



April 7, 2026

Honorable Marc Berman, Chair
Members of the Assembly Committee on Business and Professions
1020 N Street, Room 379
Sacramento, CA 95814

RE: AB 2532 (Irwin) - OPPOSE

Dear Chair Berman and Members of the Committee:

We, the undersigned participants in California's regulated cannabis industry, write to express our strong opposition to AB 2532 as currently written. While we share the Legislature's commitment to protecting public health and preventing youth access, this bill's proposed 10mg THC per-package cap on cannabis beverages would have severe and immediate unintended consequences that far outweigh any purported public health benefit.

AB 2532 Would Effectively Eliminate the Legal Cannabis Beverage Market

The proposed 10mg per-package cap effectively bans the current beverage category. Products over 10mg make up 93.2% of all beverage sales in California dispensaries. Only 100mg beverages account for \$66 million, or 83.6%, of total category revenue. Implementing a 10mg cap would cut out \$73.6 million in yearly sales, leaving just \$5.4 million. Essentially, this policy would wipe out over 93% of the legal beverage market overnight.

This Policy Would Eliminate Over \$20 Million in Annual Tax Revenue

This proposal would knowingly eliminate a significant and growing source of public funding at a time when California faces declining cannabis tax revenue and budget pressures. Removing \$73.6 million in annual sales results in \$11.9 million in lost state cannabis excise tax revenue (15%), \$5.7 million in lost California state sales tax revenue (7.25%), and \$3.5 million in lost California state income tax under Section 280E (8.84% on gross margin, as California's AB 37 state-level 280E decoupling expired December 31, 2024). Together, these state-level losses amount to roughly \$21 million annually. When including local cannabis taxes (often 5–10%+) and local sales tax add-ons, total annual public revenue losses exceed \$21 million. This estimate does not account for secondary economic impacts resulting from business contraction.

This Policy Will Strengthen the Illicit Market and Result in Lost Sales to Licensed Operators

When legal products are restricted beyond consumer demand, the illicit market fills the gap. This is especially the case for beverage products, which are carried across over 75% of licensed storefront operators. **By eliminating the products consumers overwhelmingly prefer,** consumers will shift to unregulated alternatives with a similar dose profile vs. a safer alternative like regulated beverages that can be dosed easily by the consumer (similar to alcohol). As a result, untested and unlabeled products will proliferate, and the state will lose both tax revenue and consumer visibility. This directly undermines the intent of Proposition 64 and the Legislature's mandate to support a safe, regulated market.

Beverages Can't Be Reproduced in the Illegal Market

Cannabis beverages are structurally impossible to produce and sell outside the licensed market. They require sophisticated manufacturing, cold chain logistics, and licensed retail distribution. There is no black-market equivalent. While more than half of all cannabis flower consumed in California is purchased outside the licensed market, beverages have zero illicit leakage. **Eliminating the one category where the state captures 100% of consumption in the taxed system is counterproductive to every stated goal of cannabis regulation in California.**

Beverages Are One of the Only Growing Segments in a Contracting Market

While total cannabis sales declined approximately 10% year-over-year and flower sales declined approximately 15%, beverages grew approximately 6% over the same period. Beverages represent a key entry point for new and moderate consumers, a format that promotes measured social consumption, and one of the few segments expanding tax-generating activity. Eliminating this category would shut down one of the only functioning growth engines in the legal market.

AB 2532 Directly Contradicts California's Hemp Integration Policy

California has recently taken decisive action through AB 8 to restrict intoxicating hemp-derived products, with clear direction that these products should transition into the regulated cannabis marketplace and be sold exclusively through licensed dispensaries. Governor Newsom reinforced this by moving California toward regulating all intoxicating cannabinoid products under a single regulatory framework. The primary format for those hemp-derived products is beverages. AB 2532 would eliminate the very category to which the State just directed those products to enter. The Legislature cannot simultaneously mandate market transition and eliminate the destination market. To the extent there is concern that consumers accustomed to lower-dose hemp products could inadvertently purchase higher-dose products at dispensaries, the existing regulatory framework already addresses this: mandatory point-of-sale consultation, prominent THC content labeling, and clear serving size disclosures on every package provide multiple layers of consumer protection.

Licensed Operators Already Maintain Comprehensive Safety Standards

Every licensed cannabis beverage sold in California must meet robust, mandatory safety requirements: clear dosing guidelines, state-mandated warning labels, child-resistant packaging meeting or exceeding federal standards, third-party laboratory testing, and sale exclusively through age-verified dispensaries. Five years of FDA adverse event data confirm zero instances of adverse events involving children from licensed cannabis beverages, a perfect safety record unmatched by any other cannabis product category. The consumer safety concerns cited in support of AB 2532 are products of the illicit and hemp-derived gray market, not of licensed operators. This bill eliminates the operators who comply while doing nothing about the actors who do not.

Our Recommendations

We respectfully urge the Committee to reject the 10mg per-package cap on cannabis beverages and instead work with industry stakeholders on targeted, evidence-based measures that advance consumer safety without eliminating the category. Specifically, we support:

1. **Industry-wide standardized dosing guideline requirements:** Requiring precision dosing and product identification features on all multi-serving cannabis beverages to promote responsible portioning and clear product differentiation. Developing and codifying clear per-serving THC disclosures across all licensed operators, with minimum font size standards for serving and package potency information that are more robust vs. current guidelines.
2. **Industry-wide warning label standards:** Establishing uniform, state-mandated label requirements for all cannabis beverages, ensuring consumers have clear and consistent safety information that the products are multi-dose in format and require safe and responsible consumption for experienced users.
3. **Industry-wide child-resistant container requirements:** Ensure all beverage formats meet consistent, enforceable child-resistance standards across all manufacturers.
4. **Prohibit single-serve marketing:** Restrict packaging and marketing language that could position cannabis beverages as casual single-serve drinks, addressing legitimate concerns about consumer perception.
5. **Consumer education and awareness campaign:** Supporting a funded, statewide campaign on responsible, informed cannabis beverage consumption, potentially modeled on alcohol responsibility campaigns.

California has built one of the most highly regulated cannabis markets in the world. Just months after directing intoxicating cannabinoid products into the regulated cannabis market, the state is now proposing to eliminate the very category best positioned to absorb them. Policies that eliminate legal products, reduce tax revenue, and push consumers into the illicit market do not improve safety. They undermine the entire system.

We stand ready to work collaboratively with the Committee and the bill's author to achieve shared goals of public health, consumer safety, and a sustainable legal market. We respectfully request the opportunity to meet with you and your staff to discuss these considerations in greater detail.

Respectfully,

Alec Tolmazin | General Manager
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(St. Ides/Not Your Father's/PBR)

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cc: Assemblymember Jacqui Irwin, Author of AB 2532