



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

BOARD OF SUPERVISORS AGENDA LETTER

Department Name:

County Executive Office

Department Number:

012

Agenda Date:

July 14, 2026

Placement:

Administrative Agenda

Estimated Time:

NA

Continued Item:

No

If Yes, date from:

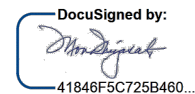
NA

Vote Required:

Majority

TO: Board of Supervisors

FROM: Department Director(s): Mona Miyasato, County Executive Officer



CONTACT: Brittany Odermann, Deputy CEO

SUBJECT: Update on Cannabis Taxation, Permitting, and Licensing – Third Quarter FY 2025-26

Concurrences:

County Counsel Concurrence:

As to form: Yes

Auditor-Controller Concurrence:

As to form: N/A

Other Concurrence:

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- a) Receive and file an update on the status of cannabis tax collection, land use permitting, and business licensing; and
- b) 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).

Summary Text:

This item provides the Board and public an update for the third quarter of fiscal year 2025-26 (January 1, 2026, to March 31, 2026) of the cannabis program. Quarterly updates are usually provided 3-4 months after the close of the quarter; quarterly tax reports and payments are due one month following quarter close. However, operators can pay up to two months past quarter close along with a delinquent fee. Q3 quarterly tax payments were due April 1; operators could pay up until May 31 with a delinquent fee and interest without jeopardizing business license renewal. These quarterly reports provide a summary of cannabis tax receipts, land use permitting and business license activity, and objectives for the current fiscal year. Attachment A includes detailed reporting on these items including comparisons to prior quarters and past fiscal years.

Discussion:

Cannabis Tax Revenue

In the third quarter, cannabis tax revenue totaled approximately \$0.9 million (taxes collected as of May 31, 2026, for the period January 1 to March 31, 2026). The total FY 2025-26 year-end projection is \$5.3 million, and revenues are currently on track with this projection. Financial results for the quarter are consistent with Q3 for the last three fiscal years. Table 1 of Attachment A shows third quarter revenues for these years, and Figure 1 compares the total revenues of the last three fiscal years by quarter.

Permitting & Licensing

Land Use Entitlements

The Planning and Development Department (P&D) is continuing to review submitted land use entitlement applications. As of May 18, 2026, there are no applications for new cannabis operations under review in the Carpinteria Agricultural Overlay Area (“Carpinteria Overlay”), and there are five applications for new cannabis operations in the Unincorporated area outside of the Carpinteria Agricultural Overlay (“Unincorporated area”). There are currently no active appeals to the County Planning Commission. The Appeal of the G&K Processing Building Design Review is the only active appeal to the County Board of Supervisors. Table 4 of Attachment A summarizes the project applications that are currently on appeal to the Planning Commission and the Board. There have been several actions taken on existing approved cannabis entitlements.

Odor Abatement

Since adoption of the odor ordinance amendments on April 1, 2025, 5 Odor Abatement Plans (OAP) have been approved, 15 OAP’s are under review and 5 OAP’s are pending submission. In addition, the number of operators with installed and operational multi-technology carbon filtration (MTCF) or equivalent equipment has increased from 11 operators to 22 operators (out of 25 total impacted operators) and use of the vapor phase system has been discontinued. The three remaining operators pending MTCF or equivalent equipment installation appealed their cannabis business license revocations. A hearing before the Office of Administrative Hearings (OAH) took place on June 1st for one of the operators and another is scheduled for the remaining two on July 8th, 2026. Within 30 calendar days after the close of the hearings, the OAH Hearing Officer should issue a written decision to the County Executive Office, including a basis for the decision; the written decision will constitute the final administrative decision of the County.

If the OAH Officer upholds the business license revocation, the operator must discontinue operations after a small wind-down period unless, and until a new license is obtained. In addition, CEO staff will send a Notification of Local Non-Compliance to the Department of Cannabis Control regarding the operator's noncompliance with local laws and regulations for license revocations. Operating without a valid license may subject operators to enforcement and penalties pursuant to Section 50-29 of the County Code.

County Business Licensing

At the close of Q3, the program had 47 operators holding 81 licenses (see Attachment A, Table 6). No initial applicants withdrew their business license applications, and no licensed operators surrendered their cannabis business licenses during this quarter. Attachment A, Tables 6 through 8, provide details on the number of issued business licenses, the number of initial applicants and the number of withdrawn operations.

Acreage Caps

On June 3, 2025, the Board directed staff to reduce the acreage caps in the Carpinteria Overlay (originally capped at 186 acres) and Unincorporated area (originally capped at 1,575 acres) to include all issued, approved and submitted cultivation acres using the current definition in County Code Chapter 50 which excludes processing. The adopted ordinance, effective on September 26, 2025, caps the Carpinteria Overlay area at 134 acres and caps the Unincorporated area at 1,417 acres. Table 5 of Attachment A summarizes the current number of Eligibility List claimed acres and the number of acres left in the acreage cap.

Retail Dispensaries

The County approved six dispensary retail locations through a competitive application process. The Farmacy Isla Vista, The Farmacy Santa Ynez and Dr. Greenthumb's in Orcutt are all in operation. Island Drift, LLC in Eastern Goleta Valley recently obtained their local and state cannabis business licenses and plan to open during the month of July 2026. The Planning & Development Conditional Use Permit (CUP) application for Honalee Management, LLC in Los Alamos is under review. The Toro Canyon/Summerland Community Plan Area (CPA) final ranked list has expired and there are no ranked applicants in the queue.

Objectives for the Upcoming Quarters

1. Propose and implement Chapter 50 ordinance amendment(s) pertaining to the reorganization, reassignment and/or removal of departmental duties to simplify the issuance of administrative cannabis business licenses.
2. Monitor, coordinate and assist with odor abatement installation requirement and appeal hearings and outcomes in collaboration with Planning & Development staff and Counsel.

Background:

In May 2018, the Board adopted Chapter 50 of the Santa Barbara County Code, Licensing of Cannabis Operations detailing the requirements for commercial cannabis operators to be licensed in the County. Since the effective date of the cannabis ordinances (June 2018 in the Unincorporated area outside the Carpinteria Overlay, November 2018 in the Carpinteria Overlay zone), cannabis operations have been applying for County cannabis land use permits and business licenses. Chapter 50 has since been amended several times to reflect necessary changes in the business licensing process; it was most recently amended in August 2025. Additionally, the ability for the County to levy a Cannabis Operations Tax is provided under the California Revenue and Taxation Code Section 34021.5(a)(1). On February 13, 2018, the Board adopted Ordinance No. 5026 adding Chapter 50A to

the Santa Barbara County Code, "Tax on Cannabis Operations". In June 2018, the voters approved a measure establishing a general tax on cannabis operations. The current tax structure is based on the gross receipts of each operation's activities involving cannabis or cannabis products. Chapter 50, section 50-15 requires that the County Executive Office provide reports to the board on the status of cannabis business licensing program at least annually.

Attachments:

Attachment A – Cannabis Taxation, Permitting, and Licensing, 3rd Quarter Report FY 2025-26

Attachment B – Q3 District Attorney Cannabis Report

Contact Information:

Carmela Beck

Cannabis Program Manager

cbeck@countyofsb.org