



COUNTY OF HUMBOLDT

For the meeting of: 1/27/2026

File #: 26-54

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

Vote Requirement: 4/5th

SUBJECT:

Introduction of an Ordinance Repealing Measure S Cannabis Excise Tax

RECOMMENDATION(S):

That the Board of Supervisors:

1. Introduce the ordinance (Attachment 1) repealing the county's Measure S cannabis cultivation excise tax; and
2. Set the date to adopt the ordinance to repeal Measure S for Feb. 10, 2026; and
3. Direct the Clerk of the Board, within 5 days of adopting the attached ordinance, to publish a pre-adoption summary of the ordinance (Attachment 2), and to post in the office of the Clerk of the Board of Supervisors a copy of the full text of the ordinance.

STRATEGIC PLAN:

This action supports the following areas of your Board's Strategic Plan.

Area of Focus: A Diverse, Equitable & Robust Economy

Strategic Plan Category: 2001 - Promote strong economic resiliency and growth

DISCUSSION:

Executive Summary

On Oct. 28, 2025, the Board of Supervisors directed staff to repeal Measure S, the county's cannabis cultivation excise tax. This action implements that direction by adopting an ordinance that amends Humboldt County Code Chapter 719-9 to establish that no cannabis cultivation excise tax shall be due beginning Jan. 1, 2026. This does not impact any past due taxes owed by cultivators.

Background

Measure S was approved by voters in November 2016 and established tiered cultivation tax rates of \$1 per square foot for outdoor cultivation, \$2 per square foot for mixed-light, and \$3 per square foot for indoor cultivation. Since its passage, Measure S has proven difficult to administer and has not generated anticipated revenue due to significant changes in the cannabis marketplace.

At the Oct. 28, 2025, meeting, the Board considered two options: (1) repeal Measure S entirely, or (2) engage a consultant to conduct a fiscal analysis and develop a replacement tax measure. The Board chose Option 1 and directed staff to return with the necessary documentation to repeal Measure S.

Ordinance Details

The attached ordinance repeals Section 719 of the Humboldt County Code to repeal the Measure S cannabis cultivation excise tax. This repeals the structure of the Measure S ordinance, including the taxing provisions. It is important to note that Measure S was

approved by voters, and the ordinance voters approved included a provision allowing the Board to repeal and/or re-establish the tax, as long as the tax is not increased or broadened beyond the original scope of the measure. So, while the attached ordinance repeals Measure S, your Board or another Board may re-establish the tax in the future.

The ordinance does not affect outstanding tax obligations incurred prior to Jan. 1, 2026. Cultivators will still owe the county approximately \$11.45 million in past due balances, as well as \$1.052 million for the current tax year (cultivation year 2024/tax year 2025). Staff will continue collection efforts for these past due amounts.

Administrative Impact

Repealing Measure S eliminates the significant staff time required to prepare tax data (approximately 40 staff hours annually) and to verify cultivation areas when farmers dispute taxed amounts. This will allow Planning and Building Department staff to redirect their efforts to other priorities.

SOURCE OF FUNDING:

General Fund

FINANCIAL IMPACT:

Expenditures	FY25-26	FY26-27 Projected*	FY27-28 Projected*
Budgeted Expenses	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Additional Appropriation Requested	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Projected amounts are estimates and are subject to change.*

Funding Sources (1100-888)	FY25-26	FY26-27 Projected*	FY27-28 Projected*
General Fund	<u>\$335,000</u>	<u>\$0</u>	<u>\$0</u>
Fees/Other	<u>(\$100,000)</u>	<u>\$0</u>	<u>\$0</u>
Total Funding Sources	<u>\$225,000</u>	<u>\$0</u>	<u>\$0</u>

**Projected amounts are estimates and are subject to change.*

Narrative Explanation of Financial Impact:

This ordinance eliminates future Measure S cannabis cultivation tax revenue beginning with cultivation year 2026 (taxes due in 2027 and beyond). The Board already suspended the tax for cultivation year 2025 (taxes due in 2026) at the Nov. 12, 2024, meeting.

Outstanding tax obligations totaling approximately \$12.5 million remain collectible:

- \$11.45 million in past due balances from prior years
- \$1.052 million from the current tax year (cultivation year 2024/tax year 2025)

The elimination of Measure S tax will reduce the ongoing staff expense of approximately \$8,000 annually related to confirming square footage for taxation purposes. In recent years, Measure S has generated minimal revenue compared to administrative costs, and staff have not been budgeting for Measure S revenues.

STAFFING IMPACT:

Narrative Explanation of Staffing Impact:

Repealing Measure S eliminates approximately 40 hours of annual staff time currently spent on preparing base data for cannabis cultivation taxes. This will allow Planning and Building Department staff to focus on other priorities. The Treasurer-Tax Collector's office will continue collection efforts on outstanding tax obligations but will not need to process new Measure S billings beginning with cultivation year 2026.

OTHER AGENCY INVOLVEMENT:

Planning and Building Department, Treasurer-Tax Collector, County Counsel

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board could choose not to adopt this ordinance, which would leave Measure S tax rates in place at their current levels. However, this would be inconsistent with the Board's Oct. 28, 2025, direction to repeal Measure S. The Board could also choose to delay adoption to gather additional information, though the administrative challenges and limited revenue generation discussed in the Oct. 28, 2025, staff report would remain.

ATTACHMENTS:

1. Humboldt County Code Chapter 719 with Amendment
2. Ordinance amending cannabis tax rates
3. Post-adoption publication summary

PREVIOUS ACTION/REFERRAL:

Meeting of: Oct. 28, 2025

File No.: 25-1233