



April 2, 2020

The Honorable Gavin Newsom
Governor, State of California
State Capitol
Sacramento, CA 95814

Dear Governor Newsom:

On behalf of the California Cannabis Industry Association we thank you for your leadership in this unprecedented and extraordinarily challenging time. We also wish to express our deepest gratitude to you and your Administration for embracing the principle that cannabis *is* an essential business in the wake of the COVID-19 pandemic. This designation has allowed us to continue to provide safe, legal cannabis products to consumers and patients, while implementing protocols that ensure the health and safety of our employees.

California's legal cannabis industry has faced considerable challenges since the regulatory framework for cannabis took effect, including a lack of access to capital, heavy tax and regulatory burdens, and competition with a much larger illicit market. Today, only 1 out of 4 dollars spent on cannabis in California are spent in the legal market. While these institutional challenges pre-date COVID-19, this pandemic has transformed them into existential obstacles.

We recognize the immense challenges this crisis creates for all businesses, as well as its impact on the overall health of California's economy. It also highlights the incredible costs associated with operating a legal cannabis business. The conflict between state and federal cannabis laws makes it unlikely that license holders will be eligible for federal disaster loans through the Small Business Administration (SBA) or the Paycheck Protection Program (PPP) in The CARES Act. In fact, the industry has been completely shut out of all federal relief efforts recently approved by Congress. Further aggravating our situation is the fact that, despite a recent spike in sales as shelter-in-place orders were issued, we are now experiencing substantial decreases in overall sales - a trend we expect to continue.

In spite of the many challenges we face, legal cannabis businesses still hold massive growth potential. Approximately 1 in 6 of the nation's 243,700 cannabis workers are employed in California, according to Leafly's [fourth annual cannabis industry jobs report](#). While California cannabis businesses experienced some job losses at the end of 2019, the legal industry has the potential to grow significantly.

We understand the difficulty you face as you assess how to allocate already limited resources. However, few other industries are poised to expand as a result of direct policy change. At the same time, absent some form of economic and regulatory relief, our ability to navigate this crisis is uncertain. For these reasons, we urge you to please consider the following relief efforts, which will give California's legal cannabis industry the necessary tools to weather this storm and position us to be an economic engine for the State, as intended when voters approved Proposition 64.

1. **Include cannabis in any state stimulus program being contemplated for California businesses impacted by the COVID-19 pandemic.** Should the State be contemplating any stimulus package

to support California businesses, we would respectfully request that you include cannabis businesses, as you determine the structure and scope.

2. **Temporarily suspend and reduce the State's cannabis taxes.** The temporary suspension of the weight-based cultivation tax, paired with a temporary reduction in the excise tax, will ease financial burdens on existing licensed cannabis businesses, patients and consumers. In fact, the [Legislative Analysts' Office](#) estimates that cannabis tax reduction would result in a 6%-20% increase in sales, which could drive job creation.
3. **Modify the State's existing regulatory framework in a manner that reduces barriers to entry and ongoing compliance costs.** Advance statutory changes that put cannabis businesses on par with other legitimate California businesses. This includes advancing changes aimed at streamlining and simplifying the licensing process, reducing the costs of ongoing compliance, and eliminating duplicative requirements associated with obtaining and maintaining licensure.
4. **Request that Congress include banking reform language in future legislation in response to the COVID-19 pandemic.** Actively engage U.S House Speaker Nancy Pelosi and California's Congressional Delegation and request they include banking reform language passed by the House last fall in H.R. 1595 (the SAFE Banking Act) in legislation the chamber proposes in response to the COVID-19 pandemic. Continuing to prevent cannabis businesses from accepting electronic payment methods and online transactions is detrimental to public health. Limiting the amount of cash that changes hands can minimize the risk of spreading COVID-19 among cannabis employees, ancillary businesses, and consumers.

As stated before, California's cannabis industry is poised to be a significant contributor to job creation and can add economic stability to the State once this pandemic reaches an end. However, this potential will only be realized when the long-standing institutional barriers, which continue to hinder the economic viability of the industry, are removed and responsible growth of the cannabis industry is realized.

Thank you again for your leadership during this difficult time, and for your consideration of our requests.

Sincerely,



Lindsay Robinson
Executive Director

Cc: Members, California State Legislature
Nicole Elliott, Senior Advisor on Cannabis, Governor Gavin Newsom, Governor's Office of Business & Economic Development
Lori Ajax, Chief, Bureau of Cannabis Control
Richard Parrott, Director, Department of Food & Agriculture, CalCannabis Licensing Division
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