

IMPARTIAL ANALYSIS OF MEASURE Y

Prepared by Sacramento City Attorney

Measure Y has been placed on the ballot by the Sacramento City Council. Measure Y, if approved, would enact an ordinance that amends the City of Sacramento's existing business operations tax for certain marijuana-related businesses and establishes a special fund in the city, to be known as the children's fund.

Currently, the City of Sacramento imposes a business operations tax on all "marijuana businesses" operating in the city. The maximum business operations tax rate on marijuana businesses is 4% of gross receipts. The tax revenue goes into the city's general fund.

Under Measure Y, any person engaged in a "marijuana cultivation business or a marijuana manufacturing business" would be subject to a 5% tax on gross receipts, rather than the 4% applicable to other marijuana businesses. "Marijuana cultivation business" means a business involving the planting, growing, harvesting, drying, curing, grading, or trimming of marijuana; "marijuana manufacturing business" means a business producing, preparing, propagating, or compounding manufactured marijuana. The city council would have the discretion to lower or raise that rate from time to time, not to exceed the maximum rate of 5%.

If Measure Y is approved, the business operations tax revenues received from marijuana cultivation businesses and marijuana manufacturing businesses would go into a new children's fund that is separate from the city's general fund. Children's fund monies may be used for services that promote the positive development in the education, career, and life of children and youth (ages 0-24); technical assistance and capacity-building for service providers; city fund-related administrative expenses (not more than 10% for this purpose); and evaluation of the services funded (not more than 5% for this purpose).

Children's fund monies may only be used by city departments that provide services for children and youth, and tax-exempt organizations that provide services to children and youth. After deducting the amounts spent on administrative expenses and service evaluation, 70% of the fund monies must go to these tax-exempt organizations. Monies from the children's fund will not replace monies from the city's general fund allocated for children and youth services in the adopted fiscal year 2016-2017 budget. Measure Y requires to the city council to establish an oversight committee to review the revenue and expenditure of monies from the children's fund.

The tax on marijuana cultivation businesses and marijuana manufacturing businesses proposed by Measure Y is a special tax because the tax revenues received could only be used for the purposes described in the ordinance.

A "yes" vote is in favor of approving the ordinance amending the business operations tax for certain marijuana-related businesses and establishing the children's fund. A "no" vote is against approving the ordinance. The ordinance will take effect only if two-thirds of the voters voting on Measure Y approve it.

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