Jacqueline Campion
Department of Cannabis Control
2920 Kilgore Rd
Rancho Cordova, CA 95670

April 3, 2026

Dear Ms. Campion:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary (Form DF-131) for the proposed California Cannabis Track and Trace regulation, as required in the California Code of Regulations, title 1, section 2002 (a)(1) for major regulations.

The proposed regulations would prevent diversions of cannabis into the illicit market, improve data accuracy in the California Cannabis Track and Trace (CCTT) system, which tracks all licensed cannabis and cannabis products in the state, and enhance cannabis product safety. More specifically, the regulations would require approvals by recipients and transporters for all transfers of cannabis products, limit second sample testing of cannabis products, require mandatory use of California Department of Tax and Fee Administration (CDTFA) sales tax fields, require retailers to provide Certificate of Analysis (COAs) for consumers upon request, require the same unit of measurement when accepting transfers, and establish new requirements for the timeframe that certain activities can be entered into CCTT. The proposed regulations impact the entire licensed cannabis supply chain, including cannabis cultivators, distributors, manufacturers, retailers, laboratories, and ancillary businesses, as well as consumers. The SRIA estimates that the proposed regulations would result in $12.6 million in direct costs incurred by all 5,463 licensed cannabis businesses due to increased operating costs for modified data entry practices, training additional staff to input CCTT data, decreased laboratory revenue from limited second sample testing, and providing digital or physical copies of COAs. Indirect costs are derived from the proposed regulations resulting in increased cannabis prices, decreased supply in the licensed market, and the elimination of 1,078 jobs. The total economic cost to businesses and individuals from the proposed regulations is estimated in the SRIA at $211.6 million in the first year of implementation. The SRIA estimates the proposed regulations will generate $30.6 million in benefits coming mostly from the elimination of cannabis products' potency inflation which will benefit consumers. Fiscal impacts to the state include costs of $555,165 in administrative costs as well as a decrease of $17.8 million in state sales and excise taxes due to reduced cannabis retail output.

Finance generally concurs with the methodology in the SRIA, with the following exceptions. First, the SRIA must provide an estimated effective date and implementation period of the proposed regulation, even if these periods are subject to uncertainty. Additionally, while the SRIA quantifies 12-month impacts, it does not clarify whether these costs are ongoing or limited to the first year following implementation. The SRIA must assess the estimated economic impacts to businesses and/or individuals over a multi-year period or the SRIA must explicitly state that the estimated economic impacts only occur within the first 12 months with justification. Second, the SRIA should provide lower-bound and upper-bound economic impact and revenue estimates due to the wide range of outcomes possible, particularly regarding the regulations' estimated effects on the cannabis market. For example, the SRIA states that there is considerable uncertainty in potency inflation and diversions into the illicit market, with a wide range of outcomes for cannabis retailers. The estimate used for the total impact is the midpoint of a decrease of $47.7 million but the SRIA states that the decrease could range from $18.8 million to $78.1 million, which would accordingly lead to a much larger or lower total economic and revenue impacts. Department of Cannabis Control (DCC) should augment the analysis with a sensitivity analysis to estimate how total economic impacts may vary under different plausible market effects by providing lower-bound and upper-bound economic impact and revenue estimates.

Lastly, the SRIA must quantify fiscal impacts on local revenues. Reductions in cannabis supply and demand in the licensed market will likely impact local government agencies' revenues through the varying local cannabis tax rates across jurisdictions. Additionally, changes in state tax revenue should be included in the fiscal impacts section rather than characterized as changes in investment so that the fiscal impacts section fully reflects all impacts to the state.

These comments are intended to provide sufficient guidance outlining revisions to the impact assessment. If any significant changes to the proposed regulations result in economic impacts not discussed in the SRIA, please note that the revised economic impacts must be reflected on the Standard Form 399 for the rulemaking file submittal to the Office of Administrative Law. Please let us know if you have any questions regarding our comments.

Sincerely,

Somjita Mitra Digitally signed by Somjita Mitra
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Somjita Mitra
Chief Economist

cc: Ms. Dee Dee Myers, Director, Governor's Office of Business and Economic Development
Mr. Kenneth Pogue, Director, Office of Administrative Law
Mr. Clint Kellum, Director, Department of Cannabis Control