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Children's, Environmental, and Public Health Advocates Urge Lawmakers: Reject Cannabis Tax Cuts, Protect Kids and the Environment

Sacramento, CA — As high-powered cannabis industry lobbyists and big business interests flood the State Capitol today, demanding tax breaks that would gut funding for children's programs and environmental restoration, a broad coalition of public health advocates, children's organizations, environmental groups, and parents are standing up in opposition to **AB 564 (Haney) and the tax cut component of AB 8** (Aguiar-Curry). When California voters passed Proposition 64 in 2016, they did so with the explicit promise that cannabis taxes would fund vital programs for children and youth substance use prevention, environmental clean-up, and public safety. That promise is now under attack.

"California's cannabis taxes are far lower than states like Washington and fund critical services for kids, the environment, and public safety," **said Dr. Lynn Silver, Pediatrician and Public Health Advocate, Getting it Right from the Start.** "Proposition 64 promised to invest in healthier communities. With a significant budget deficit and federal funding for children and environmental programs dwindling, now is the time to protect, not slash, these critical investments. AB 564 and AB 8 tax measures would put Big Cannabis profits over our children's needs."

In 2022, the Legislature passed AB 195, eliminating the cultivation tax but committing to an increase in the cannabis excise tax from 15% to up to 19% by July 1, 2025. This deal was designed to maintain revenue neutrality and protect funding for children, youth, environmental, and law enforcement programs required by Proposition 64. AB 564, and AB8 tax cuts pushed by Big Cannabis lobbyists, aim to break that deal and block the scheduled tax adjustment.

"The Legislature must uphold the 2022 deal and ensure the cannabis industry pays its fair share — as voters intended," **said Jim Keddy, Executive Director, Youth Forward.** "Reneging on that promise could slash as much as \$180 million annually from critical programs — leaving thousands of the most vulnerable California families without child care and gutting youth substance prevention and education efforts for those most at-risk. Lawmakers must protect these vital funds, not prioritize Big Cannabis profits over kids' futures."

The numbers are clear. After the 2022 cultivation tax cut, cannabis tax revenues dropped by over \$200 million a year, resulting in:

- **\$46 million cut from general childcare funding in 2023-24**, reducing slots for foster children and low-income families.
- **\$23 million cut from Elevate Youth California grants**, which fund prevention and support programs for vulnerable youth in all 56 counties.
- **The proposed repeal would lead to ongoing losses for childcare of \$65 to \$82 million annually**, jeopardizing 6,500 childcare slots statewide.

Only 14% of California's 2.1 million eligible children are enrolled in subsidized child care, predominantly children of color. The state committed to adding 200,000 new slots by 2027, but without the promised tax adjustment, this goal is at risk.

California's 15% cannabis excise tax is not high compared to other states: Washington imposes a 37% cannabis tax, Colorado 17%, and Virginia 21%. Even e-cigarettes in California are taxed at a combined 65.5%. Data shows 85% of cannabis businesses pay their taxes as required — proof that the system isn't broken. The proposed tax cut would overwhelmingly benefit large, multi-state cannabis corporations, not small businesses or equity operators, who make up only 10% of California cannabis retailers.

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