



**BOARD OF SUPERVISORS
AGENDA LETTER**

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:

Submitted on:
(COB Stamp)

Department Name: County Executive Office
Department No.: 012
Agenda Date: June 3, 2025 (First Reading)
June 10, 2025 (Second Reading)
Placement: Departmental Agenda
June 3, 2025
Administrative
June 10, 2025
Estimated Time: 30 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Director(s): Mona Miyasato, County Executive Officer
Contact Info: Brittany Odermann, Deputy CEO
SUBJECT: Amendments to the Cannabis Business Licensing Fee Ordinance

DocuSigned by:

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County Counsel Concurrence

As to form: Yes

Other Concurrence:

As to form: N/A

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors on June 3, 2025:

- a) Consider the introduction (First Reading) of an Ordinance of the Board of Supervisors of the County of Santa Barbara amending and superseding Ordinance 5181, "An Ordinance Establishing the Cannabis Business License Fee (Attachment A);
- b) Read the title and waive further reading of the Ordinance in full;
- c) Set a hearing on the Administrative Agenda for June 10, 2025 to consider recommendations, as follows:

On June 10, 2025:

- a) Consider adoption (Second Reading) of an Ordinance of the Board of Supervisors of the County of Santa Barbara amending and superseding Ordinance 5041, "An Ordinance Establishing the Cannabis Business License Fee (Attachment A); and
- b) Determine for the purposes of CEQA that:

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- i. Pursuant to CEQA Guidelines section 15168(c) these actions are within the scope of the Cannabis Land Use Ordinance and Licensing Program, and the Cannabis Land Use Ordinance and Licensing Program Final Programmatic Environmental Impact Report (PEIR) [Case No. 17EIR-00000-00003, State Clearinghouse No. 2017071016] adequately describes this activity for the purposes of CEQA.
- ii. Pursuant to CEQA Guidelines section 15162(a), after considering the PEIR certified by the Board of Supervisors on February 6, 2018, that no subsequent EIR or Negative Declaration is required because: i) no substantial changes are proposed which require major revisions of the PEIR due to the involvement of new significant environmental impacts or a substantial increase in the severity of previously identified significant effects; ii) no substantial changes have occurred with respect to the circumstances under which the ordinance is undertaken which require major revisions of the PEIR due to the involvement of new significant environmental impacts or a substantial increase in the severity of previously identified significant effects; and iii) no new information of substantial importance concerning the ordinance's significant effects or mitigation measures, which was not known and could not have been known with the exercise of reasonable diligence at the time that the PEIR was certified, has been received that shows any of the following situations elements of CEQA Guidelines Section 15162(3) apply.

Summary:

The proposed amendment recommends changes to the Cannabis business license fees including:

- adjust annual flat fees to reflect more information on the time coded and associated with renewal and compliance activities;
- update fees to reflect changes in salaries and benefits;
- adjust Indirect Cost Rate Proposals (ICRP), as approved by the Auditor-Controller, for each department;
- secure full-cost recovery for one cannabis business license specialist assigned to initial license review, renewals, and compliance;
- secure partial-cost recovery for the cannabis program manager; and
- withdraw fee recovery measure associated with California Cannabis Authority (CCA) data platform participation.

Discussion:

Licensing Fees

The existing deposit and flat fees charged to cannabis operators and the corresponding business licensing team's hourly reimbursement rates structure have been in place for over three years. Staff has closely monitored the fee structure, cost recovery and administrative processes over the past two years and is returning to the Board to recommend adjustments to the fees. After performing a thorough review and assessment of the fee structure, cost recovery, and administrative processes, staff identified multiple components that require adjustments and worked closely with the Auditor-Controller to develop an updated fee schedule for cannabis operators, as well as update the business licensing team's corresponding hourly reimbursement rates. The adjustments being proposed as part of this overall fee ordinance amendment are summarized below:

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1. Update salary and benefit costs for each of the licensing team's identified job classifications. Current fees in place are based on staff salaries and benefits costs from fiscal year 2023-24 and therefore require updating.
2. Update Indirect Cost Rate Proposals (ICRPs) for each licensing team department to ensure full cost recovery for services provided. Existing fees are based on the licensing team department's ICRPs from fiscal year 2022-23 and 2023-24 and require updating.
3. Update fees to secure full-cost recovery for the cannabis business license specialist assigned to the initial license review, renewals, and compliance.
4. Update fees to secure partial-cost recovery for the cannabis program manager.
5. The fee for initial applications will remain a deposit fee structure due to the number of applications that have already been submitted and that are currently in process. Compliance and renewal fees will remain a flat fee structure.

The proposed fees reflecting the changes mentioned above are summarized in Attachment A and shown below; the difference in cost is also shown below. Attachment B contains information used to calculate the new fees including: hourly rates; average proposed hours spent per application; and the proposed cost per application per department/position. The hourly rate fees set forth in this fee study shall be reviewed annually by the CEO Office and may be adjusted pursuant to changes in the Consumer Price Index (CPI) based on all urban consumers, Los Angeles-Riverside-Orange County area. Adjustments shall be rounded to the nearest dollar and become effective no earlier than July 1st each year and appropriate notice shall be provided to the public 30 days prior to the effective date of the adjustment. CEO staff will conduct subsequent fee studies on a 3-year cycle to update license fees as needed to ensure program cost recovery.

Attachment A also includes a summary of the activities associated with fees and staff rates. The activities listed for License Issuance and Compliance Management Processes is revised from the original list to include staff time associated with regular Compliance Task Force meetings and review of State track-and-trace, Metrc, data reports. Annual compliance fees also reflect the estimated time staff will spend performing site visits at prescribed intervals throughout the year.

Initial Application Fee Schedule

Initial Application Types & Associated Deposit Fees				
	Proposed Rates		Current Rates	
	Unincorporated	Carp Ag Overlay	Unincorporated	Carp Ag Overlay
Cultivation				
<i>Outdoor (Not subject to ECP)</i>	\$ 17,622	\$ 15,309	\$ 10,330	\$ 9236
<i>Mixed-Light or Indoor (Subject to ECP)</i>	\$ 17,723	\$ 15,409	\$ 10,450	\$ 9356
Nursery				
<i>Outdoor (Not subject to ECP)</i>	\$ 17,622	\$ 15,309	\$ 10,330	\$ 9236
<i>Mixed-Light or Indoor (Subject to ECP)</i>	\$ 17,723	\$ 15,409	\$ 10,450	\$ 9356
Non-Volatile Manufacturing	\$ 17,723	\$ 15,409	\$ 10,450	\$ 9356
Volatile Manufacturing	\$ 17,723	\$ 15,409	\$ 10,450	\$ 9356
Testing	\$ 11,044	\$ 8731	\$ 6274	\$ 5180
Retail (includes both storefront & non-storefront)	\$ 11,044	\$ 8731	\$ 6274	\$ 5180
Distribution	\$ 17,723	\$ 15,409	\$ 10,450	\$ 9356

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Microbusiness (applicant engages in three of the four following cannabis activities: cultivation, distribution, non-volatile manufacturing, and/or retail). Fee is determined based on the highest fee associated with the applicant's three selected license types that are being applied for.	Variable, based on the license types being applied for	Variable, based on the license types being applied for	Variable, based on the license types being applied for	Variable, based on the license types being applied for
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Annual Compliance Management Process Fixed Fee

Compliance Application Types & Associated Flat Fees				
	Proposed Rates		Current Rates	
	Unincorporated	Carp Ag Overlay	Unincorporated	Carp Ag Overlay
Cultivation				
<i>Outdoor (Not subject to ECP)</i>	\$ 6061	\$ 5645	\$ 6327	\$ 5916
<i>Mixed-Light or Indoor (Subject to ECP)</i>	\$ 6061	\$ 5645	\$ 6327	\$ 5916
Nursery				
<i>Outdoor (Not subject to ECP)</i>	\$ 6061	\$ 5645	\$ 6327	\$ 5916
<i>Mixed-Light or Indoor (Subject to ECP)</i>	\$ 6061	\$ 5645	\$ 6327	\$ 5916
Non-Volatile Manufacturing	\$ 6061	\$ 5645	\$ 6327	\$ 5916
Volatile Manufacturing	\$ 6061	\$ 5645	\$ 6327	\$ 5916
Testing	\$ 5229	\$ 4813	\$ 4442	\$ 4031
Retail (includes both storefront & non-storefront)	\$ 5229	\$ 4813	\$ 4442	\$ 4031
Distribution	\$ 6061	\$ 5645	\$ 6327	\$ 5916
Microbusiness (applicant engages in three of the four following cannabis activities: cultivation, distribution, non-volatile manufacturing, and/or retail). Fee is determined based on the highest fee associated with the applicant's three selected license types that are being applied for.	Variable, based on the license types being applied for	Variable, based on the license types being applied for	Variable, based on the license types being applied for	Variable, based on the license types being applied for

Annual Renewal Fixed Fee

Renewal Application Types & Associated Flat Fees				
	Proposed Rates		Current Rates	
	Unincorporated	Carp Ag Overlay	Unincorporated	Carp Ag Overlay
Cultivation				
<i>Outdoor (Not subject to ECP)</i>	\$ 4805	\$ 4337	\$ 4583	\$ 4291
<i>Mixed-Light or Indoor (Subject to ECP)</i>	\$ 4850	\$ 4381	\$ 4649	\$ 4356
Nursery				
<i>Outdoor (Not subject to ECP)</i>	\$ 4805	\$ 4337	\$ 4583	\$ 4291
<i>Mixed-Light or Indoor (Subject to ECP)</i>	\$ 4850	\$ 4381	\$ 4649	\$ 4356
Non-Volatile Manufacturing	\$ 4850	\$ 4381	\$ 4649	\$ 4356
Volatile Manufacturing	\$ 4850	\$ 4381	\$ 4649	\$ 4356

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Testing	\$ 3596	\$ 3128	\$ 3244	\$ 2952
Retail (includes both storefront & non-storefront)	\$ 3596	\$ 3128	\$ 3244	\$ 2952
Distribution	\$ 4850	\$ 4381	\$ 4649	\$ 4356
Microbusiness (applicant engages in three of the four following cannabis activities: cultivation, distribution, non-volatile manufacturing, and/or retail). Fee is determined based on the highest fee associated with the applicant's three selected license types that are being applied for.	Variable, based on the license types being applied for	Variable, based on the license types being applied for	Variable, based on the license types being applied for	Variable, based on the license types being applied for

California Cannabis Authority (CCA) Data Platform Participation Fee Recovery Withdrawal

The Department of Cannabis Control (DCC) has provided local jurisdiction access to the California Cannabis Track-and-Trace (CCTT) system, also known as Metrc, a data sharing program providing access to cannabis operator's seed to sale records. All state-issued annual and provisional licensees are required to use Metrc, to record, track, and maintain information about their cannabis and cannabis-product inventories and activities. The data is sufficient to monitor plant and product quantities and transfers for compliance auditing purposes eliminating the need to utilize CCA's data platform. Because local jurisdictions now have access to Metrc Viewer, the CEO Office is seeking Board approval to withdraw our CCA data platform participation and withdraw the fee recovery measures effective July 1, 2025.

Upon withdrawal from the data platform participation fee recovery costs will no longer be passed onto active cannabis operators. The cannabis team agreed that Metrc Viewer is sufficient and will rely on Metrc Viewer reports as part of their renewal and compliance applicant reviews.

Background:

In May 2018, the Board adopted Ordinance No. 5041 of the Santa Barbara County Code, "An Ordinance Establishing the Cannabis Business Licensing Fee." Ordinance No. 5041 has since been amended five times in August 2019 (No. 5089), January 2020 (No. 5098), January 2022 (No. 5148), June 2023 (No. 5181), and August 2023 (No. 5188). Cannabis business license fees are collected for initial applications, annual renewals, and compliance activities. On June 6, 2023, the ordinance was amended to update fees to reflect changes in salary and benefits; adjust annual set fees to reflect more data on the time coded and associated with renewal and compliance activities; adjust Indirect Cost Rate Proposals (ICRP) for each department; and secure full-cost recovery for two cannabis business license specialists. CEO staff is returning to the Board with an ordinance to update fees to reflect changes in salary and benefits; adjust annual set fees to reflect more data on the time coded and associated with renewal and compliance activities; adjust Indirect Cost Rate Proposals (ICRP) for each department; secure full-cost recovery for the cannabis business license specialist; and secure partial-cost (50%) recovery for the cannabis program manager.

In September 2021 the Board approved executing a Joint Exercise of Powers Agreement with the California Cannabis Authority's (CCA) data analytics platform 'the Platform'. The "real time" data provided by the Platform was used for regulatory compliance efforts. Initially, the cost for Santa Barbara County to join CCA as a member with data platform access was \$500,000 annually. At that time, the County had no other options to access the State's data in useable form to assist with compliance.

On August 29, 2023, the Board approved an amendment to include fees for the cannabis licensing program to recover cost for the use of the Platform for fiscal year 2023-24. CCA costs were passed through to active cannabis businesses by applying a fixed percentage (3%) to the State fee charged

for renewing a state cannabis license. For FY 2023-24 staff negotiated a lower CCA fee pointing to a significant drop in cannabis revenues to the county and thus fewer data points to analyze; the annual membership fee was \$280,000. For FY 2024-25, the annual membership fee was \$240,000. The 3% fee applied to all State cannabis license holders in the County currently generates an estimated \$200,000, recovering the full cost has been difficult as state license volume varies and the State continues to consolidate and update their licensing structure.

CEQA Determination:

Adoption of the proposed ordinance is within the scope of the Cannabis Land Use Ordinance and Licensing Program, and the [Cannabis Land Use Ordinance and Licensing Program Final Programmatic Environmental Impact Report \(PEIR\)](#) (17EIR-00000-00003, State Clearinghouse No. 2017071016).

Fiscal Analysis:

Budgeted: Yes, Cannabis business license fee ordinance development has been budgeted in the County Executive Office’s current year operating budget. Staffing costs associated with business licensing team in County departments for application processing, licensing and compliance monitoring are included in the Preliminary Budget for Fiscal Year 2025-26.

It should be noted that in the Preliminary Budget, anticipated cannabis licensing fee revenue for all participating departments has decreased compared to prior years. Over its seven-year tenure, the licensing program has matured, leading to more streamlined processes across a significantly smaller applicant base. This maturity and contraction have reduced the number of hours required per application and activity. Fee study analyses, both current and past, indicate that the Sheriff’s Office has historically been unable to recover enough licensing revenue to cover the cost of staff dedicated to licensing. For FY 2025-26, Sheriff licensing revenue is projected at \$108,000, which is insufficient to fund two full-time employees (FTEs) assigned to licensing. In the FY 2025-26 Recommended Budget, the Sheriff’s Office filled this gap with General Fund from other program areas to balance the licensing program. The Sheriff’s Office has since proposed a potential reduction in FTE in the licensing program. The CEO's Office is working with the department to address this issue and will recommend any changes, if appropriate, at the Budget Hearings.

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State			
Federal			
Fees		\$ 518,892.00	\$ 79,422.00
Other			
Total	\$ -	\$ 518,892.00	\$ 79,422.00

Narrative: The fiscal analysis above represents the projected staffing costs of the cannabis business licensing team using both the proposed fixed fees for compliance and renewals, as well as one-time costs for initial applications which will remain a deposit fee. Fee revenue will be generated from license application and compliance fees charged to those applying for and receiving a cannabis business license and is expected to fully recover the cost of the licensing and compliance program. Staff will continue to perform an annual fee analysis by reviewing business licensing team labor hours associated with each application and ensure that the fixed fees continue to achieve full-cost recovery. The frequency of fee analyses will be on a three-year schedule starting in fiscal year 2025-26.

One-time costs identified above will be incurred as the licensing team completes the processing of all initial applications, and first-time licenses are issued. Once a license is issued, the team’s focus

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then transitions to mid-year compliance efforts, processing annual renewal applications, and their other assigned non-cannabis duties, as applicable.

Special Instructions:

The Clerk of the Board shall publish the ordinance in accordance with Government Code section 25124.

Attachments:

Attachment A – Cannabis Business Licensing Fee Ordinance Amendment

Attachment B – Cannabis Business License Staff Time Allocations per Business License

Authored by:

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