

14. Approve the Proposed 2025-26 Budget for Cannabis Licensing Office, including any supplemental materials, and take related actions, as outlined in the referenced budget documents, and as recommended by the County Executive Officer ()



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: County Executive Office

Subject: 2025-26 Proposed Budget for Cannabis Licensing Office

Meeting Date: June 4, 2025

Formal Title: Approve the Proposed 2025-26 Budget for Cannabis Licensing Office, including any supplemental materials, and take related actions, as outlined in the referenced budget documents, and as recommended by the County Executive Officer

Recommended Action

Approve the Proposed 2025-26 Budget for Cannabis Licensing Office, including any supplemental materials, as provided in the referenced budget documents:

- [Proposed Budget](#)
- [Continuing Agreements List](#)
- [Unified Fee Schedule](#)
- Presentation

Executive Summary

The Proposed 2025-26 Budget for the Cannabis Licensing Office supports one division, with funded staffing of 2.0 funded full-time equivalent (FTE) positions.

Discussion

The mission of the Cannabis Licensing Office is to create the licensing and regulatory framework, at the local level, that balances medical use, adult recreational use, and the health, safety and welfare of residents and businesses within Santa Cruz County, while reducing harm associated with illegal activities.

Department and division operational objectives are shown in the Proposed 2025-26 Budget document and 2025-27 Operational Plan. Both are available online at: www.SCCVision.us

The proposed budget includes negotiated salary and benefit increase as well as a change in facility charges to properly reflect the cost of facility services and utilities.

The office does not anticipate significant identifiable changes to this budget as a result of potential State or Federal budget actions.

The budget is primarily status quo with no significant service changes. New work as a result of Board approved ordinance changes will be absorbed by current staff.

Staffing of 2.0 FTE positions is status quo for 2025-26.

Budgeted funding will continue to support ongoing staff work, including local licensing activities (in coordination with the Planning Department), license tracking and coordination with State cannabis regulatory agencies, conducting compliance checks on a regular basis with licensed cannabis operators, enforcing the local ordinance through

coordination with the Sheriff's Office and other State and local agencies, coordinating with the Auditor-Controller/Treasurer-Tax Collector for appropriate tax collection and updating local ordinances as necessary.

Over the next fiscal year, the department will be focused primarily on implementation of the new ordinances regarding licensing for on-site retail consumption and farm stand operations at cultivation sites, and continued public transparency through reporting that includes information on the number of retail and non-retail licenses, local versus non-local ownership composition and total amount of land by zone district being utilized for cannabis production.

Financial Impact

The Cannabis Licensing Office Proposed 2025-26 Budget includes \$813,321 in expenditures offset by \$303,000 in revenues and \$510,321 in General Fund contribution. This reflects a total expenditure increase of \$11,320 or 2.27% from the Fiscal Year 2024-25 Adopted Budget.

Strategic Initiatives

Operational Plan - Operational Excellence

Submitted By:

Carlos J. Palacios, County Executive Officer

Recommended By:

Carlos J. Palacios, County Executive Officer

Artificial Intelligence Acknowledgment:

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.



Cannabis Licensing 2025-26 Proposed Budget

Melodye Serino
Sam LoForti
June 4, 2025



Presentation Overview



Our Mission



How We are Organized



Budget Overview



Fiscal & Staffing Details



Federal/State Risks & Emerging Issues



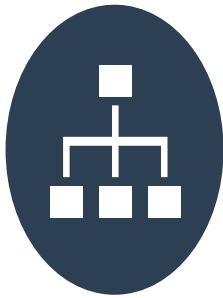
Request & Questions



Our Mission

To create the licensing and regulatory framework, at the local level, that balances medical use, adult recreational use, and the health, safety and welfare of residents and businesses within Santa Cruz County, while reducing harm associated with illegal activities.

Divisions & Services



ADMINISTRATION



LICENSING



COMPLIANCE
(LEGAL
OPERATORS)





ENFORCEMENT
(ILLEGAL
OPERATORS)

Cannabis Licensing Summary of Proposed Budget

	2024-25 Adopted	2025-26 Proposed	Amount of Change	Percent Change
Revenues	\$353,000	\$303,00	-\$50,000	-14.16%
Expenses	\$852,001	\$813,321	-\$38,680	-4.54%
General Fund Contribution	\$499,001	\$510,321	\$11,320	2.27%
Funded Staffing	2.00	2.00	0.00	0%

Major Budget Changes from Adopted Revenues

	Amount	Title of change in revenue
	\$ 150,000	Civil penalties from fines
	\$ 100,000	Licensing revenues from new fee structure

Major Budget Changes from Adopted Expenses

	Amount	Title of change in expenditure/expense
↑	\$ 7,488	Negotiated salary and benefit increases
↑	\$ 6,263	GSD services & charges
↓	- \$ 29,276	Reduced costs of Sheriff services due to staffing change
↓	-\$ 9,500	Professional services contracts

State & Federal Funding Risks



- **Federal Funding:** This budget does not receive direct Federal funding, but risks to other departments may impact the overall County budget and could require reductions to this budget at a later date.
- **State Cannabis Business Taxes:** State taxing increases will likely result in a 10-15% reduction in cannabis business taxes. This does not directly impact this budget but does impact General Fund revenues, which support this budget.
- **May Revise:** avoids increases to State licensing fees and shifts some funding to support enforcement activities against the illicit market.

Emerging Issues

- **Cannabis Business Licenses:** Market adjustments by the cannabis industry and ordinance changes by the Board in 2024-25 resulted in business consolidations with reduced licenses being sought, impacting licensing revenues. A new licensing fee structure is being proposed in 2025-26.



Cannabis Licensing Office

Approve the Proposed Budget for the County Counsel, including any Supplemental Materials, which includes

- Revenues of \$303,000
- Expenses of \$813,321
- General Fund Contribution of \$510,321
- Staffing of 2.00 funded FTEs

