

# Cannabis Tax Revenue Uses and Budget Direction

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Board of Supervisors  
June 3, 2025



County Executive Office

# Overview

- April budget workshops covered FY 2025-26 cannabis tax revenue budget
- Cannabis tax revenue is in decline, and ongoing County program expenditures exceed estimated revenue
- Board directed staff to return with recommended reductions to ongoing, County programs to balance cannabis program expenditures
- Direction emphasized potential reductions in enforcement costs and efficiencies in cannabis education expenditures

# Cannabis Revenue - Detail

FY 2025-26 Preliminary Tax Revenue	Amount
	\$5.53M
Preliminary Ongoing Cannabis Revenue Uses	Amount
18% Transfer to Deferred Maintenance fund balance (Board Policy)	(\$1.57M)
Enforcement costs - Counsel (0.6 FTE)	(\$170.4K)
Enforcement costs - District Attorney (2.65 FTE)	(\$738.1K)
Enforcement costs - Sheriff (5 FTE & program costs incl. building lease)	(\$1.98M)
Enforcement costs - Ag Commissioner (0.15 FTE)	(\$50K)
Enforcement costs - P&D (2.65 FTE)	(\$356.3K)
Health Educator - Public Health	(\$100K)
Cannabis Education - BWell	(\$160K)
Cannabis Program Admin - CEO (1.00 FTE & program costs incl. Accela)	(\$322K)
Cannabis Program Admin - TTC (2.00 FTE & program costs)	(\$498K)
HdL Auditing Contract - TTC	(\$90K)
Board-approved Deputy Counsel	(\$312K)
Appeals Costs - P&D	(\$370K)
Total	(\$6.72M)
Budget Gap between FY 2025-26 Ongoing Revenue and Uses	(\$1.19M)

# Cannabis Revenue - Detail

Beginning Fund Balance as of 7/1/2025	Amount
	\$5.07M
Board Approved One-Time Cannabis Revenue Uses	Amount
Rincon Beach Park ADA restroom upgrade	(\$546K)
Guadalupe Park grant match	(\$50K)
Point Sal grant match	(\$50K)
Orcutt Library	(\$500K)
Mobility Projects (Fourth District)	(\$160K)
Modoc Multi-Modal	(\$500K)
Prior Year Equity Set Aside carryover	(\$607K)
Employee Housing Study	(\$245K)
Public Bank Study	(\$25K)
Total	(\$2.68M)
Budget Gap between FY 2025-26 Ongoing Revenue and Uses	(\$1.19M)
Balance - Remaining for Prudent Reserve	\$1.20M

## Background

- Ongoing uses first established in FY 2018-19 and easily paid for by cannabis revenue through FY 2021-22
- In FY 2022-23 revenues declined significantly, due to program shrinkage and new revenue no longer covered the cost of ongoing uses
- Cannabis tax revenue fund balance covered the ongoing uses shortfall for the last two years and will also be applied in current fiscal year
- Costs continue to grow despite declining revenues; the reduced number of cannabis operators necessitates proportional resource reduction in County program expenditures
- Enforcement activities have the largest cost allocation, and reported illicit activity has evolved

# Enforcement Staffing Summary

Department/Position	FY 18-19 FTEs	Current FTEs	Proposed FTEs	Activity
<b>County Counsel</b> Deputy County Counsel	1.0	0.6	0.6	Legal support for enforcement
<b>District Attorney</b> Deputy District Attorney Investigator	1.0	2.15	1.25	Prosecute illegal activities Investigation for criminal or civil prosecution
<b>District Attorney</b> Legal Office Professional	0.5	0.5	0.2	Prosecute illegal activities
<b>Sheriff</b> Sheriff's Sergeant	0.5	1.0	1.0	Illegal activity investigation supervision
<b>Sheriff</b> Sheriff's Deputy	3.0	4.0	3.0	Illegal activity investigations
<b>Ag/W&amp;M</b> Ag Bio/W&M Inspector	1.0	0.15	0.15	Pesticide enforcement, weights & measure inspections and cultivation license site inspections
<b>Planning</b> Supervising Planner	0.5	0.5	0.5	Zoning enforcement
<b>Planning</b> Planner/Admin	2.0	2.15	2.15	Zoning enforcement and support
<b>Total</b>	<b>9.5</b>	<b>11.05</b>	<b>8.85</b>	

# Recommended Reductions and Associated Impacts

Department	Position/Program	FTE Reduction	Cost Reduction	Impact
District Attorney	Investigator	0.25	(310,100)	DA Office will use existing available grant funding to offset the reductions. Staff will spend less time on cannabis illegal activity accordingly.
	Deputy DA	0.65		
	LOP	0.3		
Sheriff	Deputy, Special Duty	1	(472,000)	Reduction to size of enforcement team and overtime budget, total investigative caseload may decrease.
Bwell	Cannabis Education	N/A	(41,000)	Elimination of contract with treatment providers for perinatal education. Will leverage County Health programs to provide services and disseminate information.
CEO	Cannabis Program Manager	0.5	(76,800)	None. Balance of cost for position shifted to licensing fees.
TTC	Cannabis Program Admin	N/A	(18,000)	Staff will no longer have access to national/state pricing data points.
TTC	HdL Auditing Contract	N/A	(90,000)	External, independent audits will pause. TTC staff will continue review and analytics of cannabis tax reports and payments.
P&D	Cannabis Permit Appeals	N/A	(370,000)	None. Budget balanced with additional permit fee revenue.
<b>Total Recommended Reduction</b>			<b>(1,377,900)</b>	

<b>FY 2025-26 Preliminary tax revenue</b>	<b>\$5,529,800</b>			
<b>Preliminary Ongoing Cannabis Revenue Uses</b>	<b>Preliminary April 2025 Budget</b>	<b>Proposed Reduction</b>	<b>Proposed FTE</b>	<b>Proposed 6-3-25 Budget</b>
18% Transfer to Deferred Maintenance fund balance (Board Policy)	1,572,800	-		1,572,800
Enforcement costs - Counsel (0.65 FTE)	170,400	-	0.6	170,400
Enforcement costs - District Attorney (2.65 FTE)	738,100	(310,100)	1.45	428,000
Enforcement costs - Sheriff (5 FTE & program costs incl. building lease)	1,976,000	(472,000)	4.0	1,504,000
Enforcement costs - Ag Commissioner (0.15 FTE)	50,000	-	0.15	50,000
Enforcement costs - P&D (2.65 FTE)	356,300	-	2.65	356,300
Health Educator - Public Health	100,000	-		100,000
Cannabis Education - Bwell	160,000	(41,000)		119,000
Cannabis Program Admin - CEO* (0.50 FTE & program costs)	322,000	(76,800)	0.5	245,200
Cannabis Program Admin - TTC (2.0 FTE & program costs)	498,400	(18,000)	2.0	480,400
HdL Auditing Contract - TTC	90,000	(90,000)		-
Board-approved Deputy Counsel	311,900	-		311,900
Appeals Costs - P&D	370,000	(370,000)		-
<b>FY 2025-26 Ongoing Cannabis Program Subtotal</b>	<b>6,715,900</b>	<b>(1,377,900)</b>		<b>5,338,000</b>
<b>Difference between FY 2025-26 ongoing revenue and uses</b>	<b>(\$1,186,100)</b>			<b>\$191,800</b>
*CEO Admin cut 1.0 FTE in April 2024-25 and transferred 0.5 FTE, Cannabis Program Manager to license fees				



# Other Options

The Board could consider other options to close the estimated \$1.2 million budget gap:

- Reduce the 18% Transfer to Deferred Maintenance fund balance currently budgeted at \$1.57 million to \$370k.

*Impact:* This would reduce funding Public Works, General Services, and County Parks would receive to address the deferred maintenance backlog.

- Use one-time cannabis revenue fund balance.

*Impact:* Effectively depletes the fund balance and potentially lowers the cannabis revenue prudent reserve below the goal of 25% of projected revenue.

# Recommended **Actions**

That the Board of Supervisors:

- a) Direct staff to adjust the Recommended fiscal year 2025-26 budget to reduce cannabis revenue on-going uses in accordance with Attachment A, Preliminary and Proposed On-going Cannabis Revenue Use;
- b) Provide other direction as appropriate and;
- c) Find that the proposed actions are administrative activities which will not result in direct or indirect changes to the environment and therefore are not a “project” as defined in CEQA.