

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

Board of Supervisors
June 4, 2024



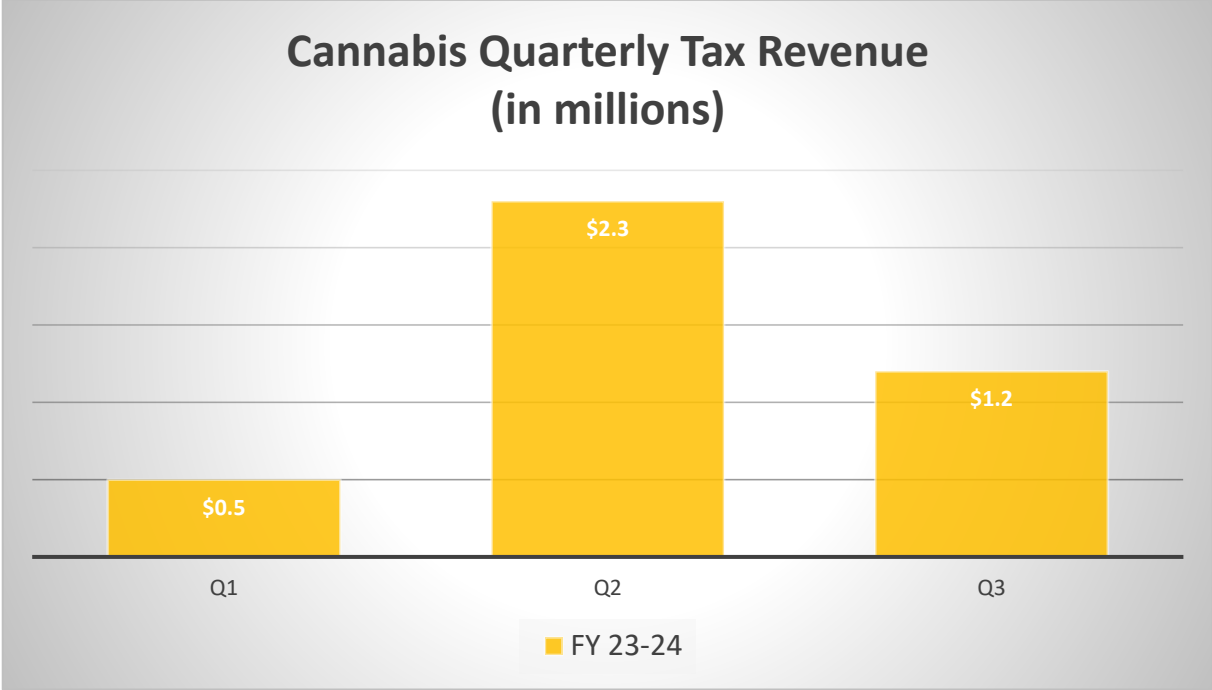
County Executive Office

Context

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

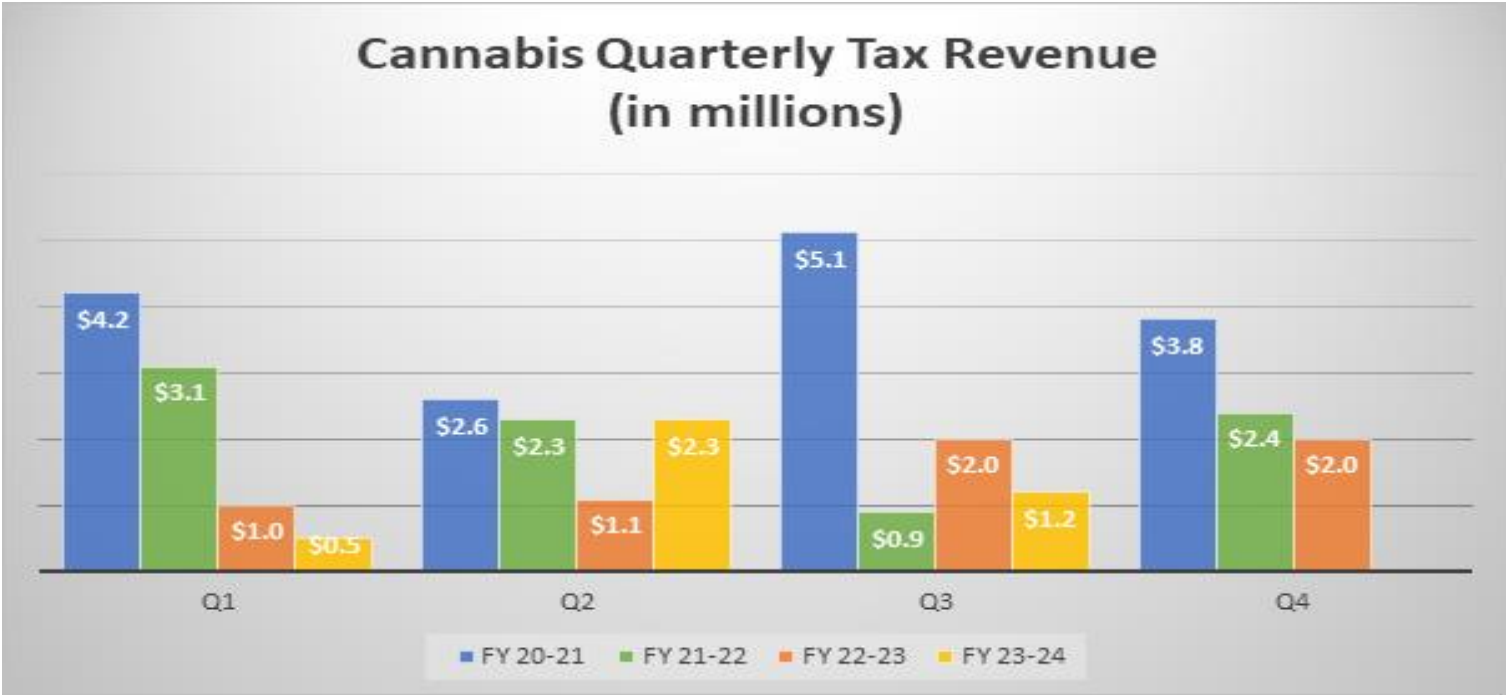
Tax Collection and Reporting

- Collected \$1.2 M in cannabis gross tax receipts in Q3
- The annual total to date \$4 M



Tax Collection and Reporting

- Collections were less than Q3 last year
- Collections were lower than projected due to delayed retail opening dates and lower than expected receipts from Isla Vista & Santa Ynez locations



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 Q3 | \$1.2M | 4 | 33 | 20 | 57 |

- 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

Land Use Permitting and Licensing

- Land use permitting continues, submitted permit acreage exceeds acreage cap
- Currently 3 cannabis projects are still on appeal
- No appeals were resolved in Q3
- There have been several actions taken on existing approved cannabis entitlements; no new entitlements were issued for new cannabis operations
- 58 county business licenses are currently pending

Land Use Permitting and Licensing

Retail Dispensaries

- Orcutt - Dr. Greenthumb's will be making interior tenant improvements over the next few months
~Open Date: FY24/25 Q2 (Oct-Dec)
- Los Alamos - Haven is waiting for payment of fees to start the plan check review for new construction
~Open Date: FY25/26 Q2 (Oct-Dec)
- Eastern Goleta Valley - Island Drift's existing structure is demolished; grading and construction applications are under review
~Open Date: FY24/25 Q2 (Oct-Dec)
- Toro Canyon/Summerland - Santa Claus Lane plans to submit a building permit application by 6/2024 for interior and exterior remodel
~Open Date: FY24/25 Q4 (Apr-Jun)

Enforcement of Illegal Activity

- Sheriff's Office actively pursuing illegal activity
- Completed four enforcement actions in 3rd quarter
 - 259 lbs. of dried product confiscated
 - \$261,000 estimated street value
- Continued illicit activities shifting from large outdoor grows to smaller indoor grows
- A large amount of non-volatile cannabis extraction labs and the use of burner distros have been encountered
- The amount of cannabis sold on the illicit market does not appear to have decreased

Emerging Issues

- Changes to the tax measure and any adjustments needed to Chapter 50
- County implications for the upcoming cannabis rescheduling from schedule I to schedule III (equal to Tylenol with codeine as an accepted medical use).

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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