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Assembly
California Legislature

REGINALD BYRON JONES-SAWYER, SR.
ASSEMBLYMEMBER, FIFTY-SEVENTH DISTRICT

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The Honorable David Alvarez, Chair
California Joint Legislative Audit Committee
1020 N St, Room 107
Sacramento, CA 95814

RE: Legislative Audit Request: Evaluation of equity, fairness, and conflicts of local cannabis licensing

Dear Assemblymember Alvarez:

I respectfully request the Joint Legislative Audit Committee approve an audit to evaluate conflicts of interest and opportunities for corruption in municipal cannabis licensing. The purpose of the audit is to ensure that the local official's fiduciary obligations to their constituents are being fulfilled honorably and public funds are managed efficiently without any personal benefit or enrichment to elected officials, appointees, staff, or associates.

Allegations of corruption during the awarding of municipal cannabis operating licenses are far from new, especially in California, where tales of backdoor wheeling-and-dealing between companies and public officials have been circulating for years as legislators work to stand up a regulatory framework for honest brokers.

A number of recent articles have highlighted plea deals from local elected officials in jurisdictions throughout the state. These individuals accepted plea agreements that admit their participation in pay-to-play schemes involving cannabis businesses. In Baldwin Park City, a City Councilmember admitted to soliciting bribes in the form of a campaign donation from a cannabis business in exchange for support of the business receiving the city's sole cannabis distribution license. In San Bernardino, a county planning commissioner admitted to acting as an intermediary to funnel bribes from cannabis businesses as well. Finally, the San Bernardino plea agreement also alleges a Huntington Park City manager, doubling as a consultant for cannabis businesses, participated in a pay-to-play scheme.

Currently, an individual or business that wishes to obtain a cannabis license in California must gain a state license and local authorization. State and local authorization processes ensure that facilities are properly sited, proper licenses are obtained prior to operation of the business, and that the business operates within the appropriate environmental guidelines.

There are over 800 retail cannabis stores that have received local and state cannabis licenses in the state. Given recent media highlighting licensing concerns in some cities, I believe an audit is necessary. The best avenue for an audit would be through the California State Auditor to ensure an impartial and thorough review process, so the community can once again have confidence in the licensing process.

The cannabis licensing process exists so that local governments can thoroughly vet new businesses in this industry and choose trusted partners. Corruption undermines the integrity of the system, allowing bad actors to participate in the legal market which threatens both public health and safety. In addition, corruption by elected officials erodes trust in government, a bedrock in a civil society.

To the extent possible, I respectfully request the state auditor perform an audit of a representative group of local licensing authorities to identify policies, practices, behaviors, and decisions that answer the following questions:

Cannabis Licensing:

1. Do the jurisdiction's licensing policies and practices for seeking, analyzing, awarding, and monitoring cannabis business permits and licenses comply with all state and local laws and regulations?

2. Are there policies and practices in place to ensure fairness and prevent conflicts of interest, abuse, and favoritism?

3. Is there appropriate transparency throughout the licensing process?

4. To what extent does the way the selection process is structured influence its susceptibility to corruption? Are some selection processes structurally more susceptible to corruption?

5. What cannabis business permits and licensing procedures are in place, and has the jurisdiction followed those procedures? Are they clearly presented and accessible to potential licensees and the public?

Thank you for your consideration. If you need any further information, please contact Michael Lucien in my office at Michael.Lucien@asm.ca.gov or (916) 319-2057.

Sincerely,

[redacted]

Reginald Byron Jones-Sawyer, Sr,
Chair, Assembly Committee on Public Safety
57th Assembly District