

Cannabis Taxation, Compliance, and Enforcement Report Second Quarter - Fiscal Year 2024-25

Board of Supervisors
March 18, 2025



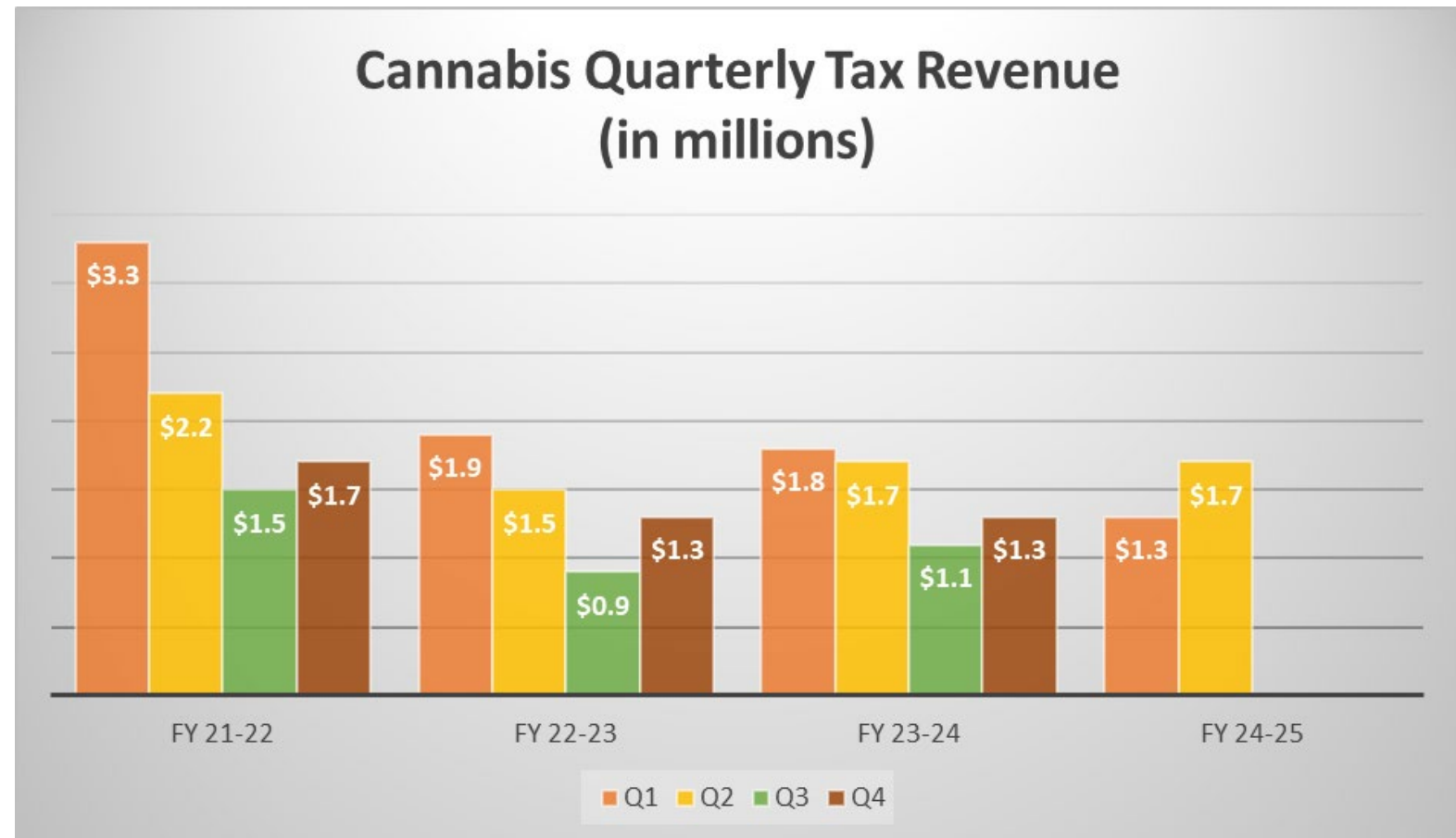
County Executive Office

Context

- Quarterly updates provided to summarize:
 - Tax receipts and compliance
 - Land use permitting and 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 \$1.7 M in cannabis gross tax receipts in Q2
- Collections were equivalent to Q2 last year
- As of Q2, the 24/25 projected tax revenue is \$5.4 M



Indoor vs
Outdoor Tax
Collection

Tax Collection by Operation Type			
	FY 2024-2025		
Operation Type	24 – 25 Q1	24 – 25 Q2	Total
Non-Cultivation	\$ 200,965	\$ 174,509	\$ 375,473
Cultivation Non- Outdoor	\$ 872,188	\$ 549,288	\$ 1,421,476
Cultivation Outdoor	\$ 260,029	\$ 929,761	\$ 1,189,790
	\$ 1,333,181	\$ 1,653,558	\$ 2,986,739

FY 2024/25 Cannabis Tax Revenue & Uses

FY 2024-25 Cannabis Tax Revenue & Uses		
	\$ 7,132,500	Beginning Fund Balance as of 7-1-24
rev:	\$ 6,143,200	FY 2024-25 <i>Budgeted</i> tax revenue
rev:	\$ 5,411,300	FY 2024-25 <i>Projected</i> tax revenue
less:	<i>Budgeted</i> Ongoing Cannabis Revenue Uses	
	(1,572,800) 18% Transfer to Deferred Maintenance Fund Balance (Board Policy)	
	(164,600) Enforcement Costs - Counsel (0.6 FTE)	
	(716,900) Enforcement Costs - District Attorney (2.5 FTE)	
	(1,945,100) Enforcement Costs - Sheriff (5 FTE & program costs incl. building lease)	
	(50,000) Enforcement Costs - Ag Commissioner (0.45 FTE)	
	(366,300) Enforcement Costs - P&D (2.18 FTE)	
	(100,000) Health Educator - Public Health	
	(160,000) Cannabis Education - Bwell	
	(431,500) Cannabis Program Admin - CEO (1.22 FTE & program costs incl. Accela)	
	(480,900) Cannabis Program Admin - TTC (1.95 FTE & program costs)	
	(135,000) HdL Auditing Contract - TTC	
	(301,400) Board-approved Deputy Counsel	
	(370,000) Appeals Costs - P&D	
	\$ (6,794,500) FY 2024-25 Ongoing Cannabis Program Subtotal	
	\$ (651,300) Budget Gap between FY 2024-25 ongoing revenue and uses	
	\$ (1,383,200) REVISED gap based on Projected Tax Revenue	

FY 2024/25 Cannabis Tax Revenue & Uses

	\$ 7,132,500	Beginning Fund Balance as of 7-1-24
less:	Board Approved One-time Cannabis Revenue Uses	
	(76,000)	Utility Grade Solar Ordinance Amendment
	(646,000)	Rincon Beach Park ADA Restroom Upgrade
	(50,000)	Guadalupe Park Grant Match
	(50,000)	Point Sal Grant Match
	(11,200)	ZEV Specialist
	(435,600)	Building Energy Management System
	(285,900)	SB Courthouse Exterior Lighting Upgrades
	(500,000)	Orcutt Library
	(160,000)	D4 Mobility Projects
	(500,000)	Modoc Multi-Modal
	(606,500)	Prior Year Equity Set Aside Carryover
	(245,000)	Employee Housing Study
	(25,000)	Public Bank Study
	\$ (3,591,200)	Total Board Approved One-time Cannabis Revenue Uses
	\$ (1,383,200)	REVISED gap based on Projected Tax Revenue
	\$ 2,158,100	Balance - Remaining for Prudent Reserve
	\$ 1,352,825	Prudent Reserve Calculation - 25% of Projected Revenue

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 24-25 Q2	<u>\$1.7M</u>	<u>2</u>	<u>42</u>	<u>8</u>	<u>52</u>

- The operators that did not report are not currently in operation; they do not hold active State licenses, one operator surrendered their business license, and the other license was denied.

Land Use Permitting and Licensing

	Acreage Cap	Submitted Permit Acreage	Approved Permit Acreage	Issued Permit Acreage
Carpinteria Agricultural Overlay	186	208.70	170.45	148.75
Remaining Unincorporated Area	1,575	2,462.73	1,760.81	1,019.17

CURRENT APPEAL TOTALS	
Number of Cannabis Projects on Appeal to Planning Commission	2
Number of Cannabis Projects on Appeal to Board of Supervisors	1
Total Number of Cannabis Projects Currently on Appeal	3

Enforcement of Illegal Activity

	FY 22-23				FY 23-24				FY 24-25	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
# of Enforcement Actions	4	5	6	4	5	4	5	5	5	6
# Live Plants Confiscated	300	1,969	0	554	N/A	1,259	423	N/A	94	300,514
Live Plant Value \$\$	\$148.5K	\$974K	0	\$274K	N/A	\$624K	\$140K	N/A	\$57K	\$72.1M
Dried Product Confiscated (lbs.)	62	586	2,657	20	303	259	271	303	48	65
Dried Product Value \$\$	\$77.5K	\$664.5K	\$3.4M	\$35K	\$304.5K	\$261K	\$180K	\$304.5K	\$29K	\$39K
Processed Products - Vapes/Edibles/ Prerolls (units)	-	-	-	-	-	-	-	-	-	4,706
Processed Products Value	-	-	-	-	-	-	-	-	-	\$70K

Objectives for the Upcoming Quarters

- Finalize Ch 50 odor abatement amendments
- Review & propose Ch 50 ordinance amendments
 - Live scan & criminal background check requirements
 - Licensing fees
- 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).
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