

Newsom vetoes bill creating Amsterdam-style cannabis cafes in California

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California Governor Gavin Newsom has vetoed a bill to legalize Amsterdam-style cannabis cafes in California. AB 374 authored by San Francisco Assemblymember Matt Haney, would have allowed cannabis dispensaries to convert their businesses into cafes where they could sell food and cannabis products and host live concerts. Although it is currently not illegal in California for customers to smoke or consume cannabis on-site in consumption lounges, it is illegal for dispensaries to sell non-cannabis products like coffee or food. The Cannabis Cafe bill enjoyed bipartisan support in both of California's legislative houses passing in the Assembly with a final 66 to 9 vote, and passing the Senate with a 33 to 3 vote.

The bill was widely seen as an attempt to level the playing field for the highly taxed and regulated legal cannabis industry that is being forced to compete in California with a thriving cannabis black market. The illegal sale of cannabis is extremely profitable in California with illegal sellers choosing to simply ignore costly regulations, product testing, permitting, and taxation. California's legal cannabis sales reached \$4 billion in 2020, while illegal sales are believed to have surpassed \$8 billion that same year.

“It’s really about fairness and supporting businesses that follow the rules,” said Haney, the bill’s author. “If we keep allowing unnecessary regulations to strangle California’s legal cannabis businesses, we’re just encouraging illegal drug sales and all of the problems that come with that.”

The Netherlands, which competes with California as the world capital of cannabis culture, legalized cannabis cafes in the 1970s with the intent of depriving illegal drug dealers of cannabis revenue. The country has been successful at both killing its illegal cannabis black market and creating an important economic engine and tourist industry. The Netherlands — which is ten times smaller than the state of California — has more than 700 cannabis cafes where tourists spend over \$1 billion dollars every year.

“So much of the world’s cannabis culture comes from right here in California,” said Haney. “Californians are proud of our state’s wine culture, and we do everything we can to make sure that our winemakers receive the support they need — we need to be doing the exact same thing for cannabis. If we don’t start better supporting these businesses we are going to lose decades of being at the forefront of the cannabis movement and other states will be ready to swoop in and take it from us.”

Newsom’s veto message cited concerns that the bill in its present form could undermine California’s smoke-free workplace protections. In 2016, with the passing of Prop 64, voters legalized the onsite smoking of cannabis in licensed dispensaries. Smoking cannabis is illegal outdoors, in all public places, in apartment buildings, and in automobiles. Without onsite smoking being allowed in dispensaries, it would be functionally illegal for anyone other than homeowners and their guests to smoke cannabis in California.

“The voters of California have already decided to legalize the smoking of cannabis in public dispensaries,” said Haney. “AB 374 just allows businesses where smoking is already happening to sell coffee and food and hold live shows. I appreciate and respect the Governor’s concerns about worker’s health. And I’m looking forward to working closely with his office and with labor leaders to make sure we get this right when I introduce the bill next year.”