



HUMBOLDT COUNTY GROWERS ALLIANCE

February 6, 2022

Dear Supervisors and Staff,

On behalf of Humboldt County Growers Alliance, representing 275 licensed cannabis businesses in Humboldt County, we would like to thank you for your thorough consideration on the future of Measure S, and your decision to agendize a special meeting specifically for discussion of this critical issue.

As you know, Measure S is an entitlement tax, paid specifically and exclusively by licensed cannabis farmers and by no other form of agriculture, and instituted under vastly different market and regulatory conditions than we see today. With wholesale prices in collapse since summer of 2021, and unlikely to recover in the short term, farmers simply do not have the resources to pay cannabis-specific Measure S taxes in addition to a laundry list of other cannabis-specific fees and compliance costs.

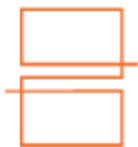
At Tuesday's Board of Supervisors hearing, we were grateful that your Board heard this message clearly from over 60 individuals in over two and a half hours of public comment. It is clear to us that your Board has heard our concerns and seeks to find solutions.

At Tuesday's meeting, we also heard perspectives from several Supervisors on potential implications of a two-year suspension of Measure S. Specifically, considerations raised by Supervisors included 1) practical and legal challenges associated with the industry's request to forgive October 2021 taxes, which have already been paid by some farmers, 2) concerns regarding the impact of Measure S suspension on county services, 3) a desire to re-evaluate the tax discussion in 2023 when more is known about market conditions, and 4) a desire to institute a tax structure that provides financial incentives for environmental stewardship.

Following Tuesday's meeting, HCGA membership met to discuss these considerations. After deliberation, we reached consensus to request the following actions from your Board on Monday:

1. A 100% suspension (waiver) for Measure S cannabis taxes due to be paid in 2022.
2. No late payment penalty for the October 2021 tax installment for payments received prior to September 15, 2022.
3. At the end of 2022, revisiting a discussion on restructuring a tax that is fair, equitable, responsive to market conditions, and includes a structure that incentivizes environmental stewardship.

Collectively, we believe these actions would provide essential and significant relief to cannabis farmers, while also recognizing the range of considerations raised by Supervisors at Tuesday's



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meeting. Waiving 2022 tax payments will provide immediate relief for farmers and provide time to advocate for necessary changes to state cannabis policy; revisiting a conversation about a tax restructuring later in 2022 will provide time for a robust public discussion on how this tax can be structured equitably, and with appropriate attention to incentives for environmental stewardship; and retaining October 2021 payments will continue to provide funding for important county services.

Additionally, we understand the county has currently budgeted \$1.2 million in previously-collected Measure S taxes for a collective cannabis marketing program. As we wrote to you in our January 19 letter, we do not believe that a county-administered or county-funded collective marketing program is in the best interest of Humboldt cannabis farmers. For this reason, we also support the reallocation of these marketing funds to ensure that county services, and any marginal county investment necessary to maintain access to state cannabis equity funds,¹ are supported in light of a 2022 suspension of Measure S taxes. In combination with millions in cannabis tax payments received and due from October 2021, we believe this is a more than adequate contribution of cannabis farmers to county services in the midst of a market collapse.

There has been much discussion on the many other market and regulatory challenges facing Humboldt's small and independent cannabis farmers. We are under no illusions that a suspension of Measure S will address all of these challenges. There is much work to be done at the state and federal level to ensure that Humboldt's world-renowned craft cannabis farmers retain our position of global leadership, and to resist the accelerating trend towards the commodification, corporatization, and consolidation of the cannabis industry. Through our partnership with Origins Council, we are committed to pursuing this work.

While we urge your Board to support these efforts, as you have done historically, it is clear to us that today we must start at home. We are asking for your leadership to suspend Measure S, and believe that it is critical that this leadership come from Humboldt County. If Humboldt cannot lead in supporting the normalization of cannabis agriculture, and the livelihoods of small and independent cannabis farmers, then we fear that no one will.

Thank you for your consideration,

Natalynne DeLapp
Executive Director
Humboldt County Growers Alliance

Ross Gordon
Policy Director
Humboldt County Growers Alliance

¹ Humboldt's equity program is currently backed with \$107,000 in county funds, which enables the county to receive \$3.4 million in state grant funding, according to the financial report presented at the Wednesday, February 2 Project Trellis meeting.