

CANNABIS BANKING

The conflict between federal and state law over marijuana use severely limits the ability of the cannabis industry to access banking services in California. In California alone, the cannabis industry is estimated to generate over \$6 billion in revenues by 2020, raising serious questions about whether an industry of that size can operate in a safe and sound manner without access to the federal banking system. The Financial Crimes Enforcement Network of the U.S. Department of the Treasury recently revealed that only 400 financial institutions provide services to marijuana related businesses nationwide, and that an increasing number of accounts are being closed each day, including accounts for ancillary businesses that provide services to the cannabis industry.

Monterey County adopted ordinances in 2017 establishing local permitting requirements and regulations for adult-use marijuana operations in the unincorporated areas of the County. The County's decision to establish a regulatory framework for the cannabis industry was predicated largely on the industry's ability to operate as a typical commercial enterprise, including the ability to utilize the services of financial institutions for sales transactions, deposits, payroll, vendor payments, and local tax payments. As the industry continues to grow, the County is becoming increasingly concerned with the large amounts of cash that cannabis businesses are required to store on site and the risk it poses for violent crime. The County also is concerned that its tax assessment, collection and audit functions will be needlessly complicated in a "cash only" environment, and the potential revenue loss could negatively affect other County programs.

Due to the lack of federal action, Monterey County is working with several other California counties to establish the California Cannabis Authority (CCA), a Joint Powers Authority created by contract between counties with cannabis regulatory and/or taxing authority. The purpose of the CCA is to develop and manage a statewide data platform that will gather, collect and analyze information from a variety of data sources to help local governments ensure cannabis regulatory compliance and provide necessary information to financial institutions that wish to work with the cannabis industry. The CCA, however, is not a panacea for the cannabis and banking industries. A new federal policy is clearly needed to permit financial institutions to serve the cannabis industry in accordance with state law.

Requested Action

Monterey County requests its congressional delegation to cosponsor and support the Secure and Fair Enforcement Banking Act (H.R. 2215/S. 1152) introduced in the 115th Congress, which would allow banks and credit unions to provide financial services to state-legal cannabis businesses, and H.R. 975, the Respect State Marijuana Laws Act of 2017, introduced in the 115th Congress. The County also requests support for including language in appropriations legislation to prevent federal agencies from interfering with the implementation of state laws authorizing the use of marijuana for medical and recreational purposes.

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