

June 23, 2025

The Hon. Jerry McNerny
Chair, Senate Revenue and Taxation Committee
State Capitol, Room 410
Sacramento CA 95814

Re: AB 564 (Haney) - OPPOSE

Dear Chairperson McNerny,

The 101 undersigned organizations write in respectful opposition to AB 564 (Haney), as well as section 34011.2 of AB 8 (Aguiar-Curry), or any budget bill which would go back on the deal made in AB 195 (2022) to adjust the cannabis excise tax starting this year, to make up for the elimination of the cannabis cultivation tax. AB 564 and AB 8 together will reduce funding by \$1.8 billion (\$180 million annually for ten years) for child care, youth substance abuse prevention, environmental restoration and local law enforcement grants.

When voters approved Proposition 64, they dedicated significant cannabis excise tax and cultivation tax revenues for the Tier 3 programs. These revenues are a significant funding source for childcare for low-income families, youth substance use prevention programs, environmental remediation including restoration of watersheds damaged by cannabis cultivation, and law enforcement programs. Many of our groups worked on the Proposition 64 Tier 3 language and want to ensure the provisions of law and promises made to date are upheld.

If the promise made in AB 195 is not kept, according to the CA Department of Tax and Fee Administration, California will lose at least \$180 million per year for childcare, youth, and environmental programs. This directly translates into thousands fewer childcare slots for low-income children, fewer youth benefitting from substance abuse prevention programs, continuing environmental degradation of our watersheds, and other less action by law enforcement against the illegal industry.

Promises Made in the 2021-22 Budget (AB 195 Budget Trailer Bill):

AB 195 eliminated the Proposition 64 Cultivation Tax, among other actions, at the request of the cannabis industry. Our organizations withdrew our opposition when the Legislature and Governor agreed the ultimate outcome of the cultivation tax repeal would be revenue neutral including establishing a \$670 million annual funding target for Tier 3 programs. We greatly appreciate the Legislature and Governor appropriating \$150 million from the General Fund in the 2021-22 budget to help backfill the lost Tier 3 cultivation tax revenues.

After the passage of AB 195 in mid-2022, cannabis tax revenues declined by over \$200 million a year due to this decision to abolish the tax on the cultivation of cannabis in response to

industry lobbying.[1] As a result, we saw a steady drop in funds for childcare, substance abuse prevention, and environmental clean-ups.

However, as part of the deal struck in AB 195, the Legislature committed to raising the excise tax on cannabis sales from the current 15% (less than half of Washington's 37% rate) to up to (no more than) 19% this July 1st to compensate for the cultivation tax repeal and restore funding for childcare, youth, environmental and enforcement programs. That is current law and will go into effect unless AB 564 or other repeal efforts is passed. This increase would mean about \$180 million [2] in additional annual funding to protect kids, clean the environment, and enforce the cannabis laws, closer to the amount promised to voters. Of this 60% goes to childcare and youth programs. The legislated July 1st increase in the tax on cannabis sales is the only reason why children's advocates and environmental groups agreed not to oppose the cultivation tax repeal in 2022.

Proposition 64 – Voters Guaranteed Tier 3 Revenues

When voters approved Proposition 64 in 2016, they expressed clear intent they wanted Tier 3 programs to receive significant funding:

"It is the intent of the People in enacting this Act to accomplish the following: "Generate hundreds of millions of dollars in new state revenue annually for restoring and repairing the environment, youth treatment and prevention, community investment, and law enforcement." Prop. 64, § 3(t).

"The Adult Use of Marijuana Act will crack down on the illegal use of water and punish bad actors, while providing funds to restore lands that have been damaged by illegal marijuana grows." Prop. 64, § 2.F.

Furthermore, voters expressly protected allocations to the Tier 3 programs in Proposition 64's provisions:

"Prior to July 1, 2028, the Legislature may not change the allocations to programs specified in subdivisions (d) and (f) of this section." [Subdivision (h) of Section 34019 of the Revenue and Taxation Code, as enacted under Proposition 64, referring to the Tier 3 funding allocations]. Furthermore, Proposition 64 requires that other amendments must be "consistent with the purposes and intent of this Act..." (Section 10 of Proposition 64)

Those statements reflect voters' clear intent that Proposition 64 provides robust and protected funding for the environmental restoration and remediation programs and youth services at levels contemplated by the voters and those levels must be honored in any legislative alteration to the Act's tax structure. Therefore, revenue neutrality is a necessary component to any amendment of the initiative. Any reduction of tax revenue for Tier 3 programs creates a risk that the legislation will be deemed invalid.

In other words, unless it results in revenue neutrality, the elimination of the cannabis cultivation tax is legally vulnerable because: (1) It alters the allocation of funding to Tier 3 programs by eliminating one of the two key revenue streams that fund the Tier 3 allocations; and (2) It would be inconsistent with the voter's intent expressly stated in Proposition 64's text to provide significant funding to Tier 3 programs.

We urge you to not support gutting funding for childcare, youth, environmental programs for the sake of increasing profits for the cannabis industry. Please vote no on AB 564, reject section 34011.2 in AB 8 or any budget bill language that undoes the increase in the cannabis excise tax.

Thank you for your consideration and for your leadership on behalf of our communities.

Sincerely,

Jim Keddy
Executive Director
Youth Forward



Lynn Silver, MD, MPH
Director
Getting It Right from the Start



Heidi Keiser
Director of Gov Affairs
Child Action, Inc



Kimberly Baker
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John Aguirre
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Back to the Start



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Sonoma Land Trust



Lucy Herrera
Executive Director
Legacy LA



Richard Zaldivar
Executive Director
The Wall Las Memorias



Billi Jo Starr
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Michael Wellborn
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Sacramento Area Congregations Together



Julie Rentner
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River Partners



Raquel Shipp
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SACRAMENTO
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Elida Ledesma
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Arts for Healing and Justice Network

ARTS
FOR
HEALING
AND
JUSTICE
NETWORK

Rachel Norton
Executive Director
California State Parks Foundation

 CALIFORNIA
STATE PARKS
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Los Angeles Neighborhood
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 LOS ANGELES
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Nick Jensen
Conservation Program Director
California Native Plant Society

 CALIFORNIA
NATIVE PLANT
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Liliana Soriano
Director of Policy
Youth Will

youth will

Colin Ford
Director of Policy
Fresh Lifelines for Youth

 FRESH LIFELINES FOR YOUTH
fly

Susan Kohen
Organizing Team Member/Volunteer
Showing Up for Racial Justice Santa
Cruz County (SURJ SCC)

 SURJ
Showing Up for
Racial Justice

Isabel Lopez
Executive Director
Raizes Collective

 RAIZES
COLLECTIVE

David Kakishiba
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East Bay Asian Youth Center

 EBAYC
SINCE 1976

Jay Bowser
CEO
Core 6

 CORE


Jeff Farber
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Helpline Youth Counseling

 HYC
On Track for a Brighter Future

Kyle Bill
Executive Director
Kno'Qoti Native Wellness Inc

 KNO'QOTI
NATIVE WELLNESS INC.

Richard Fisher
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4th Second

 4th Second

Sikander Iqbal
Deputy Director
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 URBAN PEACE
MOVEMENT

Juan Jose Mejia Palacios
Policy Associate
Latino Coalition for a
Healthy California

 LCHC

Kelly Bathgate
Interim Exec Director
Gateway Mountain Center

 Gateway Mountain Center

Helping Youth Learn, Heal & Thrive!

Anthony Summers
Executive Director
Healthy Vallejo Community Support
Services, Inc.

 HEALTHY VALLEJO COMMUNITY
SUPPORT SERVICES, INC.
"We Make Life Better For Others"

Albert Titman Sr.
Deputy Director
Native Dads Network



Kimberly Aceves-Iniguez
Co-Founder and Exec Director
RYSE Youth Center



Faith Galati
Executive Director
Breakthrough Sacramento



Kevin Lor
Youth Coordinator
Merced Lao Family Community Inc



Eduardo Navarro
Chief Operating Officer
Youth Alliance



Stephen Ramirez
CEO/President
California Health Collaborative



Louie Nguyen
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Gabrielle Tilley
Assoc Director of Policy and Partnerships
The Los Angeles Trust for Children's Health



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Kristene Smith
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Brian Poth
Executive Director
The Source LGBT+Center



Mo Tran
Co-Executive Director
Asian Refugees United



Melissa Wright
Bookkeeper
City Ministry Network



Lilia Onate
Prevention Programs Director
National Council on Alcoholism and Drug
Dependence of East San Gabriel and Pomona Valleys



Antonio Zavala
Director of Programs
Youth Transforming Justice



Josefina Alvarado Mena
Chief Executive Officer
Safe Passages



Kao Ye Thao
Director of Policy & Partnerships
Hmong Innovating Politics



Blanca E Morales
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David Heitstuman
Chief Executive Officer
Sacramento LGBT Community Center



Ronnetta Johnson
Chief Executive Officer
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Victor Aburto
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America Bracho
Chief Executive Officer
Latino Health Access



Pearl Hernandez
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Lily of the Valley Emmanuel Church of Jesus Christ



Israel Salazar Villa
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John Vasquez
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Megan Drda
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The Cambodian Family



Ramon Campos
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Sergio Paz
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Connected to Lead



Toni McNeil
Executive Director
Concrete Development Inc.



Dr Tamme Shinshuri
Executive Director
Oracles of Truth



Andrew Avila
Policy Analyst
Early Edge California



[1] <https://www.cdtfa.ca.gov/dataportal/dataset.htm?url=CannabisTaxRevenues> comparing Quarter 3 2021-Quarter 2 2022 to Quarter 3 2023-Quarter 2 2024.³ 2023-Quarter 2 2024

[2] Using LAO's \$799 million estimate for 2025-2026 tax revenue this would be \$182M more, using the lower Governor's budget estimate it would \$145M

more. https://lao.ca.gov/LAOEconTax/Article/Detail/824?utm_source=Legislative+Analyst%27s+Office&utm_campaign=85f96c3d8c-RSS_EMAIL_CAMPAIGN_ECONOMY&utm_medium=email&utm_term=0_230ef9f9f2-7e801415fa-557538469 and <https://ebudget.ca.gov/2025-26/pdf/GovernorsBudget/7500/7600.pdf>