



August 20, 2010

Supervisor Clif Clendenen
Humboldt County Board of Supervisors
825 Fifth St.
Eureka, CA 95501

Dear Clif,

Thank you for meeting with representatives of CalNORML and HuMMAP today. I am attaching some materials for your review: mainly a county ordinance I have proposed that I hope might also be developed into language for a state bill. This has had some public scrutiny but needs more. HuMMAP has taken a hard look at it and is in a fact- and opinion-gathering phase.

We must act quickly on this. If Prop. 19 passes in the fall, Humboldt county and the rest of the state will be looking at marijuana legalization, with a law that allows local implementation of taxation and regulation. We are hoping, as a farmer yourself, you can help us find a way within the county's process to protect the small farmer and our community.

The attached proposal would tax in two tiers, \$5/oz. at 1-5% THC and \$10/oz. at 5-10%. It would also impose licensing fees, for example a cultivator's license would be \$500. Wholesalers, retailers, and processors would also pay licensing fees, as would farmer/processor/retailers. The attached spreadsheet's calculations split an estimated 4,000 growers in half: 2000 would pay a cultivation license fee, and 2000 would be farmer/processor retailers. Licensing fees for the other categories are estimated with low and high numbers. The result is in the range of \$8-12 million for licensing fees. Adding that to the estimated taxes would yield \$8-\$76 million.

If marijuana were taxed as wine, with one ounce roughly equivalent to a gallon of wine, it would have an excise tax of 20 cents per ounce, or \$3.2 per pound. With an estimated 400,000 lbs. of marijuana grown in Humboldt county, that would yield 1.28 million dollars. Taxing at \$1 per ounce (\$16/lb.) would yield \$6.4 million and at \$10/ounce (\$160/lb.) it would be \$64 million. Although excise taxes are levied on weight or volume, the volatile price of marijuana, especially once legalization hits, has lead many to say we should instead tax based on market price. For example, at \$1500/lb. a 5% fee would raise over \$75/lb, or \$4.50 per ounce. This column is included on the spreadsheet.

I am also enclosing a recent literature review of Dutch-language research on cannabis cultivation, which concludes that encouraging small-scale cultivation is the most effective means to remove crime from the marijuana trade. The author, Tom Decorte, found large-scale cultivators and other entrepreneurs in the commercial cannabis sector “testify about the increasingly criminal character of the cannabis trade (threats, possession of weapons, rip-offs and snitching).” This is a situation we must avoid.

Decorte’s findings suggest that there is a market for organically grown marijuana, and a need to have it certified as such. This is a niche Humboldt farmers could fill. Much testing needs to be done on marijuana to determine its safety and efficacy. One of the components, CBD, a cannabinoid that mitigates the effect of THC, has shown to have anti-inflammatory effects in many studies. A high-CBD indoor strain was recently found to have 50% more CBD when grown outdoors, as is much of the marijuana grown here.

We need the county to move quickly on the business license of a medical marijuana testing lab that is ready to open its doors in Southern Humboldt. Also, preserving the Humboldt Homegrown label as a brand is essential to the economic future of the region. I urge you to review the language that HuMMAP has developed towards this end.

HuMMAP and CaNORML agree on the need for a Cannabis (or Marijuana) Council to work out the logistics of a legalization scheme for Humboldt. But since Ammiano is ready to re-introduce his bill immediately upon passage of Prop. 19, without any protections for small farmers, we have no time to wait. Oakland, Berkeley and a few other jurisdictions already have passed Prop. 19 enabling legislation or have it on their November ballots. CaNORML would like to see a moderate cultivation ordinance proposed by a government body in California and look to your leadership to make that happen.

We look forward to working with you for the benefit of Humboldt county and its citizens.

Sincerely,

Ellen Komp
CaNORML

Cc: Supervisors Smith, Lovelace, Neely and Duffy

encl: Spreadsheet, Estimated License Fees & Taxes with Marijuana Legalization
Draft 4d, Proposed Humboldt County Ordinance
Decorte PR and study: The case for small-scale domestic cannabis cultivation