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COUNTY EXECUTIVE OFFICER:  
Esperanza Colio Warren

COUNTY COUNSEL:  
Gregory Priamos

CLERK OF THE BOARD:  
Vanessa Delgado

**Agenda Item**  
**Regular Meeting of the**  
**Board of Supervisors**  
**Tuesday, February 24, 2026**

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**Item Number: 3.5**

**MEETING DATE:** 02/24/2026

**DEPARTMENT:** COUNTY ADMINISTRATION OFFICE

**AGENDA ITEM PREPARER:** Dulce Alonso

**DEPT HEAD/DIRECTOR:** Esperanza Colio Warren

**SUBJECT:**

**COUNTY EXECUTIVE OFFICE - E. COLIO WARREN**

1. Discuss and adopt Resolution 2026-28 calling an election to submit to the voters and amendment to the Ordinance lowering the cannabis business activities tax rate, and consolidate said election with a regularly scheduled general election, the Statewide election to be held on June 2, 2026, if desired; and
2. Authorize the County Counsel to prepare the impartial analysis pursuant to Elections Code section 9160, and authorize the Auditor-Controller to prepare the tax rate statement (financial analysis), and provide direction regarding submission of a written argument in favor of the measure, if desired.

SBC FILE NUMBER: 119

RESOLUTION NO.: 2026-28

**AGENDA SECTION:**

REGULAR AGENDA

**BACKGROUND/SUMMARY:**

**Adoption of Cannabis Business Activities Tax (2018)**

In June 2018, the County adopted [San Benito County Code §5.03.170 Article V – Cannabis Business Activities Tax](#), pursuant to [Measure C](#) approved by the voters. The tax was established to provide revenue to support cannabis regulatory, enforcement, and administrative program costs in the unincorporated area of San Benito County.

As a general tax, revenue generated is deposited into the County's General Fund and may be used for any lawful governmental purpose. The tax only applies to the unincorporated area and excludes cannabis business activities occurring within the cities.

The County Board of Supervisors sets the tax rate within the voter-approved ranges, outlined in the

tables below\*. The voter approved ordinance taxes multiple cannabis business types, with cultivation taxed on a per square foot canopy basis, while non-cultivation activities are taxed as a percentage of gross receipts.

\*The cultivation tax was set to increase based on Consumer Price Index.

<b>Cannabis Business Activity Type: Cultivation</b>	<b>Minimum</b>	<b>Maximum</b>
Nursery	\$3	\$17
Outdoor (specialty cottage)	\$3	\$17
Outdoor (specialty)	\$3	\$17
Outdoor (small)	\$3	\$17
Outdoor (medium)	\$3	\$17
Outdoor (large)	\$3	\$17
Indoor (specialty cottage)	\$3	\$17
Indoor (specialty)	\$3	\$17
Indoor (small)	\$3	\$17
Indoor (medium)	\$3	\$17
Indoor (large)	\$3	\$17
Mixed-light (specialty cottage)	\$3	\$17
Mixed-light (specialty)	\$3	\$17
Mixed-light (small)	\$3	\$17
Mixed-light (medium)	\$3	\$17
Mixed-light (large)	\$3	\$17

Cultivation includes any activity involving the propagation, planting, growing, harvesting, or processing, as one or more cannabis plants, or any part thereof, in any location, indoor or outdoor, including from within a fully enclosed and secure building or structure.

<b>Cannabis Business Activity Type: Distribution</b>	<b>Minimum</b>	<b>Maximum</b>
Distributor	2%	4%
Distributor (transportation only)	0.5%	4%

Distribution means buying, selling, and transporting cannabis and cannabis products from one place to another.

<b>Cannabis Business Activity Type: Manufacturing</b>	<b>Minimum</b>	<b>Maximum</b>
Manufacturing (Level 1)	2.5%	4%
Manufacturing (Level 2)	2.5%	4%

Manufacture refers to making or preparing cannabis or cannabis products. This includes producing them, mixing ingredients, or using methods like extraction or chemicals to create cannabis products.

<b>Cannabis Business Activity Type: Microbusiness</b>	<b>Minimum</b>	<b>Maximum</b>
Microbusiness (retailer)	4%	5%
Microbusiness (non-retailer)	2.5%	3.5%

Microbusiness means a small cannabis business type defined under California law. It follows the definition in California Business and Professions Code Section 26070(a)(3)(A), which generally allows a business to operate in more than one area of the cannabis industry (such as cultivation, manufacturing, distribution, or retail) under a single license.

<b>Cannabis Business Activity Type: Retailer</b>	<b>Minimum</b>	<b>Maximum</b>
Retailer (delivery only)	0.5%	3%
Retailer	4%	8%

Retail sale (or selling) means any time cannabis or cannabis products are transferred from one person to another in exchange for something of value, like money. This also includes delivering cannabis after someone places an order, or requesting or taking orders for cannabis products. However, it does not include returning cannabis products to the original seller.

<b>Cannabis Business Activity Type: Testing Laboratory</b>	<b>Minimum</b>	<b>Maximum</b>
Testing laboratory	0.5%	4%

A testing laboratory (or laboratory) is a facility in California that tests cannabis and cannabis products to make sure they are safe and meet quality standards. The laboratory must be officially accredited by an independent organization that is not connected to any other cannabis businesses in the state

### **Temporary Tax Exemption (2025)**

In February 2025, the County Board of Supervisors approved a temporary exemption from the cannabis excise tax for cannabis business cultivation through December 31, 2026. The Board indicated that it would revisit the tax structure and provide direction regarding taxation beyond December 31, 2026, potentially requiring submission of a revised measure to the Voters.

### **Potential Tax Adjustments**

On February 10, 2026, the Board received a presentation on the history of San Benito County's cannabis tax and proposed amendments, upcoming election timelines, and rates for other California counties. The Board heard from staff and the public, and discussed potential adjustments to the cannabis tax structure and provided direction to further evaluate possible changes. At that meeting, the Board also established an Ad Hoc Committee tasked with meeting with industry stakeholders, evaluating potential revisions to the cultivation tax methodology, and return to the Board with recommendations to discuss whether to place a revised cannabis tax measure on the June 2026 election ballot.

### **Ad Hoc and Stakeholder Meeting**

On February 13, 2026, the Ad Hoc committee met with cannabis industry stakeholders and county staff to discuss potential modifications as directed by the Board.

Based on those discussions, there was consensus to pivot the cannabis cultivation tax structure from a per-square-foot canopy tax to a per-acre tax structure. Acreage would be calculated to the nearest fraction of an acre.

The proposed outdoor cultivation range discussion was:

- Minimum: \$1,000 per acre
- Maximum: \$10,000 per acre

The Ad Hoc Committee recommends establishing a minimum and maximum rate structure to allow discretion in implementation if enacted. The proposed range is \$1,000 to \$10,000, with \$1,000 serving as

the floor and \$10,000 as the ceiling. The \$1,000 figure is not being recommended as the specific operative rate to be imposed; rather, the ordinance would continue to leave the actual rate to the Board's discretion within the established range.

The Cannabis Business Activities Tax is intended to offset the impacts of cannabis businesses in the County of San Benito. It is anticipated that demand for code enforcement, law enforcement, health care, and education will increase. Without this Cannabis Business Activities Tax, these increased needs would affect the County's General Fund, which is needed to operate other vital County services.

To protect the quality of life in the County of San Benito and to fund essential County services such as law enforcement, fire, emergency response, health services, youth and senior programs, job creation, housing, environmental protection, and animal shelter programs, staff recommends the Board adopt a resolution calling an election to submit to the voters an ordinance imposing a Cannabis Business Activities Tax.

### **FISCAL IMPACT:**

The cost to put a measure on the ballot depends on many factors, including the length of the publication, the number of measures on the ballot, and the district voter registration per contest. The range is \$30,000.00 to \$40,000.00, and the amount is charged to the appropriate jurisdiction after all election costs have been posted.

### **STAFF RECOMMENDATION:**

1. Discuss and adopt Resolution 2026-28 calling an election to submit to the voters and amendment to the Ordinance lowering the cannabis business activities tax rate, and consolidate said election with a regularly scheduled general election, the Statewide election to be held on June 2, 2026, if desired; and
2. Authorize the County Counsel to prepare the impartial analysis pursuant to Elections Code section 9160, and authorize the Auditor-Controller to prepare the tax rate statement (financial analysis), and provide direction regarding submission of a written argument in favor of the measure, if desired.

### **ATTACHMENTS:**

[Board Agenda Fact Sheet - Cannabis Business Tax](#)

[Cannabis Tax Presentation](#)

[Resolution - SBC Cannabis Tax Measure](#)

[Summary Measures Calendar June 2, 2026](#)

[Summary Measures Calendar November 26, 2026](#)