



Department of
Cannabis Control
CALIFORNIA

Local Jurisdiction Assistance Grant Program

Guidelines and Application Instructions
October 2021



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I. Grant Overview

The Department of Cannabis Control (Department) announces the availability of \$100 million in funding for the Local Jurisdiction Assistance Grant Program (Grant Program). This program dedicates funding to local jurisdictions with the greatest needs to transition provisional licensees to annual licenses. The Grant Program is authorized by the Budget Act of 2021, Item 1115-101-0001 – For local assistance, found in Senate Bill 129 (2021).

Under the Medicinal and Adult-Use Cannabis Regulation and Safety Act (Act), the Department licenses and regulates cannabis businesses. Annual licenses are issued by the Department once an applicant or licensee meets all requirements for annual licensure. The Department may issue a provisional license if the applicant has submitted a completed license application that confirms compliance with the California Environmental Quality Act (CEQA) and local ordinances is underway.

The Act contains specific timelines for when the Department can no longer issue or renew provisional licenses. Therefore, provisional license holders must complete the annual license process by certain dates or face a potential gap in licensure. Currently, approximately 75 percent of California’s commercial cannabis licenses are provisionally licensed.

Local jurisdictions eligible to receive grant funding represent those with significant numbers of provisional licenses who are legacy and equity applicants, and provisional licensees that are more likely to have arduous environmental compliance requirements associated with CEQA. The Grant Program is allocating \$100 million on a one-time basis to aid local jurisdictions and their provisional licensees in completing CEQA compliance requirements necessary to achieve annual licensure. Grant Program funds may also be used to aid local jurisdictions in more expeditiously reviewing provisional licensee local requirements. Allowable uses are intended to encourage local jurisdictions to administer grant funds in ways that allow the Department to transition provisional licenses to annual licenses more expeditiously without sacrificing California’s environmental commitments.

Additional funding was allocated to those local jurisdictions that have received grant funding from the state to support an already established local equity program. Grant Program funds are available for encumbrance prior to disbursement at any time during the grant period, but funds shall be expended no later than March 31, 2025.

Local jurisdictions eligible for Grant Program Funding are: the cities of Adelanto, Commerce, Desert Hot Springs, Long Beach, Los Angeles, Oakland, Sacramento,



San Diego, and Santa Rosa; the counties of Humboldt, Lake, Mendocino, Monterey, Nevada, Sonoma, and Trinity; and the City and County of San Francisco (Budget Act of 2021, Item 1115-101-0001 – For local assistance).

Applications will not be accepted from any other local jurisdictions at this time. If funds become available for additional jurisdictions at a later date, the Department will issue updated grant guidelines before re-opening an application period for additional jurisdictions to apply for remaining funds. Grant Program funds not originally distributed, and funds recaptured, may be redistributed by the Department to any eligible local jurisdiction with both a local cannabis licensing program and local equity program until June 30, 2025.

A. Timeline

The following chart provides due dates and deadlines for the events related to the Grant Program:

Event	Date (Dates are tentative and may be modified)
Notice of Funding Availability Release with Draft Guidelines	September 14 – September 27, 2021
Grant Guidelines and Request for Proposals Published	October 1, 2021
Application Submission Period Opens	October 8, 2021
Questions and Answers Period Due Date <ul style="list-style-type: none"> • Grant applicants or interested parties may submit questions by 11:59 p.m. on this date. • Grant applicants or interested parties must submit questions by email to: grants@cannabis.ca.gov. 	October 8, 2021
Questions and Answers Posted <ul style="list-style-type: none"> • The Department will post answers to questions submitted during the Questions and Answers Period. 	October 15, 2021
Last Day to Submit Applications <ul style="list-style-type: none"> • Applications may be submitted at any time prior to this date. • Grant applicants must submit applications by 11:59 p.m. on this date. • Technical assistance will be available until 4:00 p.m. on this date. 	November 15, 2021



Grant Award Notification	December 2021
Biannual Progress Report Due (For the reporting period January 1, 2022 through June 30, 2022.)	August 15, 2022
Biannual Progress Report Due (For the reporting period July 1, 2022 through December 31, 2022.)	February 15, 2023
Biannual Progress Report Due (For the reporting period January 1, 2023 through June 30, 2023.)	August 15, 2023
Biannual Progress Report Due (For the reporting period July 1, 2023 through December 31, 2023.)	February 15, 2024
Biannual Progress Report Due (For the reporting period January 1, 2024 through June 30, 2024.)	August 15, 2024
Biannual Progress Report Due (For the reporting period July 1, 2024 through December 31, 2024.)	February 15, 2025
Last Day for Grant Funding Expenditures	March 31, 2025
Final Progress Report Due (For the reporting period January 1, 2025 through June 30, 2025.)	August 15, 2025

B. Definitions

The following terms used in this document are defined below, unless the context clearly indicates otherwise:

- (a) “Annual license” means a non-provisional license issued by the Department of Cannabis Control pursuant to Section 26050 of the Business and Professions Code.
- (b) “Grant applicant” refers to either the local jurisdiction applying for funding under this grant program, or to a person authorized by the local jurisdiction to complete an application on behalf of the local jurisdiction (this is usually the primary contact listed on the application, but could also be the secondary contact, signature authority, consultant, or other authorized person).
- (c) “Grantee” means a local jurisdiction that is the recipient of funds pursuant to the Grant Program.
- (d) “Legacy applicant” means an applicant who has submitted, or will submit, an application to a local jurisdiction to engage in commercial cannabis activity within the jurisdictional boundaries of that jurisdiction, and who was conducting commercial cannabis activity in the local jurisdiction in compliance with the Compassionate Use Act of 1996 before September 1, 2016.



- (e) “Local cannabis licensing program” means a program established by a local jurisdiction to permit or otherwise allow a person or entity to engage in commercial cannabis activity within the jurisdictional boundaries of that jurisdiction.
- (f) “Local equity applicant” means an applicant who has submitted, or will submit, an application to a local jurisdiction to engage in commercial cannabis activity within the jurisdictional boundaries of that jurisdiction and who meets the requirements of that jurisdiction’s local equity program.
- (g) “Local equity licensee” means a person who has obtained a license from a local jurisdiction to engage in commercial cannabis activity within the jurisdictional boundaries of that jurisdiction and who meets the requirements of that jurisdiction’s local equity program.
- (h) “Local equity program” means a program adopted or operated by a local jurisdiction that focuses on inclusion and support of individuals and communities in California’s cannabis industry who are linked to populations or neighborhoods that were negatively or disproportionately impacted by cannabis criminalization.
- (i) “Local jurisdiction” means a city, county, or city and county.
- (j) “Provisional license” means a provisional license issued by the Department of Cannabis Control, or its legacy commercial cannabis licensing authorities (the California Department of Food and Agriculture, the California Department of Public Health, or the Bureau of Cannabis Control) pursuant to Section 26050.2 of the Business and Professions Code, to engage in cultivation, manufacturing, distribution, testing, or retail activities.

C. Eligible Applicants and Maximum Funding Amounts

The following local jurisdictions shall be eligible for funding up to the following amounts:

Local Jurisdiction	Grant Program Funding	Additional Funding Due to an Equity Program	Total Maximum Funding Allocated
City of Adelanto	\$972,696		\$972,696
City of Commerce	\$416,870		\$416,870
City of Desert Hot Springs	\$822,160		\$822,160
County of Humboldt	\$7,842,974	\$10,792,162	\$18,635,137
County of Lake	\$884,309	\$1,216,834	\$2,101,143



City of Long Beach	\$1,748,537	\$2,187,405	\$3,935,942
City of Los Angeles	\$9,912,238	\$12,400,122	\$22,312,360
County of Mendocino	\$7,611,370	\$10,473,468	\$18,084,837
County of Monterey	\$1,737,035		\$1,737,035
City of Oakland	\$4,400,293	\$5,504,727	\$9,905,020
County of Nevada	\$1,221,188		\$1,221,188
City of Sacramento	\$2,570,697	\$3,215,919	\$5,786,617
City of San Diego	\$764,261		\$764,261
City and County of San Francisco	\$1,366,407	\$1,709,363	\$3,075,769
City of Santa Rosa	\$775,841		\$775,841
County of Sonoma	\$1,158,023		\$1,158,023
County of Trinity	\$3,295,102		\$3,295,102

Grant Program funds may not be awarded to any local jurisdiction that is not in the table above.

The eight jurisdictions that received an additional allocation due to having an established local equity program must include in their application proposal how funds will be used to aid equity applicants within their permitting programs.

D. Grant Funding Expenditures

Eligible Grant Program expenditures may start no earlier than the date of approval by the relevant decision maker (such as a governing body) of the local jurisdiction, consistent with applicable law, to enter into the Grant Agreement with the Department and to accept the funding under the Grant Program. Grant Program funds shall be expended no later than March 31, 2025. Grantees may expend the maximum funding awarded at any time prior to March 31, 2025.

E. Eligible and Ineligible Uses for Funding

1. Eligible Uses and Costs

Eligible costs may include, but are not limited to the following:

- Local government review, technical support, and certification for application requirements.
- Local government or other professional preparation of environmental documents in compliance with CEQA for permits, licenses, or other authorizations to engage in commercial cannabis activity.



- Mitigation measures related to environmental compliance, including water conservation and protection measures.
- Grant dollars may be passed through directly to provisional licensees to assist licensees in meeting annual license requirements. This includes, but is not limited to, uses such as hiring a consultant to assess environmental impacts.
- Other uses that further the intent of the program, as determined by the Department, or as identified on a case-by-case basis through review of the local jurisdiction's Annual Plan, including Application and Budget Forms.

2. Ineligible Uses and Costs

The following activities, products, or costs are ineligible uses under the Grant Program funding and will not be allowed:

- Costs or fees related to litigation.
- Payment of fines or other penalties incurred for violations of environmental laws and regulations.
- State or local commercial cannabis license or application fees, excluding fees related to CEQA compliance and review.
- Supplanting existing cannabis-related funding, i.e. using Grant Program funds for ongoing activities already budgeted for by the local jurisdiction. This also includes replacing existing cannabis-related funding, such as using grant funds to pay the salary of existing staff involved in the cannabis permitting process.
- Costs incurred outside the Grant Funding Expenditure period.
- Acquisitions where the purchase price is greater than the appraised value.
- Enforcement costs related to measures to ensure compliance with local or state commercial cannabis laws or regulations but does not include regular inspections done as part of the local permitting process.
- Other prohibited uses as determined by the Department of Cannabis Control.

3. Specific Uses

The specific uses below are prohibited as indicated unless the Grant Applicant can provide a detailed description that satisfies the Department as to how the specific use will further the intended purpose of transitioning commercial cannabis licenses from a provisional license to an annual license. Grant Program funds cannot be used to replace local, state, or federal funds that have been already allocated or encumbered for the same purpose.



Grant Program funding is intended to support local jurisdictions in aiding provisional license holders meet those requirements that are necessary to attain an annual state license. For any specific use or expenditure that may generate income or funding for the local jurisdiction beyond the Grant Funding Expenditure period, the termination of the Grant Agreement, or past March 31, 2025, the Grant Applicant must provide detailed justification for how the expenditure will primarily support the transition of provisional license holders to annual license holders. Detailed justification should also include any narrative or supporting documentation that shows how the use is either a direct or indirect use, and how the use is supplementing activities and efforts to transition provisional licenses to annual licenses, rather than supplanting existing funding, if applicable.

Specific Use	Prohibited Uses	Allowable Uses
Alcoholic Beverages	Purchase or reimbursement of alcoholic beverages.	
Conferences	A meeting, retreat, seminar, symposium, workshop, or event whose primary purpose is the dissemination of technical information.	
Contingency Provisions	Miscellaneous and similar rainy-day funds for events the occurrence of which cannot be foretold with certainty as to the time or intensity, or with an assurance of their happening.	
<p>Building and Land-Construction</p> <p>Building means any permanent structure that is designed or intended for support, enclosure, shelter, or protection of person, animals, or property having a permanent roof that is supported by columns or walls.</p> <p>Uses related to building and land construction</p>	Acquisition of buildings, facilities, or land, including lease agreements to own (i.e. rent-to-own).	



Specific Use	Prohibited Uses	Allowable Uses
shall be subject to Labor Code section 1782.		
Contractual/ Consultant Costs (Professional Services)		Contractual/consultant costs may be allowable and are the expenses associated with purchasing goods and/or procuring services performed by an individual or organization other than the applicant in the form of a procurement relationship.
Disparaging Other Products or Organizations	Projects cannot disparage the work of another group, or the quality, safety, etc. of other products.	
Entertainment Costs	Amusement, diversion, and social activities and any costs directly associated with such costs (i.e. bands, tickets to shows, meals, lodging, rentals, transportation, and gratuities).	
<p>Equipment Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds \$5,000.</p> <p>Acquisition Cost means the cost of the asset including the cost to ready the asset for its intended use. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus</p>	<p>Acquisition costs of general purpose equipment or lease agreements to own (i.e., lease-to-own or rent-to-own).</p> <p>For vehicle and equipment leases or rentals with an acquisition cost that equals or exceeds \$5,000, rates should be in light of such factors as: rental costs of comparable vehicles and equipment, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the vehicle or equipment leased.</p>	May be allowable for rental costs of general purpose equipment. Vehicles may be leased, but not purchased. The lease or rental agreement must terminate at the end of the grant period.



Specific Use	Prohibited Uses	Allowable Uses
<p>necessary to make it usable for the purpose for which it is acquired.</p> <p>General Purpose Equipment means equipment that is not limited to technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning or refrigeration equipment, reproduction and printing equipment, and motor vehicles.</p>		
<p>Fines, Penalties, Damages, and other settlements</p>	<p>Costs resulting from violations of, alleged violations of, or failure to comply with, federal, state, tribal, local or foreign laws and regulations.</p>	
<p>Fundraising and Investments Management Costs</p>	<p>Organized fundraising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions, regardless of the purpose for which the funds will be used. This includes salaries of personnel involved in activities to raise capital.</p>	
<p>Goods and Services for Personal Use</p>	<p>Costs of goods or services for personal use of the recipient's or subrecipient's employees, regardless of whether the cost is reported as taxable income to the employees.</p>	



Specific Use	Prohibited Uses	Allowable Uses
<p>Information Technology Systems</p> <p>Computing devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information.</p> <p>All requests and proposals for an Information Technology Systems specific use should be included in the Application and Budget Justification for the Department to review and make a determination as to its allowable or prohibited use.</p>	<p>Information technology systems, which include computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources.</p> <p>Examples of prohibited information technology systems include service contracts, operating systems, printers, and computers that have an acquisition cost of \$5,000 or more.</p> <p>Information Technology services such as networking, help/support desk services, etc. are considered indirect costs and may not be charged directly. Indirect costs (also known as “facilities and administrative costs”) are costs incurred for common or joint objectives that cannot be identified specifically with a particular project, program, or organizational activity.</p>	<p>May be allowable for website development, mobile apps, etc., which are not considered to be information technology systems, if it is necessary to carry out the Grant Program purpose.</p> <p>May be allowable for information technology systems having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established in accordance by generally accepted accounting principles (GAAP) by recipient or subrecipient for financial statement purposes or \$5,000.</p> <p>Acquisition cost means the cost of the asset including the cost to ready the asset for its intended use. Acquisition costs for software includes those development costs capitalized in accordance with GAAP.</p>
<p>License Fees</p>	<p>The Budget Act of 2021, Item 1115-101-0001 - For local assistance, expressly prohibits state or local commercial cannabis license or application fees.</p>	<p>The Budget Act of 2021, Item 1115-101-0001 - For local assistance, allows for fees related to CEQA compliance and review.</p>
<p>Lobbying</p>	<p>Expenses associated with attempts to influence the outcomes of any Federal, state, or local election, referendum, initiative, or similar procedure, through in kind or cash contributions,</p>	



Specific Use	Prohibited Uses	Allowable Uses
	endorsements, publicity, or similar activity.	
Meals	Meals consumed while in official or non-official travel status.	
Memberships, Subscriptions and Professional Activities Costs	Costs of membership in business, technical, and professional organizations.	
Printing and Publications		Costs of preparing information leaflets, reports, manuals, and publications that further the intent of the Grant Program; however, the printing of hard copies is discouraged given the prevalence of electronic/ virtual publication means.
Salaries and Wages	<p>Salary and wage amounts charged to grant-supported projects or programs for personnel services must be based on an adequate payroll distribution system that documents such distribution in accordance with generally accepted practices of like organizations. Standards for payroll distribution systems are contained in the applicable cost principles (other than those for for-profit organizations).</p> <p>Salaries, wages and fringe benefits for project staff that devote time and effort to non-cannabis related specific venues, tradeshow, events, meetings, programs, conventions, symposia, seminars, etc. where costs cannot be specifically identified and easily and</p>	<p>May be allowable as part of employee compensation for personnel services in proportion to the amount of time or effort an employee devotes to the grant-supported project or program during the period of performance under the award, including salaries, wages, and fringe benefits. Such costs must be incurred under formally established policies of the organization, be consistently applied, be reasonable for the services rendered, and be supported with adequate documentation.</p> <p>Adequate documentation must be included, that details how specific positions will be used in the local permitting process to further and meet the intent of the Grant</p>



Specific Use	Prohibited Uses	Allowable Uses
	accurately traced to activities that enhance the legalization of commercial cannabis market.	Program. This could include, but is not limited to, documentation on minimum qualifications, duty statements, etc.
Training		May be allowable when the training is necessary to meet the objectives of the project or program.
Travel – Domestic and Foreign	<p>Travel costs to specific states with discriminatory laws. In accordance with California Assembly Bill 1887 costs for travel to states with active discriminatory laws will not be reimbursed. As of the issuance of this document the following states are subject to California’s ban on state-funded and state sponsored travel: Alabama, Florida, Montana, Arkansas, Kansas, Kentucky, Idaho, Iowa, Mississippi, North Carolina, Oklahoma, South Carolina, North Dakota, South Dakota, Tennessee, West Virginia, and Texas.</p> <p>Prohibited for any foreign travel.</p>	May be allowable for travel when provided in the approved budget or with prior written approval when costs are limited to those allowed by formal organizational policy; in the case of air travel, the lowest reasonable commercial airfares must be used.

F. Questions and Answers Process

Questions regarding the application and its requirements must be emailed to grants@cannabis.ca.gov. The Department must receive questions by October 8, 2021, at 11:59 p.m.

Grant Applicants or interested parties may access the Questions and Answers web page from the Grant Funding web page. The Department may group together similar or related questions or reword them for clarity. The Department will post all Questions and Answers approximately one week after the deadline. The posted Questions and Answers are subject to updates. It is the Grant Applicant’s

responsibility to check the Questions and Answers web page for the latest information.

II. Application Requirements

In order to receive funding, the Grant Applicant must submit an Application proposal to the Department, which includes all of the following.

A. Annual Plan

The Grant Applicant must submit an application form (Attachment 1) that describes the jurisdiction's local permitting process, the existing need or problem statement, and the goals and intended outcomes. For jurisdictions with an equity program, the proposal should include how funds will be utilized to aid equity applicants and licensees in entering the regulated market and transition into annual licensure.

The required materials, including the application and budget forms, will consist of the Annual Plan, which will help the Department determine whether the local jurisdiction has made measurable progress toward goals and intended outcomes, as required by the Budget Act of 2021, Item 1115-101-0001 - For local assistance.

B. Budget

Grant Applicants must show how Grant Program funding will support the transition of provisional licensees into annual licenses. Grant applicants may use funds towards other departments and programs within the local jurisdiction that may be involved in processes that are necessary for a provisional license to meet requirements for annual licensure.

The Grant Applicant must complete the provided Budget Detail Worksheet for each year of grant funding.

All Grant Program expenditures must be for activities, products, and costs that have been included in and approved Application proposal and Budget. Approved expenditures must be incurred and paid after the local jurisdiction's decision-making authority (i.e., governing body) authorizes the local jurisdiction to enter into the Grant Agreement and receive Grant Program funding.

All invoices must be submitted to the Department by March 31, 2025, and no expenses can be incurred after that date.

C. Required Documents

The Applicant must submit the following as part of the Annual Plan and Budget:



- Application Form: Attachment 1
- Permitting and Licensing Metrics: Attachment 2
- Application Budget: Attachment 3
- Local ordinances, resolutions, or regulations related to applying for a cannabis permit or operating a cannabis business. If this information is available through the local jurisdiction’s website, please provide a link or website address to the local ordinance, resolution, or regulation.
- Any additional documents requested by the Department.

D. Application Submission Process

All applications must be submitted to the Department of Cannabis Control Grants Unit (Grants Unit) at grants@cannabis.ca.gov by Monday, November 15, 2021, at 11:59 p.m. PT.

Applicants are encouraged to visit the Grant Program’s website, <https://cannabis.ca.gov/about-us/grant-funding/local-jurisdiction-assistance-grant-program/>, for full details or contact the Grants Unit at grants@cannabis.ca.gov.

The completed application must contain, at a minimum, the required components listed below:

- Application Form
- Permitting and Licensing Metrics
- Application Budget
- Government Agency Tax ID Form

Failure to include all necessary components may result in the rejection of the application.

Costs for developing applications and in anticipation of award or the agreement are entirely the responsibility of the applicant and shall not be charged to the State of California.

An applicant may modify an application after its submission by withdrawing its original application and resubmitting a new application prior to the application submission deadline. The withdrawal request must be submitted in writing and signed by the applicant or an authorized agent. An applicant may thereafter submit a new application prior to the application submission deadline.

Applicants, before submitting their documents, should carefully proof them for errors and adherence to the application requirements. The Department is not responsible for any errors or defects in the application and materials submitted,



and applicants should not rely on the Department during the evaluation process to discover and report to the applicant any such defects and errors.

III. Application Review and Award Process

A. Application Review

The Department will review and approve the applications based on factors including, but not limited to, the following:

- The local jurisdiction is an eligible local jurisdiction.
- The local jurisdiction's proposed budget does not exceed the amount for which they are eligible.
- The local jurisdiction has developed and submitted an application proposal explaining how they will use the funds, and the proposal is consistent with the Grant Guidelines.
- The local jurisdiction's application proposal specifies how the jurisdiction intends to address the licensure requirements necessary to support the transition of provisional licenses to annual licenses and contains specific criteria that will allow the state to determine whether the jurisdiction has made measurable progress toward these goals as determined by the Department of Cannabis Control.

In addition to the above, the Department will also assess the local jurisdiction's objectives and goals to help transition provisional licenses to annual licenses, the metrics to measure the objectives and goals, and how the Grant Program funds will be used to reach those objectives and goals. The Department will also evaluate the Budget to ensure it is within the maximum award amount for the local jurisdiction and that it aligns with the Annual Plan's goals and objectives. The Department may require and request additional information with deadlines for any requested amendments, modifications, or changes to the Annual Plan or Budget that will clarify or specify the factors above. The Department may deny applications that do not meet the requirements or intent of the program.

The Department's determinations as to the application review and approval, and amount of grant funding awarded, are not subject to appeal.

B. Award Process

Once applications have been reviewed and a funding determination has been made by the Department, the Grant Applicant will receive a Grant Award Notification. Before receiving an award, a local jurisdiction will also be required to enter into an agreement setting forth further terms and conditions relevant to the



receipt and use of grant funding.

Pursuant to applicable local laws, a local jurisdiction may also need to take additional action before receiving a grant award. For example, it may be necessary for a local legislative body to adopt a resolution authorizing a local government agency to accept and/or expend grant funds.

IV. Grant Administration

A. Documentation and Reporting Requirements

For each year of grant expenditures, the Grantee must provide biannual progress reports to the Department on August 15, for the reporting period of January 1 to June 30, and on February 15, for the reporting period of July 1 to December 31. The first biannual progress report shall be due August 15, 2022, for all Grantees and shall include any Grant Program expenditures or activities preceding January 1, 2022, if applicable.

The progress report must include, at a minimum:

- Progress Report Form (Attachment 4);
- Budget Report Form (Attachment 5);
- Permitting and Licensing Metrics (Attachment 2); and
- Any additional information requested by the Department.

The Grantee must be able to demonstrate to the satisfaction of the Department that the Grant Program funds were expended for eligible uses and consistent with the activities identified in its application, and under the Grant Program.

The Grantee shall provide a progress report to the Department notwithstanding whether or not the Grant Term has expired, or Grantee has expended the Grant Program funds before the end of the Grant Term. The Grantee shall provide any updated forms, budget worksheets, or progress reports if requested by the Department.

The Grantee shall maintain such records for possible audit for a minimum of seven (7) years after the grant term end date, or final payment of any grant funds, whichever is later.

Failure to adhere to the documentation and reporting requirements may constitute a material breach of the Grant Agreement and can result in termination of the Grant Agreement and funding, the Department recapturing disbursed funds, or reimbursement of expended Grant Program funds to the Department.

B. Auditing

Beginning January 1, 2023, and annually through January 1, 2026, the California State Auditor will conduct a performance audit of the local jurisdictions receiving Grant Funds, as provided for in the Budget Act of 2021, Item 1115-101-0001 – For local assistance. The Department, the Department of Finance, the California State Auditor, and their designated representatives, shall have the right to review and to copy any records and supporting documentation pertaining to the performance of the Grant Agreement. The Grantee shall allow the designated representatives access to such records immediately upon request, as well as allow interviews of any employees or staff who may reasonably have information related to such records and the grant program. The Grantee shall also include a provision allowing State review and audit records, as well as the ability to interview employee or staff who may reasonably have information relate to the records and grant program activities, in any contract or subcontract related to the performance of the Grant Agreement.

C. The Department May Recapture Funds

The Department may recapture funds disbursed as follows:

- Funds are not expended by the date established by the Department, either by March 31, 2025, or an earlier date as determined by the Department.
- Funds are used for an ineligible purpose.
- Use of funds does not comply with the Budget or Annual Plan submitted to, and approved by, the Department.
- The local jurisdiction has failed to demonstrate progress toward addressing requirements necessary to attain annual licensure, as measured by the specific criteria provided in the Annual Plan.

D. Grant Agreement

These Grant Guidelines, including its provisions and the terms and conditions below, will be attached to, and incorporated by reference, into the Grant Agreement. The Annual Plan, Budget, and all documentation submitted as part of the application shall comprise the Scope of Work (SOW) for the Grant Agreement.

These terms and conditions will comprise in part, the Grant Agreement between the Department and the local jurisdiction receiving grant funding.

1. **Authority.** This Agreement is authorized and entered into pursuant to the Budget Act of 2021, Item 1115-101-0001 – For local assistance. The Local Jurisdiction Assistance Grant Funding allows for direct assistance to local jurisdictions' commercial cannabis programs to transition provisional licenses to annual licenses.



2. **Grant Term.** The performance period of this Agreement shall be from the **specified date of the Grant Funding Expenditure Period through March 31, 2025** (“Grant Term”). Grant funds shall be expended only during the Grant Term.
3. **Grant Award.** Based on the Department’s review of the application pursuant to the Grant Guidelines, and conditioned upon the requirements set forth in this Agreement, the Department shall provide Grantee a grant award amount as specified in the Grant Award Notification for the term of this Agreement. In no event shall the Department be obligated to pay any amount in excess of the awarded amount. Grantee waives any and all claims against the Department and the State of California for any costs that exceed the grant award amount identified in the Grant Award Notification.
4. **Unused Grant Funds.** Any amount of grant funds provided for under this Agreement that is not expended by the end of the Grant Term, or at the termination of this Agreement, whichever is sooner, shall be returned to the Department. Grantee shall notify Department of such unused funds and Department shall provide Grantee with instructions as to how to return the funds.
5. **Funding Contingency Clause.** The funding for this Agreement is allocated pursuant to the Local Jurisdiction Assistance Grant Funding. Grantee agrees that the Department’s obligation to pay any sum under this Agreement is contingent upon availability of funds disbursed from the Local Jurisdiction Assistance Grant Funding. If there is insufficient funding, the Department shall have the option to either: 1) terminate this Agreement, whereby no party shall have any further obligations or liabilities under this Agreement, or 2) negotiate an Agreement amendment with Grantee to reduce the grant award and scope of services to be provided under this Agreement.
6. **Grant Fund Disbursement.** Grant funds awarded pursuant to the Local Jurisdiction Assistance Grant Funding will be issued directly to Grantee in one disbursement, upon execution of this Agreement, and passing of a resolution or similar approving authority by the local jurisdiction.
7. **Subcontractors.** No amount of the grant award may be used to subcontract any of the commitments contemplated in this Agreement to another entity or person, unless with the written approval of the Department pursuant to section 13 of this Agreement or if the subcontract work is included the Grantee’s Annual Plan and Application Budget Form that was submitted and approved by the Department.



8. **Documentation and Reporting Requirements.** Grantee must be able to demonstrate to the satisfaction of the Department that the grant funds were expended for eligible uses and consistent with the activities identified in its application, and under the Grant Program. Grantee must provide progress and annual reports as specified in the Grant Guidelines. Grantee must maintain records detailing the expenditure of all grant funds for a period of seven (7) years after the end of the Grant Term, and shall provide this information to the Department upon request.
9. **Audit.** The books, accounts, files, receipts, and other records of Grantee which are applicable to this Agreement shall be made available for inspection, review, and audit immediately upon request by the Department and its representatives to verify proper use of the grant award, in accordance with the Grant Guidelines.
10. **Eligible Uses.** Grant funds shall be used for the purpose of assisting local applicants and local licensees in that local jurisdiction to transition from provisional licenses to annual license, and to successfully operate in, the state's regulated cannabis marketplace and consistent with the Grant Guidelines and the Grantee's application for Local Jurisdiction Assistance Grant Funding. As determined by the Department, upon its review, Grantee shall reimburse the Department for any ineligible or improper uses of grant funds.
11. **Termination of Agreement.** This Agreement may be terminated by the Department upon action, or inaction by the Grantee that constitutes a material breach of this Agreement. A material breach includes, but is not limited to, refusal or inability to complete the commitments contemplated in this Agreement or the Grant Guidelines, improper expenditure of grant funds, failure to properly maintain records or allow the Department access to records as required under this Agreement or the Grant Guidelines, and failure to timely complete and submit the reports required under this Agreement or the Grant Guidelines. The Department will notify Grantee in writing if it intends to terminate the Agreement pursuant to this section and provide Grantee an opportunity to cure the breach within thirty (30) calendar days.
12. **Assignment.** This Agreement is not assignable by Grantee, either in whole or in part, without the consent of the Department in the form of a written amendment.
13. **Amendment.** This Agreement may be amended or modified only in writing signed by all parties.



14. **Grantee – Representations and Warranties.** Grantee represents and warrants that:
- a. Grantee is an eligible applicant as set forth in the Grant Guidelines;
 - b. It is not a party to any agreement, written or oral, creating obligations that would prevent it from entering into this Agreement or satisfying the terms herein;
 - c. All of the information in its grant application and all materials submitted to the Department are true and accurate; and
 - d. Grantee’s governing body has authorized the Grantee to enter into this Agreement and has designated by title the individual authorized to sign the Agreement on behalf of Grantee.
15. **Nondiscrimination.** Grantee shall comply with all applicable federal and state laws and statutes related to nondiscrimination, including, but not limited to, race, color, national origin, gender, handicap or disability, sexual preference, drug addiction, and alcoholism.
16. **Union Activities.** Grantee acknowledges that Government Code Section 16645.2 applies to this Agreement. Pursuant to Government Code Section 16645.2, Grantee certifies that none of the grant award will be used to assist, promote, or deter union organizing. If Grantee makes expenditures to assist, promote, or deter union organizing, it shall maintain records sufficient to show that no portion of the grant award was used for those expenditures. Grantee shall provide those records to the Attorney General upon request.
17. **Media Release.** Grantee may elect to issue a press release related to this Agreement, but any release shall be approved by the Department in writing prior to such release. Such approval shall not be unreasonably withheld.
18. **Indemnification/Warranty and Disclaimer/Limitation of Liability.** Grantee shall defend, indemnify, and hold the Department and its agents or assigns, harmless from and against all claims, damages, and liabilities (including reasonable attorneys’ fees) arising from this Agreement due to the Grantee’s breach of this Agreement, or the result of the Grantee’s negligence or willful misconduct. UNDER NO CIRCUMSTANCES WILL THE STATE OF CALIFORNIA, THE DEPARTMENT, ITS AGENTS OR EMPLOYEES, BE LIABLE TO THE GRANTEE FOR ANY DIRECT, INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES THAT ARISE FROM THIS AGREEMENT.
19. **Force Majeure.** If by reason of force majeure Grantee’s performance hereunder is delayed or prevented, then the performance by Grantee may



be extended for the amount of time of such delay or prevention. The term “force majeure” shall mean any fire, flood, earthquake, or public disaster, strike, labor dispute or unrest, embargo, riot, war, insurrection or civil unrest, any act of God, any act of legally constituted authority, or any other cause beyond the Grantee’s control which would excuse Grantee’s performance as a matter of law.

20. **Notice of Force Majeure.** Grantee agrees to provide the Department written notice of an event of force majeure under this Agreement within ten (10) days of the commencement of such event and within ten (10) days after the termination of such event, unless the force majeure prohibits Grantee from reasonably giving notice within this period. Grantee will give such notice at the earliest possible time following the event of force majeure.
21. **Integration.** This Agreement (including the exhibits hereto and any documents explicitly incorporated by reference, and any written amendments hereof executed by the Parties) constitutes the entire Agreement between the Parties related to this grant award and supersedes all prior agreements and understandings, oral and written, between the Parties with respect to the grant award described herein.
22. **Notice.** Within thirty (30) calendar days of the effective date of this Agreement, Grantee shall notify the Department, in writing, of the name, address, phone number, and email of its contact person for future communication relating to this Agreement. In addition, Grantee agrees to immediately inform the Department of any changes to the name, address, phone number, and email of its contact person. Unless otherwise specified in this Agreement, any notice required or permitted to be given under this Agreement to the Department shall be emailed to grants@cannabis.ca.gov.
23. **Ambiguities.** Each Party has had the opportunity to seek the advice of counsel or has refused to seek the advice of counsel. Each Party and its counsel, if appropriate, have participated fully in the negotiation, drafting, review, and revision of this Agreement. Any rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not apply in interpreting this Agreement. The language in this Agreement shall be interpreted as to its fair meaning and not strictly for or against any Party.
24. **Necessary Acts, Further Assurances.** The Parties shall at their own cost and expense execute and deliver any further documents and shall take such other actions as may be reasonably required or appropriate to carry out the intent and purposes of this Agreement.



25. **Sections and Other Headings.** The section and other headings contained in the Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.
26. **Representation on Authority of Parties/Signatories.** Each person signing this Agreement represents and warrants that he or she is duly authorized and has legal capacity to execute and deliver this Agreement. Each Party represents and warrants to the other that the execution and delivery of this Agreement and the performance of such Party's obligations hereunder have been duly authorized, and that this Agreement is a valid and legal agreement binding on such Party and enforceable in accordance with its terms.
27. **Severability.** If any portion of this Agreement is to any extent invalid, illegal, or incapable of being enforced, such portion shall be excluded to the extent of such invalidity, illegality, or unenforceability; all other terms hereof shall remain in full force and effect.
28. **Governing Law and Consent to Jurisdiction.** The Agreement will be governed, construed, and enforced according to the laws of the State of California without regard to its conflict of laws rules. Each party hereby irrevocably consents to the exclusive jurisdiction and venue of any state court located within Sacramento County, State of California in connection with any matter arising out of this Agreement or the transactions contemplated under this Agreement.

E. Fund Disbursement

After the award process, in which a local jurisdiction has entered into the Grant Agreement, and taken any additional action required to receive a grant award, the Department will distribute funds, which will be issued directly to the local jurisdiction. This initial disbursement of funds will comprise of eighty percent (80%) of the funds awarded by the Department after review of the Annual Plan and Budget documentation. The Department will disburse the remaining twenty percent (20%) of awarded funds after the local jurisdiction has substantially met the goals and intended outcomes provided in the Annual Plan, and at a time determined by the Department prior to March 31, 2025.

Grant Program funds not originally distributed, and funds recaptured, by the Department may be redistributed by the Department to any eligible local jurisdiction with both a local cannabis licensing program and local equity program until June 30, 2025.

