



March 3, 2025

The Honorable Scott Wiener, Chair  
Senate Budget and Fiscal Review Committee  
1021 O Street, Room 8620  
Sacramento, CA 95814

The Honorable Jesse Gabriel, Chair  
Assembly Budget Committee  
1021 O Street, Room 8230  
Sacramento, CA 95814

**Re: Department of Cannabis Control: AB 195 Condition and Health of the Cannabis Industry**

Dear Members of the Legislature:

The Department of Cannabis Control (DCC) submits this report pursuant to California Revenue and Taxation Code Division 2, Part 14.5, Chapter 3, Section 34020.1, as mandated by Assembly Bill 195. This submission provides an assessment of California's cannabis industry, its economic and regulatory evolution, and the ongoing efforts to refine the legal marketplace.

California's path to cannabis legalization is a complex and ongoing transformation, demanding rigorous oversight and strategic policy refinement. With deep-rooted cultural and economic ties to cannabis and a market of unparalleled scale, the shift from prohibition to a fully regulated industry is not just a transition – it is a fundamental restructuring of legal, economic and social frameworks. The lessons of past market shifts—most notably the post-Prohibition regulation of alcohol—underscore the immense challenge of bringing a long-standing trade into a structured, compliant, and competitive legal framework. California is in the formative period of this effort, serving as a test case for the viability of large-scale cannabis legalization.

Although still in its early stages, California has made significant progress since launching licensed cannabis sales in 2018. The state's approach has sought to balance consumer safety, business viability, and enforcement against illicit operations. Progress includes an increase in licensed retail access, steady growth in the share of cannabis sales occurring within the legal market, and economic policies aimed at alleviating cost pressures on licensed operators. For instance, the state's suspension of the cultivation tax and the introduction of Limited Operations Status have provided critical relief to businesses navigating a highly competitive and evolving industry landscape.

However, the legal industry continues to face persistent challenges. Price fluctuations, tax burdens, and competition from the illicit market remain barriers to a fully realized legal cannabis economy. Despite these headwinds, licensed production has expanded, retail unit sales have



increased, and localized regulatory shifts are creating new opportunities for market participation. The ongoing commitment by the state to improve market conditions through policy refinements, enforcement strategies targeting unlicensed operations, and consumer education efforts to shift demand towards regulated cannabis products remains as important today as it did seven years ago.

As California continues its pursuit of an equitable and sustainable cannabis market, your unwavering commitment to policy refinement is essential. This report not only analyzes the evolving dynamics between the illicit and legal markets—tracking trends, regulatory shifts, and industry developments—but also offers strategic policy recommendations aimed at strengthening California’s legal cannabis framework. These recommendations are designed to inform and support your ongoing policy work, providing a solid foundation for targeted actions and advancing opportunities in our collective efforts.

California’s cannabis market is undergoing a profound transformation—one that will span years and demands relentless vigilance. The Department of Cannabis Control is pleased to submit this report and reiterate its commitment to support and collaborate with policymakers to ensure the state delivers on its fundamental promise: to promote public safety, protect consumers, and facilitate the transition of cannabis to a fully regulated legal market.

Should you have any questions regarding the report, please contact Christina Dempsey, Deputy Director for Government Affairs: [Christina.Dempsey@cannabis.ca.gov](mailto:Christina.Dempsey@cannabis.ca.gov)

In partnership,

*Nicole Elliott*

Nicole Elliott  
Director

cc: Christine Aurre, Chief Deputy Legislative Affairs Secretary, Office of the Governor  
Tomiquia Moss, Secretary, Business, Consumer Services and Housing Agency  
Erika Contreras, Secretary of the Senate + Generic email below  
Hans Hemann, Consultant, Joint Legislative Budget Committee  
Sue Parker, Chief Clerk of the Assembly  
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