counties that have established, or are in the process of establishing, Children’s Funds with cannabis taxation funds include San Joaquin, Santa Cruz, Humboldt and Yolo Counties.

**REQUEST TO SPEAK FORM (2 minute limit)**

Complete this form and place it in the upright box near the speaker's podium, and wait to be called by the Chair.

*Personal information is optional. This speaker's card will be incorporated into the public record of this meeting.*

**NAME (Print)** Mikki Norris

*To ensure your name is announced correctly, you may include phonetic spelling.*

**Address** [REDACTED]

**City:** El Sobrante, CA 94803

**Phone:** [REDACTED]

I am speaking for: ☐ Myself  
☐ Organization: \_\_\_\_\_  
\_\_\_\_\_

I wish to speak on Agenda Item # D6

Date: May 8, 2016

My comments will be: ☐ General  
☐ For  
☐ Against

☐ I wish to speak on the subject of:

Cannabis Taxation

☒ I do not want to speak but would like to leave comments for the Board to consider.  
(Use the back of this form.)

**Information for Speakers:**

Deposit this form in the upright box next to the speaker's podium before the Board's consideration of your item.

Wait to be called by the Chair. Please speak into the microphone at the podium.

Begin by stating your name and your city or area of residence, and whether you are speaking for yourself or on behalf of an organization.

If you have handout materials, please give them to the Clerk.

Avoid repeating comments made by previous speakers.

In lieu of speaking, I wish to submit these comments:

Please consider tax relief for  
Compassion programs for low-income  
patients - to be able to provide free  
Provide for tax relief on cultivation  
for patients - as they are  
suffering and can't afford the high prices  
A non-profit organization could  
grow and provide for this demographic,  
free of taxation, but still regulated.

# Marijuana Supply-Siders

## California pot growers deplore the heavy hand of the state.

By The Editorial Board, The Wall Street Journal

March 23, 2018 7:04 p.m. ET

<https://www.wsj.com/articles/marijuana-supply-siders-1521846271>

THE WALL STREET  
JOURNAL.

California's experiment in marijuana legalization is spurring some radical thinking on the political left. Lo, high taxes and over-regulation are bad for the economy—or at least the pot economy.

Golden State voters in 2016 legalized recreational marijuana on the promise that this would **reduce the black market**. While marijuana remains a banned substance under federal law, nine states including Washington, Nevada, Oregon and Colorado have legalized consumption and production within their borders. Many are still struggling to draw cannabis businesses out of the shadows, none as much as California. Less than 1% of the state's 68,150 marijuana cultivators had obtained licenses as of last month, according to a recent report by the California Growers Association. The problem turns out to be the heavy hand of the state.

"The incredible volume of regulation is part of the issue," the report notes, adding that "consultants and attorneys are often a major cost for small businesses." Pot growers also complain that the "division of responsibility" among an alphabet soup of regulators—CDFA, BCC, MCSB, Water Board, CDFW, CDTFA, OSHA—can cause confusion, and that "delayed permitting can have make-or-break impacts for businesses."

Other gripes: environmental restoration requirements, water conservation regulations and zoning restrictions, which "have resulted in severely inflated real estate prices that price smaller businesses out of a chance at compliant operation."

But above all, "taxes were identified as the single greatest barrier to entry for small businesses," according to the report. **The state-and-local effective tax rate on marijuana growers is between 40% and 60% in California, compared with 18% in Oregon and 33.1% in Nevada.**

The notion that excessive taxation and regulation can suffocate small businesses seems to be a revelation to the pot growers, many of whom believe "there is a dangerous concentration of wealth in our economy and see cannabis as a way of counterbalancing that trend," according to the report. **A pair of Democratic and Republican state Assembly members have introduced legislation to slash taxes on pot businesses. They note that Washington State saw an increase in cannabis revenues after cutting taxes—the Laffer Curve at work.**

All of this new tax wisdom is welcome, but pot growers may also fear that **going legal will cramp their growth prospects**. California produces about five times as much weed as its citizens consume, thus much is sold out of state—illegally. It's only a matter of time before the growers start lobbying Congress to legalize pot nationwide and pre-empt the states that haven't legalized it.

Also appeared in the March 24, 2018, print edition.