



**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: March 18, 2025
Placement: Departmental Agenda
Estimated Time: 20 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: Update on Cannabis Taxation, Compliance, and Enforcement – Second Quarter FY 2024-25

DocuSigned by:
Mona Miyasato
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County Counsel Concurrence

As to form: Yes

Other Concurrence:

As to form: N/A

Auditor-Controller 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, 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).

Summary Text:

This item provides the Board and public an update for the second quarter of fiscal year 2024-25 (October 1, 2024, to December 31, 2024). 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. Q2 quarterly tax payments were due January 1; operators could pay up until February 28 with a delinquent fee and interest. These quarterly reports provide a summary of cannabis tax receipts, land use permitting and business license activity, enforcement, and objectives for the current fiscal year. Attachment A includes detailed reporting on these items including comparisons to prior quarters and past fiscal years.

Cannabis Tax Revenue:

Cannabis tax revenue totaled \$1.7 million in the second quarter reporting period of fiscal year 2024-25 (taxes collected as of February 28, 2025, for the period October 1 to December 31, 2024). Table 1 of Attachment A compares second quarter revenues for the last three fiscal years. The total FY 2024-25 adopted budget is \$6.1 million; the revised fiscal year-end projection is \$5.4 million which is 11.5% below budget.

Attachment B provides an overview of FY 2024-25 Cannabis Tax projected revenues, available fund balance, and Board-adopted uses. As of Q2, the projected cannabis tax revenue is \$5.4 million, while budgeted ongoing uses total \$6.7 million, indicating a gap of \$1.3 million. This gap is offset with available fund balance that is held in General County Programs for the purpose of mitigating revenue fluctuations. \$2.1 million is estimated to remain in this prudent reserve at the end of this fiscal year. The remainder of the fund balance, about \$3.6 million, is budgeted or earmarked towards one-time uses approved by the Board in prior fiscal years. These uses are also outlined in Attachment B. In preparation for FY 2025-26, the Board has the discretion to adjust ongoing expenses and/or reverse the one-time cannabis revenue uses to right-size cannabis expenses in light of the shrinking program.

Cannabis Compliance:*Land Use Entitlements*

The County, via the Planning and Development Department (P&D) has approved approximately 171 acres of cultivation in the Carpinteria Agricultural Overlay Area and 1,761 acres of cultivation in the remaining unincorporated area. Table 3 of Attachment A lists the precise acreage approved compared to the total amount of proposed acreage submitted for permits and the total issued permit acreage. There are currently two active appeals to the County Planning Commission, including the Appeal of the Sugarhill Cannabis Cultivation Conditional Use Permit and the Appeal of the G&K Processing Building Design Review. The Island View Cannabis Cultivation Coastal Development Permit is currently on 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. No new entitlements were issued for new cannabis operations.

Acreage Caps

The Board adopted two cultivation acreage caps: 1) in the Carpinteria Agricultural Overlay District (capped at 186 acres), and 2) the remaining unincorporated area (capped at 1,575 acres.) The County Executive Office tracks acreage of eligible cannabis operations against the cap on an Eligibility List. For a commercial cannabis operator to be placed on the Eligibility List the operator must: 1) have an approved land use entitlement; 2) request placement on the list by submitting the Eligibility List Placement Request Form to the County Executive Office; 3) submit a complete cannabis business license application within 30 days of land use entitlement issuance that has been accepted and determined to be complete by the County Executive Office; and 4) pay all required cannabis business licensing fees/deposits. A commercial cannabis operation on the Eligibility List remains on the list while permit appeals are processed, however, their spot is nontransferable and subject to annually renewing their interest to remain on the list. Table 3 of Attachment A highlights how many acres of cannabis cultivation are currently in the land use entitlement process and how many acres have been permitted. The Acreage Cap Eligibility List by area can be found at [Cultivation Cap & Eligible Business License Applicants Lists | Santa Barbara County, CA - Official Website \(countyofsb.org\)](https://www.countyofsb.org/Cultivation-Cap-Eligible-Business-License-Applicants-Lists)

County Business Licensing

There are 78 cannabis business licenses that have been issued or are in the renewal process. Thirteen licenses were issued in fiscal year 2024-25 Q2. Of this number, nine were renewal licenses reflecting five operations and four licenses reflecting three newly licensed operations. In Q2, the program had 51 operators, the program has since dropped to 46 total operators representing 78 total cannabis business licenses. Additionally, three initial applicants withdrew their business license applications, and four initial applicants' projects were deemed abandoned representing twelve initial licenses. Two licensed operators surrendered their cannabis business licenses representing three licenses.

Retail Dispensaries

The County approved six dispensary retail locations through a competitive application process. The Pharmacy Isla Vista, The Pharmacy Santa Ynez and Dr. Greenthumb's in Orcutt are all in operation. The Eastern Goleta Valley and Toro Canyon/Summerland locations are in various stages of the building and permitting process; Honalee Management, LLC in Los Alamos will submit their CUP application in March 2025.

Cannabis Enforcement:

Over the last quarter, the Santa Barbara County Sheriff completed six enforcement actions against illegal cannabis activities, additional information is provided in Attachment A, Table 8.

Objectives for the Upcoming Quarters:

1. Finalize Chapter 50 ordinance amendments pertaining to odor abatement requirements.
2. Review and propose additional Chapter 50 ordinance amendment(s) including live scan, criminal background checks and licensing fees. The Board may direct other actions.
3. Continue the financial monitoring and tax audit process.
4. Continue to improve the Business License application process by 1) shortening application submission to license renewal timelines 2) improving internal response times, and 3) working with operators to ensure timely renewals.

Attachments:

Attachment A – Cannabis Taxation, Compliance, and Enforcement, 2nd Quarter Report FY 2024-25

Attachment B – FY 2024-25 Cannabis Revenue Budget

Authored by:

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