



JOHN CHIANG
TREASURER
STATE OF CALIFORNIA

Donald J. Trump
725 5th Avenue
New York, NY 10022

December 1, 2016

Dear President-elect Donald Trump,

Congratulations on your election as the 45th president of the United States. We wish you well and hope to work with you to solve some of our state's pressing problems.

I want to raise an issue that is of critical importance to California and the other states that have legalized the recreational use of cannabis. As you know, on November 8, 2016, the voters of California passed Proposition 64. California now joins Colorado, Oregon, Washington, Massachusetts, Nevada, Alaska, Maine, and the District of Columbia in legalizing recreational use of cannabis.

Previous experience with legalization has shown that the conflict between federal classification of cannabis as a Schedule 1 drug under the Controlled Substances Act and legalization at the state level has created significant problems. Of primary concern to my office are the limits federal rules place on the cannabis industry's ability to effectively participate in the state and nation's banking system. This conflict between federal and state rules creates a number of difficulties for states that have legalized cannabis use, including collecting taxes, increased risk of serious crime and the inability of a legal industry under state law to engage in banking and commerce.

On February 14, 2014, the United States Department of Justice issued a memorandum, commonly referred to as the Cole Memo, which attempted to clarify the federal government's prosecution priorities related to enforcement of the Controlled Substances Act. There was hope that the Cole Memo would provide some certainty to financial institutions and give access to banks for the cannabis industry. Anecdotal evidence, however, suggests that the Cole Memo has not produced those results. Consequently, the passage of Proposition 64 in California might exacerbate the banking problem even more.

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Under Proposition 64, the commercialization of recreational cannabis will go into effect in California on January 1, 2018. California's independent Legislative Analyst has estimated that additional tax revenues as a result of the passage of this proposition could be in excess of \$1 billion annually.

We have a year to develop a system that works in California and which addresses the many issues that exist as a result of the federal-state legal conflict. Uncertainty about the position of your administration creates even more of a challenge.

I write today to seek any guidance you can provide regarding the direction the federal government will take under your leadership.

Sincerely,



John Chiang
California State Treasurer