

Department of Cannabis Regulation (DCR)  
FY 2026-27 Proposed Budget - Fee Ordinance



# What this ordinance does



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**CANNABIS  
REGULATION**

<b>Budget implementation</b>	<b>Full cost-recovery</b>	<b>Annual fee study</b>
<p>Following the City's extensive budget hearings, the adopted FY 2026-27 Budget (Final Recap, pg. 28, Item #108) directed all departments with pending fee increases to report to Council with implementing ordinances no later than June 30, 2026.</p>	<p>DCR is a self-funded department. By City policy and State law (Govt. Code §66014), fees must recover the full cost of regulated services. They cannot exceed the reasonable cost of service, and DCR is not currently subsidized by the General Fund.</p>	<p>DCR completed its FY 2026-27 fee study in November 2025 to update DCR fees using the same fully burdened cost methodology from 2024, consistent with the City's Annual Fee Studies Policy and approved Cost Allocation Plan (CAP) overhead rates.</p>

# Why primary fees are increasing ~25%



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## Two structural pressures are driving higher costs per licensee:

### Rising operating costs

- Citywide personnel costs increased approximately 8% for FY 2026-27, reflecting negotiated salary and salary step adjustments.
- CAP 48 overhead rates – the City's cost allocation methodology – also rose for some departments, increasing the indirect cost basis for all fee-funded work.
- These costs are set Citywide. DCR has no control over them.

### Declining licensee base

- FY26: ~1,000 licenses, ~650 businesses
- FY27: ~750 licenses, ~550 businesses
- A 25% reduction in active licenses means program costs are spread across a smaller revenue base.
- DCR's fee model allocates costs per activity. When the licensee count falls, per-license cost rises, even if total department spending stays flat.

# How DCR worked to reduce the impact



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**DCR proposed \$3.6 million in reductions, 14% below FY 2025-26 spending. Not all were accepted.**



## **Accepted by Council and Mayor**

### Internal position reductions:

DCR cut 7 positions – more than 11% of its authorized workforce, across administrative and program functions.

### City Attorney reduction:

Direct Fund 60E support to the City Attorney was reduced by approximately \$575,000 through elimination of two resolution authority positions.



## **Not accepted by Council and Mayor**

### External funding reductions:

DCR proposed eliminating direct Fund 60E payments to LAPD, City Clerk, and the Personnel Department. These requests were not approved.

### Enforcement realignment:

DCR proposed moving complaint-driven enforcement costs to the General Fund, the same model used by the Department of Building and Safety. This request was not approved, keeping those costs within the fee base.

# FY 2026-27 fee schedule - highlights



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Major Fees	FY 2025-26	FY 2026-27	Change
Storefront Annual License	\$18,725	\$16,599	-11%
Non-Storefront Annual License	\$14,378	\$14,610	+2%
License Renewal	\$12,617	\$15,783	+25%
Temporary Approval Renewal	\$6,294	\$7,873	+25%
Record Renewal	\$2,719	\$3,401	+25%

## Many fees decreased

Processing and modification fees dropped as DCR's team has become more efficient. Examples: Business Diagram Modification (-87%), Community Meeting (-54%), Printed Notice (-61%).

## Enforcement fees updated

Code violation inspection fees now reflect actual investigation costs. Previously underpriced relative to the work involved. This correction is why DCR sought enforcement realignment: high investigation costs belong in the General Fund, not in the fee base.

***To avoid delayed implementation of the City's FY 2026-27 Adopted Budget, DCR respectfully requests the Committee's adoption of the fee ordinance as presented.***



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Thank you