

Cannabis Taxation, Compliance, and Enforcement Report Fourth Quarter - Fiscal Year 2023-24

Board of Supervisors
October 8, 2024



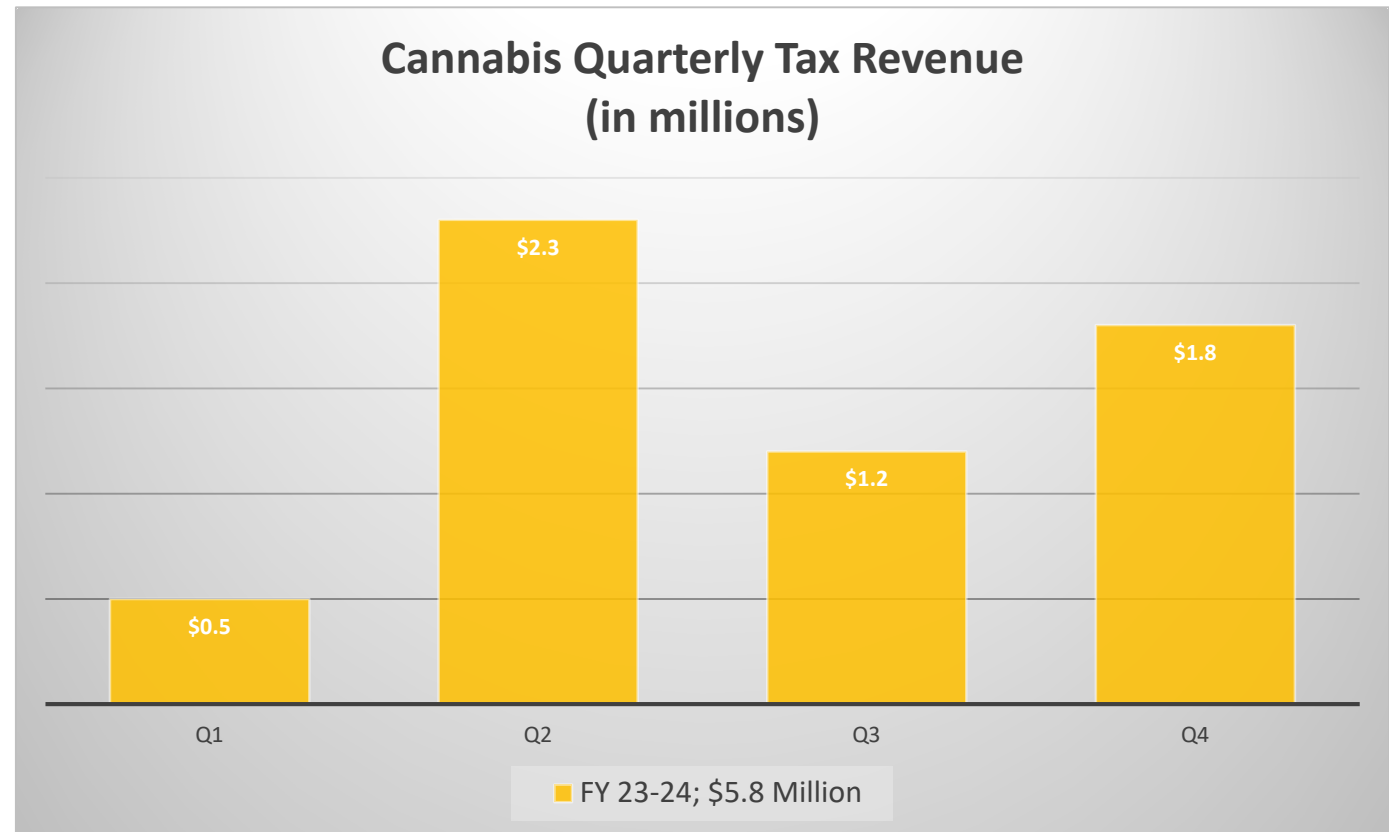
County Executive Office

Context

- Quarterly updates provided to summarize:
 - Tax receipts and compliance
 - Land use permitting
 - Business license activity
 - Enforcement of illegal activity
 - Objectives for the Upcoming Quarters
- Seek any other board direction regarding the County's cannabis program

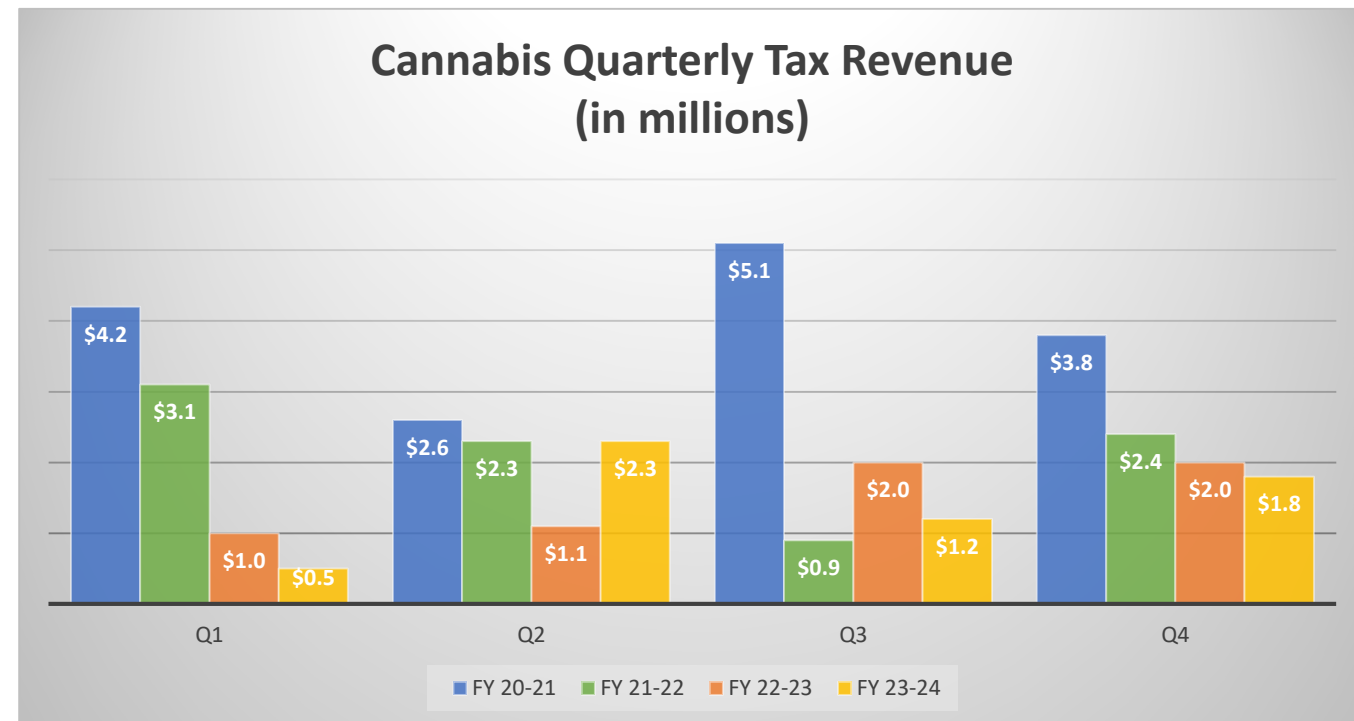
Tax Collection and Reporting

- Collected \$1.8 million in cannabis gross tax receipts in Q4
- The annual total tax revenue is ~\$5.8 million



Tax Collection and Reporting

- Collections were less than Q4 last year
- Collections were lower than projected due to delayed retail opening dates and lower than expected receipts from Isla Vista & Santa Ynez locations
- Also, projections made in spring 2023 were overstated & since reduced to reflect trends and opening dates in current adopted budget



Tax Collection and Reporting

- Total revenue collected from 2018-2024 is \$55 million
- Average yearly tax revenue ~\$9.2 million over a 6-yr period

<u>FY</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY Revenue</u> <u>Total</u>
FY 18/19	1,874,686	1,367,859	1,367,784	2,327,256	6,937,585
FY 19/20	3,124,810	2,318,313	2,493,304	4,384,073	12,320,500
FY 20/21	5,295,375	3,953,838	2,879,778	3,526,148	15,655,138
FY 21/22	3,299,793	2,202,556	1,508,627	1,705,771	8,716,747
FY 22/23	1,956,561	1,510,967	975,934	1,324,527	5,767,988
FY 23/24	1,725,551	1,686,336	1,069,302	1,297,382	5,778,571
	17,276,775	13,039,868	10,294,730	14,565,156	55,176,528

Tax Collection and Reporting

Time Frame	Tax Revenue Received	Operators that Did Not Report	Number of Operators Reporting Gross Receipts	Number of Operators Reporting Zero Gross Receipts	Total Number of Operations
FY 23-24 Q4	\$1.8M	5	40	11	56

- The operators that did not report are not currently in operation; they do hold active State licenses that will expire this year and their County business licenses will not be renewed

Report from Tax Collector

Tax Collection, Reporting and HdL Audits

- Quarterly statement analyses are sent to operators from Treasurer-Tax Collector staff outlining expected taxable transfer units
- Quarterly tax reports are thoroughly reviewed for underreporting and discrepancies
- Third-party audits by consultant, HDL verified figures and pricing accuracy
- Preliminary audit reports were reviewed internally and one audit has been finalized; second audit is still pending
- HdL funded and intends to conduct six cultivation audits in current fiscal year to complement compliance work

Land Use Permitting and Licensing

- Land use permitting continues, submitted permit acreage exceeds acreage cap
- Currently 3 cannabis projects are on appeal
- There have been several actions taken on existing approved cannabis entitlements; no new entitlements were issued for new cannabis operations
- 56 county business licenses are currently pending

Land Use Permitting and Licensing

Retail Dispensaries

- Orcutt - Dr. Greenthumb's
~Open Date: FY24/25 Q3(~~Jan~~Mar; 2025)
- Los Alamos - Haven
~Open Date: FY25/26 Q3 (~~Jan~~Mar; 2026)
- Eastern Goleta Valley - Island Drift
~Open Date: FY24/25 Q4 (~~Apr~~Jun; 2025)
- Toro Canyon/ Summerland - Santa Claus Lane
~Open Date: FY25/26 Q1 (~~Jul~~Sept; 2025)

Enforcement of Illegal Activity

- Sheriff's Office actively pursuing illegal activity
- Completed five enforcement actions in 4th quarter
 - 271 lbs. of dried product confiscated
 - \$180,000 estimated street value

Objectives for the Upcoming Quarters

- Finalize implementation of State Audit general recommendations
- Review & propose Ch 50 ordinance amendments
- Explore development of a fee schedule to issue citations to address compliance code violations
- Continue the financial monitoring and tax audit process
- Continue to improve the Business License application process

Recommended Actions

- a) Receive an update on the status of cannabis tax collection, land use permitting, business licensing, and enforcement;
 - b) Provide any other direction to staff regarding the County's cannabis program; and
 - c) Find that the proposed actions are administrative activities of the County, which will not result in direct or indirect changes to the environment and therefore are not a "project" as defined for the purposes of the California Environmental Quality Act (CEQA) under State CEQA Guidelines Section 15378(b)(5).
-