

May 18, 2017

The Honorable Jim Cooper, Chair  
Assembly Budget Subcommittee No. 4 on State Administration  
State Capitol, Room 6026  
Sacramento, CA 95814

**Re: Proposed Trailer Bill Implementing Proposition 64, the Adult Use of Marijuana Act  
Notice of Opposition**

Dear Assembly Member Cooper:

MuniServices respectfully opposes the Proposed Trailer Bill Implementing Proposition 64, the Adult Use of Marijuana Act (AUMA). MuniServices for nearly 40 years has worked *exclusively* as partner to California's local governments in developing thoughtful revenue enhancement programs. MuniServices is often sought by local governments on how to best develop a comprehensive cannabis policy.

We agree with the position of "opposed unless amended" raised in the April 24, 2017 joint letter of the League of California Cities and California Police Chiefs Association. MuniServices' focus is on: Proposed Repeal of the State Medical Marijuana ID Card Program - Section 11362.712 and 11362.713 (pp. 11-12 of the Trailer Bill). AUMA provides, under Revenue and Taxation Code Section 34011(g), that sales and use tax shall not apply to retail sales of medical cannabis products when a qualified patient (or primary caregiver) provides their card issued under Section 11362.71 if the Health and Safety Code and valid government-issued identification card. The League has confirmed that in 2016, cities took in at least \$23.7 million in sales tax revenue from medical marijuana transactions, and expects the figure to go higher. Cities stand to lose a good portion of that revenue if the ID card program is eliminated, as there is reason to believe that a substantial amount of those sales were recreational in nature, based on the sole criteria in force at the time, a doctor's recommendation. Statewide, municipal revenue sums from local sales tax on recreational marijuana will be significant in 2017, based on the local cannabis-related tax measures that passed in the November 2016 election. It is our position that municipal agencies are unique and must retain the flexibility to make decisions and adopt policies that best meet the respective service needs. Our additional concerns include:

- Removal of the state issued medical ID card program without providing a well-coordinated alternative will result in a significant revenue loss for cities and counties.
- Without the state level requirement included in Proposition 64 to coordinate medical ID cards, there is no incentive for consumers to purchase recreational cannabis and pay applicable sales and use taxes.
- Counties may not have the desire or ability to issue medical ID cards. County issued medical ID cards will not be required to be standardized or include an easily accessed database.
- Medical cannabis retailers would be responsible to verify the validity of medical ID cards issued in all counties.
- Medical cannabis retailers could be held responsible for sales and use tax on sales disallowed as exempt sales.

For the reasons stated above, MuniServices respectfully opposes the above-referenced budget trailer bill. If you have any questions regarding MuniServices position do not hesitate to contact me.

Respectfully,



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CC: Members, Assembly Budget Committee  
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