



MVM STRATEGY GROUP

Government Relations Consulting & Advocacy

May 15, 2025

The Honorable Sharon Quirk-Silva, Chair
Assembly Budget Subcommittee on
State Administration
State Capitol
Sacramento, CA 95814

Dear Madam Chair,

Until last fall, hemp consumer products were a substantial and growing revenue generator for the State of California. With the enactment of AB 45 in 2021, CBD-dominant hemp products with inconsequential levels of THC were legalized in California and triggered a substantial industry in the state. However, in September 2024, the California Department of Public Health adopted emergency regulations that all but obliterated the hemp industry in the state.

Based on a market report prepared by the Department of Cannabis Control, CDPH's action essentially threw away nearly \$70 million in annual sales tax revenue overnight.

DCC, in their 2024 Cannabis Market Outlook, conservatively estimated the hemp market in California at \$920 million per year (NB other economic reports have projected substantially higher market estimates). At the base sales tax rate of 7.25%, the emergency regulations will deny the state at least \$66.7 million in sales tax revenue in the first year and likely substantially more given the robust industry growth projections. The loss of revenue is even greater in cities and counties with higher sale tax rates.

It has been suggested that the hemp retail market could pivot to cannabis dispensaries. However, even DCC acknowledges that is a hollow promise. According to their report, the products that meet the state's definition of legal hemp products constitute 0.4% of the products sold by cannabis dispensaries.

As a result, the revenue that the hemp industry was delivering to state coffers will not be made up by new sales tax revenue from these same products being sold in dispensaries. That money is gone.

Given the grim state of the budget (that's likely to get grimmer), it makes no sense to throw away millions of dollars in sales tax revenue from the sale of a product that is legal under federal and state law. \$66.7 million and growing is a substantial amount of revenue that could be helpful in closing our budget gap. The hemp sales tax revenue could have shaved almost 10% off the March sales tax deficit of \$68 million reported by the Department of Finance.

Hon. Sharon Quirk-Silva
May 15, 2025
Page Two

As the state is looking at every opportunity to close its \$12 billion (and likely higher) budget gap, we urge you to consider resurrecting this industry in California, for the good of the consumers, for the good of the workers who have lost their jobs due to the CDPH action and most urgently, for the good of the state budget.

On behalf of the US Hemp Roundtable, we thank you for your favorable consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Rand Martin", with a stylized, flowing script.

Rand Martin

cc: The Honorable Scott Wiener, Chair, Senate Budget Committee
The Honorable Mike McGuire, Senate President Pro Tem
Members, Senate Budget Committee