

**Budget Committee**  
**October 30, 2024**

- a. Receive and accept the Cannabis Program update on performance indicators for Fiscal Year 23-24; and
- b. Provide direction to staff as appropriate.

**RECOMMENDATIONS:**

It is recommended that the Budget Committee:

- a. Receive and accept the Cannabis Program update on performance indicators for Fiscal Year 23-24; and
- b. Provide direction to staff as appropriate.

**SUMMARY/DISCUSSION:**

The cannabis industry is an important economic engine in the County of Monterey (County). The County Cannabis Program (Program) provides a local framework for the management of licensed commercial cannabis activities in coordination with state and County agencies to address taxation, regulation, enforcement, education, and the protection of the health, environment, and safety of our communities. The County is ranked sixth in the State of California for cannabis cultivation based on the number of active cultivation licenses.

Cannabis industry articles reinforce businesses challenged by the state's high taxes and regulatory hurdles heightened by a thriving illicit market and an influx of intoxicating hemp products. These issues collectively strain an industry forced to take protective measures, including scaling down operations, failing to pay taxes, and closing operations. Currently, there are 61 active commercial cannabis business, 9 dispensaries and 52 cultivators, operating within the County. These businesses are navigating a cannabis market downturn that began in 2021 while paying local taxes, and meeting state and local requirements for annual licensure by January 2026. The Program is working with 12 potential cannabis business applicants all of whom must hold an annual State and local Cannabis Business Permit (CBP) before opening their doors.

The Program collects data from various sources and provides performance measure updates to the Board Cannabis Committee shared within this report for fiscal year (FY) 23-24 (Attachment A).

Below are the Program allocations and resource utilizations by County departments:

- Program allocations FY 23-24 (*Exhibit A*)
  - The Board approved 14.48 positions at a cost of \$3.6m across seven departments to be used for cannabis related work.
  - Also included in this exhibit is the ending balance of the Program contingency.

- FY 23-24 Resource utilization (*Exhibit B*)

Below are highlights of the County commercial cannabis industry (*Exhibit C*):

- 61 CBP are held within the Program.
  - 40 hold an annual CBP.
  - 21 hold a provisional CBP.
- 11 commercial cannabis business closed operations.
  - The common reason for closure was insolvency.
- The Program approved 15 canopy modification requests:
  - 7 to decrease.
  - 8 to increase.
- Cannabis tax revenue.
  - Cannabis business tax revenue collection figures are provided by the ACO.
  - The commercial cannabis tax revenue collected in FY 23-24 was approximately \$5.1M.
  - The revenue is based on cultivation and nursery square footage declared by cultivators, either on their annual or provisional CBP.
    - All canopy registration must fall at or below the maximum square footage allowed by state licensure and measurements are taken during compliance inspections to ensure these limits are not exceeded.
    - Cultivators may modify their canopy up to two times per annual term of their CBP.
  - Cultivation cannabis tax revenue is billed annually and collected quarterly, however as described above, canopy footage may be modified up to two times during the annual term of the CBP.
    - Because of this fluctuation, cultivation tax revenue is reported as a projected annualized figure that assumes each business will remain operational and will not modify square footage up or down for the remainder of the fiscal year.
  - Formal payment plan for unpaid cannabis business tax installments.
    - FY 21-22 Payment Plan
      - 4 still participating.
      - 10 paid off amount.
      - 18 have defaulted and/or ceased operations.
    - FY 22-23 Payment Plan
      - 27 participated in the payment plan ending December 2023.
- Non-tax cannabis revenue (*Exhibit D*)
  - The County received \$605,382 during FY 23-24 in other non-tax related revenues. These revenues include direct fees for cannabis business licenses and permits, penalties and fees, and court settlements and fines.
  - These cannabis revenues are used by the receiving department at their own discretion.
- Cannabis assignment allocations (*Exhibit F*)

- In FY 23-24 \$596,499 was approved for release from the cannabis assignment balance. Cannabis assignment allocations have been outlined by usage. This is a drastic difference when compared to \$14,496,743 approved for release from the assignment balance in the prior FY 22-23.

OTHER AGENCY INVOLVEMENT:

Monterey County departments involved in the Cannabis Program have provided performance indicator data:

Auditor Controller  
County Administrative Office  
Treasurer Tax Collector

FINANCING:

Approval of this recommendation will not result in additional general fund contributions.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The Program addresses each of the Strategic Initiative Policy Areas that promote the growth of a responsible and legal Monterey County cannabis industry.

Related Board of Supervisors Strategic Initiatives include:

- X Economic Development
- X Administration
- X Health & Human Services
- X Infrastructure
- X Public Safety

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Attachment A: Cannabis Program FY 23-24 performance measures slide deck.