



May 9, 2018

Assemblymember Lorena Gonzalez-Fletcher
Chair, Assembly Appropriations Committee
State Capitol, Room 2114
Sacramento, California 95814

Via Fax: 916-319-2181

assemblymember.gonzalez@assembly.ca.gov

Ismael.contreras@asm.ca.gov

Re: AB 3157 Oppose

Dear Chairperson Gonzalez-Fletcher:

On behalf of ***Getting it Right from the Start: Regulation of Recreational Marijuana***, a project of the Public Health Institute, I write in strong opposition to AB 3157 (Lackey/Bonta) a bill that would slash taxes on cannabis products that were recently legalized by the voters of California. The voters were promised hundreds of millions of dollars for drug treatment and prevention for young people through our high schools and drug treatment providers. Voters were promised additional hundreds of millions of dollars for environmental protection, local government services, and regulation of medical and adult use cannabis.

This bill would break those promises.

When Proposition 64 was on the ballot and before the voters, the independent Legislative Analyst's Office (LAO) estimated that the taxes in the measure would result in annual revenue of hundreds of millions of dollars, growing to over one billion dollars every year. Where do the estimates for the impact of AB 3157 come from? Our understanding is that they are the self-serving estimates of the industry actors themselves. We see no support from the treatment field, the public health field, the education field or environmentalists for early tax cuts. We would ask that the Legislature reject any changes in taxes until such time as the LAO completes the analysis mandated by the voters in Proposition 64. The ballot measure mandated a report by January 1, 2020—20 months from now--to include "recommendations to the Legislature for adjustments to the tax rate to achieve the competing goals of undercutting the illicit market prices and discouraging use by persons younger than 21 years of age while ensuring sufficient revenues are generated for the funds established in the initiative."

While our earlier qualitative research received suggestions to start taxes low to facilitate the shift from the illegal market, recent data suggests that perhaps that is not the wisest course. Recent research by Rand Corporation researchers on the State of Washington (attached, see Figure 4) post legalization showed immediate and dramatic decreases in the retail price of cannabis. Similar trends have occurred on Oregon. This decline was driven by overproduction. Even the taxes there did not dent the decline. California has immense overproduction that will already



tend to drive down prices in the legal market and increase youth and adult use. Lowering taxes will further fuel this decline. It is not needed to make legal cannabis cheaper, it will only increase the profit margin of the emerging industry. Furthermore, the same report documented the extremely worrisome trend that has multiplied cannabis potency 4-7 fold, mimicking what the tobacco industry did with nicotine and which Judge Kessler condemned in her landmark 2007 decision. This rapid trend in potency is likely to increase risk of negative health effects including lower graduation rates, psychosis and addiction. These products should either be prohibited or taxed at a higher rate. Rather than lowering taxes, we suggest a 1% tax increase for every % above 17% THC content for flower, and 1% increase for every percent over 50% for concentrates and other products.

State public health experts are in consensus—high taxes on tobacco and alcohol are an important part of deterring use by young adults and minors. We are concerned that a drive to cut taxes and prices will make the potent products offered in legal stores and delivery services more attractive to minors and young adult while diminishing resources to prevent addiction.

California is currently less than five months into legal sales. The independent Legislative Analyst's Office has yet to review the tax rates or to revise its analysis. Changing the tax rates at this point is premature and dangerous. It will increase youth use. For these reasons we must oppose AB 3157 (Lackey/Bonta). For more information about our position, please contact me at 917-974-7065 or lsilver@phi.org. Thank you for consideration of our concerns, and we ask that you do not cut the revenue needed to protect and promote the health of young people in our state or increase their risk of use of a harmful product.

Sincerely,

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