

**Fiscal Impact Statement by County Auditor-Controller-Treasurer-Tax Collector
Measure B-18**

Ballot Measure B-18, if approved, would allow for a Cannabis Business Tax (CBT) of commercial non-medical and medical Cannabis Related Businesses (CRB's) in the unincorporated area of San Luis Obispo County ("County"). The measure will increase County general revenues while the collection and administration of the tax will have a relatively small impact on County expenditures. The CBT would be based on gross receipts and would apply to all CRB's unless exempted by this measure or by the County Board of Supervisors. The CBT will be a general tax which requires a 50% plus 1 vote of the public to be enacted into law. Use of general tax revenue is under the discretion of the Board of Supervisors and meant to fund general government activities such as public safety, health and human services, and land use compliance.

If approved, the CBT will begin July 1, 2018 at 4% of gross receipts and automatically increase 2% a year beginning July 1, 2020, to a maximum of 10%. This ballot measure provides flexibility to the Board of Supervisors to modify the overall tax collected or exclude specific CRB businesses by a 3/5th vote so long as the maximum of 10% is not exceeded. The Board of Supervisors determined testing of cannabis products is a public health function and is specifically excluded from the CBT. The CBT is expected to generate approximately 1.4 million dollars in the first year of implementation. Over time, as the cannabis industry becomes established, the revenue may increase. Consultants hired by the County to estimate revenue from the CBT provided a low estimate of 5.3 million dollars and a high estimate of 28 million dollars a year at 4% when all 141 licensed cultivators are commercially growing and selling cannabis. As the County Auditor-Controller-Treasurer-Tax Collector (ACTTC) I believe these estimates are high and point out there are many unknown variables such as the actual number of licensed cannabis operators in the County, consumer demand for cannabis, competition from CRB's located in other jurisdictions, the market price of cannabis, and the accuracy in reporting of cannabis sales.

Expenditures related to Ballot Measure B-18 are minimal and would consist mostly of collection efforts which are currently covered by existing staff in the Auditor-Controller-Treasurer-Tax Collector's Office. Should additional staff be required, costs are expected to be less than \$200,000 per year. These costs would be funded by County general revenues.

/s/ James P Erb, CPA
County Auditor-Controller-Treasurer-Tax Collector