

# Choose Kids & the Environment over Higher Cannabis Profits

**AB 564 (Haney) & AB 8 Tax Cut Component would reduce funding by \$145-\$182 million annually for Childcare, Youth Substance Use Prevention, Environmental Restoration & Law Enforcement Programs benefitting every district.**

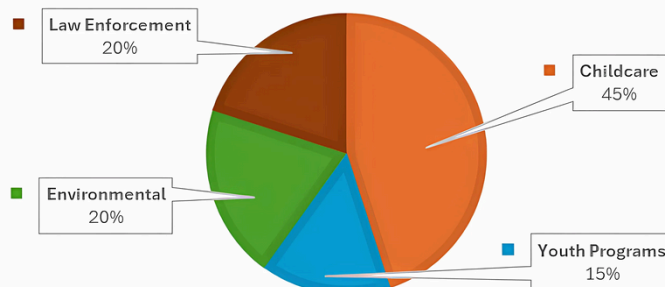
## BACKGROUND

- In 2022 an agreement was struck in AB 195: Relieve the tax burden on cannabis cultivators but return to revenue neutrality by 2026 by **adjusting the cannabis excise tax from 15% to up to 19%** as needed. This is existing law.
- The AB 195 deal preserved hundreds of millions in **funding for kids, law enforcement & the environment** promised to voters in Prop 64.
- AB 564 & AB8 tax cut component renege on the AB 195 deal, repealing the promised July 1st excise tax increase that restores revenue for children & the environment. **Rejecting repeal efforts assures funding is restored under existing law.**

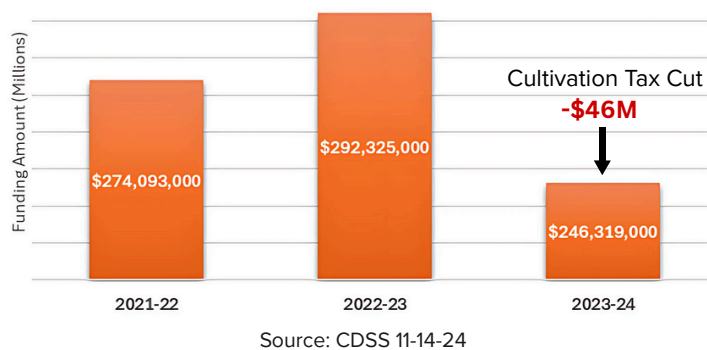
## CONSEQUENCES FOR KIDS & THE ENVIRONMENT

- Repeal will deny childcare to thousands of our most vulnerable children. Childcare funding for foster children, emergency care & our state's lowest income children fell after the cut by **\$46 million in 2023-24. Expected losses from repeal are of \$65 to \$82 million annually, covering thousands of slots.**
- Only 14% of 2.1 million California children** eligible for subsidized childcare, overwhelmingly children of color, are enrolled. The administration committed to adding **200,000 new slots by 2027.**
- Elevate Youth California grantmaking supports vulnerable youth & prevents substance abuse **in all 58 counties** through 275 awards. **Expected losses from repeal would be about \$22 - \$27 million a year.**
- Repeal will **reduce** cleanup of damaged watershed lands and **limit enforcement** against illegal grows.
- Funding to child, youth, environmental & law enforcement programs after 2028, & indefinitely into the future, is tied to 2027 funding levels by Proposition 64 tax provisions. **Failing to adjust this year will harm ongoing childcare availability & youth programs for many years to come.**

## PROFITS OVER KIDS ~ \$150M IN LOST TIER 3 REVENUE IF 2022 AGREEMENT IS BROKEN



## CANNABIS TAX CHILDCARE FUNDING



## DON'T BREAK WHAT'S NOT BROKEN

- California's 15% cannabis tax is not too high.** Most, 85%, of licensees pay as required. Nor would the adjusted tax be too high when compared to excise taxes in WA (37%), CO (17%), VA (21%), MT (20%), IL, NJ and CT taxes on high THC, or to CA excise taxes on e-cigarettes of 53% & 12.5% (total 65.5%). **Overproduction and out-of-state demand, not taxes, power the CA illicit market.**
- Proposed tax cuts mostly **benefit large multi-state operators** who increasingly dominate the retail sector. **Only around 10% of California cannabis retailers are "equity" operators.**
- In tough budget times & with declining federal support, this is not the time **to throw kids under the bus to prop up Big Cannabis profits.**