



California Cannabis Reform Project

April 1st, 2021

Dear Californians:

We write asking for your support and to join our efforts to fix legal cannabis in California. Prop 64, passed by the voters in 2016, has fallen short of the promises and numerous predictions made to get votes. While it was a step forward on some issues, it remains a mixed bag, and without doubt, much more needs to be done to accomplish the goal of normalizing the role of cannabis in our State. Moreover, Prop 64's unintended consequences are harmful and counterproductive to many communities Prop 64 promised to protect, and this requires us to go back and make the much needed changes we outline below.

Critically, the vast majority of Californians wanted and expected Prop 64's passage to create safe, legal and easy access to cannabis in their communities. According to the most recent polling conducted by David Binder Research, voters expectations were and are clear.

"Eight in ten Prop 64 voters expected a YES vote meant cannabis would be sold in the area where they live."

Yet, contrary to the will of the majority of voters statewide who voted for the law (over 56%), Prop 64's passage ushered in cannabis prohibition for over 70% of California's cities and counties.

This matters for many reasons, not least of which is the lack of access to those who need cannabis the most. For example, in January of this year, researchers from UC Davis and Yale University published the following finding in the British Journal of Medicine: "Counties with more cannabis dispensaries show reduced opioid deaths." This confirms similar research showing lower suicides and other harmful outcomes from both legal and illicit substances when cannabis is a legally available substitute.

"79%" believe legal cannabis "creates safer options for people to purchase cannabis products."

Also, what then Lt. Governor Gavin Newsom promised in 2016, namely, to reduce the size of the black market, has not come to pass. He stated then:

"A successful marijuana framework" will "reduce the size of the black market".

Even California's own Cannabis Advisory Committee warned Gov. Gavin Newsom and California legislators:

"Despite the state's committed efforts to bring cannabis businesses fully into the regulated commercial market," the report said, "as much as 80% of the cannabis market in California remains illicit."

The Illicit Market is stronger than ever due to the badly designed law.

Prop. 64's shortfalls were predictable. We legalized cannabis in a limited fashion, but that effort mainly helped more prosperous residents while keeping illicit cannabis as the only option for the middle class and poorer consumers.



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Instead of an equitable system that benefits the state, and all of its communities and all of our consumers, Prop. 64 instead balkanized access, created over-taxation, overregulation and gave elected locals, not local voters, the ability to say, “Not in my back yard.” That needs to change so that every consumer, every entrepreneur and every community can access legal, safe cannabis, and the positive jobs and taxes it creates.

It is time for Californians to make California’s legal cannabis system work properly and we have the solution. Attached is an initial draft of a voter proposition we believe will solve the problems created by Prop. 64.

The proposition would:

- Remove local control over cannabis licenses,
- Treat cannabis as an agricultural product,
- Eliminate cultivation taxes,
- Reduce the cannabis excise tax to 5% which consumers must pay,
- Give local governments 20% of all collected excise tax revenue,
- Eliminate additional local cannabis taxes, and
- Change all cannabis tax collection from the distributor to the retailer.

While fixing prop 64’s inefficient regulatory and tax structure are paramount, the initiative also identifies a different solution to how we spend the tax money cannabis taxes generate. We are inviting the broader community to participate in deciding the details of how we spend those precious tax dollars. Our proposed initiative starts by allocating cannabis tax revenues as follows:

- 50% allocated to pre-K development, secondary education, and cannabis research,
- 25% allocated to the environment to include clean water funding, and
- 25% allocated to healthcare and jobs to include social equity funding.

Please note, all highlighted text in the draft initiative needs further clarification that will come from further input from the community.

But, the community input doesn’t stop at spending. We invite all stakeholders to read the initiative and get involved as we shape a better law that even more Californians will support.

I look forward to speaking to all of you in the near future about your interest in helping push solutions that fit all California’s needs.

Sincerely,

Sean Kiernan
Executive Director
Weed for Warriors California Cannabis Reform Project

Section 1. Title.

This Measure shall be known as the Cannabis Taxation and Social Equity Reform Act

Section 2. Findings and Declarations.

The people of California find and declare the following:

1.

Section 3. Intent

1. In 2016, California voters approved Proposition 64, the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA). In its statement of purpose and intent, AUMA calls for regulating marijuana in a way to “prevent illegal production or distribution of marijuana,” “reduce barriers to entry into the legal, regulated market,” and “tax the growth and sale of marijuana in a way that drives out the illicit market for marijuana and discourages use by minors and abuse.”

2. In 2017, the Legislature and the Governor passed Senate Bill 94 to merge the AUMA regulatory system with the state’s medical marijuana regulatory system known as the Medical Cannabis Regulation and Safety Act. Currently, taxes on legal cannabis products include a sales tax, a 15-percent excise tax, and a cultivation tax of \$9.25 per ounce of flowers or \$2.75 per ounce of leaves. The cumulative tax rate imposed by existing law is substantial and undermines the legal regulatory system if high taxes cause prices to far exceed those which are found on the illicit market.

3. This proposition seeks to eliminate the cultivation tax, reduces the rate of the excise tax, and limits local control intended to eliminate or prohibit cannabis businesses sales that are otherwise legal in the State, in order to reduce the cost of cannabis to consumers, increase consumer access to legal cannabis, reduce and eliminate illicit or other non-legal cannabis businesses and sales, and ensure uniformity in the licensing, regulation, taxation and availability of legal cannabis businesses through the State.

4. The primary goals of this proposition are to reduce the size of the state’s illicit cannabis market and to stimulate sales in the licensed, regulated, and taxed cannabis market. By reducing the tax burden on licensees and limiting local control, the act will encourage customers to continue to purchase cannabis and cannabis

products from licensed businesses and will help ensure that the regulated cannabis market survives and thrives.

Section 4. The Revenue and Taxation Code is amended, repealed and added to read:

Section 34010 is amended to read:

For purposes of this part:

(a) "Arm's length transaction" shall mean a sale entered into in good faith and for valuable consideration that reflects the fair market value in the open market between two informed and willing parties, neither under any compulsion to participate in the transaction.

(b) "Average market price" shall mean both of the following:

(1) (A) In an arm's length transaction, the average retail price determined by the wholesale cost of the cannabis or cannabis products sold or transferred to a cannabis retailer, plus a mark-up, as determined by the department on a biannual basis in six-month intervals.

(B) Notwithstanding subparagraph (A), the department shall not increase the mark-up amount during the period beginning on and after the operative date of the act amending this section by adding this subparagraph and before July 1, 2021.

(2) In a nonarm's length transaction, the cannabis retailer's gross receipts from the retail sale of the cannabis or cannabis products.

(c) "Department" means the California Department of Tax and Fee Administration or its successor agency.

(d) "Bureau" means the Bureau of Cannabis Control within the Department of Consumer Affairs.

(e) "Tax Fund" means the California Cannabis Tax Fund created by Section 34018.

(f) "Cannabis" has the same meaning as set forth in Section 11018 of the Health and Safety Code and shall also mean medicinal cannabis.

(g) "Cannabis products" has the same meaning as set forth in Section 11018.1 of the Health and Safety Code and shall also mean medicinal concentrates and medicinal cannabis products.

(h) "Cannabis flowers" means the dried flowers of the cannabis plant as defined by the board.

(i) "Cannabis leaves" means all parts of the cannabis plant other than cannabis flowers that are sold or consumed.

(j) "Cannabis retailer" means a person required to be licensed as a retailer, non-storefront retailer, microbusiness, or nonprofit pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code.

~~(k)~~ "Cultivator" means all persons required to be licensed to cultivate cannabis pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code.

~~(l)~~ "Distributor" means a person required to be licensed as a distributor pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code.

~~(m)~~ "Enters the commercial market" means cannabis or cannabis products, except for immature cannabis plants and seeds, that complete and comply with a quality assurance review and testing, as described in Section 26110 of the Business and Professions Code.

~~(n)~~ "Gross receipts" has the same meaning as set forth in Section 6012.

~~(o)~~ "Microbusiness" has the same meaning as set forth in paragraph (3) of subdivision (a) of Section 26070 of the Business and Professions Code.

~~(p)~~ "Nonprofit" has the same meaning as set forth in Section 26070.5 of the Business and Professions Code.

~~(q)~~ "Person" has the same meaning as set forth in Section 6005.

~~(r)~~ "Retail sale" has the same meaning as set forth in Section 6007.

~~(s)~~ "Sale" and "purchase" mean any change of title or possession, exchange, or barter, conditional or otherwise, in any manner or by any means whatsoever, for consideration.

~~(t)~~ "Transfer" means to grant, convey, hand over, assign, sell, exchange, or barter, in any manner or by any means, with or without consideration.

~~(u)~~ "Unprocessed cannabis" includes cannabis flowers, cannabis leaves, or other categories of harvested cannabis, categories for unprocessed or frozen cannabis or immature plants, or cannabis that is shipped directly to manufacturers.

~~(v)~~ "Manufacturer" means a person required to be licensed as a manufacturer pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code.

~~(w)~~ "Medicinal cannabis patient" shall mean:

(i) a qualified patient, as defined in Section 11362.7 of the Health and Safety Code, who possesses a physician's recommendation that complies with Article 25 (commencing with Section 2525) of Chapter 5 of Division 2 of the Business and Professions Code, or a qualified patient or primary caregiver for a qualified patient issued a valid identification card pursuant to Section 11362.71 of the Health and Safety Code, or

(ii) is partially or wholly disabled for any reason, as determined by the Social Security Administration, the Veteran's Administration, or any other agency of the federal government or any State.

~~(x)~~ "Designated for donation" shall mean medicinal cannabis donated ~~by a cultivator~~ to a cannabis retailer for subsequent donation to a medicinal cannabis patient pursuant to Section 26071 of the Business and Professions Code.

Section 34011 is amended to read:

- (a) ~~(1)~~ Effective January 1, 2018, a cannabis excise tax shall be imposed upon purchasers of cannabis or cannabis products sold in this state at the rate of ±5 percent of the average market price of any retail sale by a cannabis retailer. A purchaser's liability for the cannabis excise tax is not extinguished until the cannabis excise tax has been paid to this state except that an invoice, receipt, or other document from a cannabis retailer given to the purchaser pursuant to this subdivision is sufficient to relieve the purchaser from further liability for the tax to which the invoice, receipt, or other document refers.
- ~~(2)~~ Each cannabis retailer shall provide a purchaser with an invoice, receipt, or other document that includes a statement that reads: "The cannabis excise taxes are included in the total amount of this invoice."
- ~~(3)~~ The department may prescribe other means to display the cannabis excise tax on an invoice, receipt, or other document from a cannabis retailer given to the purchaser.
- (b) ~~(1)~~ A distributor in an arm's length transaction shall collect the cannabis excise tax from the cannabis retailer on or before 90 days after the sale or transfer of cannabis or cannabis product to the cannabis retailer. A distributor in a nonarm's length transaction shall collect the cannabis excise tax from the cannabis retailer on or before 90 days after the sale or transfer of cannabis or cannabis product to the cannabis retailer, or at the time of retail sale by the cannabis retailer, whichever is earlier. A distributor shall report and remit the cannabis excise tax to the department pursuant to Section 34015. A cannabis retailer shall be responsible for collecting the cannabis excise tax from the purchaser and remitting the cannabis excise tax to the distributor to the department or such other state agency as the department shall direct, in accordance with rules and procedures established under law and any regulations adopted by the department.
- ~~(2)~~ A distributor shall provide an invoice, receipt, or other similar document to the cannabis retailer that identifies the licensee receiving the product, the distributor from which the product originates, including the associated unique identifier, the amount of cannabis excise tax, and any other information deemed necessary by the department. The department may authorize other forms of documentation under this paragraph.
- (c) The excise tax imposed by this section shall be in addition to the sales and use tax imposed by the state ~~and local governments~~.
- (d) Gross receipts from the sale of cannabis or cannabis products for purposes of assessing the sales and use taxes under Part 1 (commencing with Section 6001) shall include the tax levied pursuant to this section.
- (e) Cannabis or cannabis products shall not be sold to a purchaser unless the excise tax required by law has been paid by the purchaser at the time of sale.
- (f) The cannabis excise tax, and sales and use taxes imposed by Part 1 (commencing with Section 6001), shall not apply to retail sales of medicinal

cannabis, medicinal cannabis concentrate, edible medicinal cannabis products, or topical cannabis as those terms are defined in Division 10 (commencing with Section 26000) of the Business and Professions Code ~~for when a qualified patient or primary caregiver for a qualified patient provides their card issued under Section 11362.71 of the Health and Safety Code and a valid government-issued identification card, as defined in section 34010(u).~~

(g) Nothing in this section shall be construed to impose an excise tax upon medicinal cannabis, or medicinal cannabis product, donated for no consideration to a medicinal cannabis patient pursuant to Section 26071 of the Business and Professions Code.

(h) The excise tax shall be distributed by the department such that eighty percent of the tax collected is deposited into the Cannabis Tax Fund created by section 34018, and the remaining twenty percent is disbursed to the city, county or city and county in which the cannabis retailer is located.

Section 34012 is repealed.

~~(a) Effective January 1, 2018, there is hereby imposed a cultivation tax on all harvested cannabis that enters the commercial market upon all cultivators. The tax shall be due after the cannabis is harvested and enters the commercial market.~~

~~(1) The tax for cannabis flowers shall be nine dollars and twenty-five cents (\$9.25) per dry weight ounce.~~

~~(2) The tax for cannabis leaves shall be set at two dollars and seventy-five cents (\$2.75) per dry weight ounce.~~

~~(b) The department may adjust the tax rate for cannabis leaves annually to reflect fluctuations in the relative price of cannabis flowers to cannabis leaves.~~

~~(c) The department may from time to time establish other categories of harvested cannabis, categories for unprocessed or frozen cannabis or immature plants, or cannabis that is shipped directly to manufacturers. These categories shall be taxed at their relative value compared with cannabis flowers.~~

~~(da) The department may prescribe by regulation a method and manner for payment of the cultivation tax that utilizes tax stamps or state-issued product bags that indicate that all required tax has been paid on the product to which the tax stamp is affixed or in which the cannabis is packaged~~

~~(e) The tax stamps and product bags shall be of the designs, specifications, and denominations as may be prescribed by the department and may be purchased by any licensee under Division 10 (commencing with Section 26000) of the Business and Professions Code.~~

~~(f) Subsequent to the establishment of a tax stamp program, the department may by regulation provide that cannabis shall not be removed from a licensed cultivation facility or transported on a public highway unless in a state-issued product bag bearing a tax stamp in the proper denomination.~~

~~(g) The tax stamps and product bags shall be capable of being read by a scanning or similar device and must be traceable utilizing the track and trace system pursuant to Section 26068 of the Business and Professions Code.~~

~~(h) Cultivators shall be responsible for payment of the tax pursuant to regulations adopted by the department. A cultivator's liability for the tax is not extinguished until the tax has been paid to this state except that an invoice, receipt, or other document from a distributor or manufacturer given to the cultivator pursuant to paragraph (3) is sufficient to relieve the cultivator from further liability for the tax to which the invoice, receipt, or other document refers. Cannabis shall not be sold unless the tax has been paid as provided in this part.~~

~~(1) A distributor shall collect the cultivation tax from a cultivator on all harvested cannabis that enters the commercial market. This paragraph shall not apply where a cultivator is not required to send, and does not send, the harvested cannabis to a distributor.~~

~~(2) (A) A manufacturer shall collect the cultivation tax from a cultivator on the first sale or transfer of unprocessed cannabis by a cultivator to a manufacturer. The manufacturer shall remit the cultivation tax collected on the cannabis product sold or transferred to a distributor for quality assurance, inspection, and testing, as described in Section 26110 of the Business and Professions Code. This paragraph shall not apply where a distributor collects the cultivation tax from a cultivator pursuant to paragraph (1).~~

~~(B) Notwithstanding subparagraph (A), the department may prescribe a substitute method and manner for collection and remittance of the cultivation tax under this paragraph, including a method and manner for collection of the cultivation tax by a distributor.~~

~~(3) A distributor or manufacturer shall provide to the cultivator, and a distributor that collects the cultivation tax from a manufacturer pursuant to paragraph (2) shall provide to the manufacturer, an invoice, receipt, or other similar document that identifies the licensee receiving the product, the cultivator from which the product originates, including the associated unique identifier, the amount of cultivation tax, and any other information deemed necessary by the department. The department may authorize other forms of documentation under this paragraph.~~

~~(4) The department may adopt regulations prescribing procedures for the refund of cultivation tax collected on cannabis or cannabis product that fails quality assurance, inspection, and testing as described in Section 26110 of the Business and Professions Code.~~

~~(i) All cannabis removed from a cultivator's premises, except for plant waste or medicinal cannabis or medicinal cannabis products designated for donation, shall be presumed to be sold and thereby taxable under this section.~~

~~(j) The tax imposed by this section shall be imposed on all cannabis cultivated in the state pursuant to rules and regulations promulgated by the department, but shall not apply to cannabis cultivated for personal use under Section 11362.1 of the~~

~~Health and Safety Code or cultivated by a qualified patient or primary caregiver in accordance with the Compassionate Use Act of 1996 (Proposition 215), found in Section 11362.5 of the Health and Safety Code.~~

~~(k) (1) For the 2020 calendar year, the rates set forth in subdivisions (a), (b), and (c) shall be adjusted by the department for inflation.~~

~~(2) For the 2021 calendar year, the rates shall be those imposed for the 2020 calendar year in paragraph (1) and shall not be adjusted for inflation unless the adjustment is for an inflation rate that is less than zero.~~

~~(3) For the 2022 calendar year, the rates shall be those imposed for the 2021 calendar year in paragraph (2) and shall be adjusted by the department for inflation.~~

~~(4) Beginning January 1, 2023, the rates imposed for the previous calendar year shall be adjusted by the department annually for inflation.~~

~~(l) The Department of Food and Agriculture is not responsible for enforcing any provisions of the cultivation tax.~~

Section 34012.1 is repealed.

~~(a) Notwithstanding Section 34012, on and after the operative date of the act adding this section, the cultivation tax shall not be imposed on medicinal cannabis designated for donation by a cultivator in the track and trace system.~~

~~(b) A person licensed under Division 10 (commencing with Section 26000) of the Business and Professions Code that certifies in writing that medicinal cannabis or a medicinal cannabis product will be donated to a medicinal cannabis patient and sells or uses the medicinal cannabis or medicinal cannabis product in some manner or for some purpose other than donation, shall be liable for the taxes under this part. The certification in writing shall relieve the cultivator that donates the medicinal cannabis from liability for the taxes imposed and shall relieve the distributor from liability for the taxes required to be collected under this part, only if the certification is taken in good faith.~~

~~(c) A distributor or manufacturer shall not collect or remit the cultivation tax for medicinal cannabis or medicinal cannabis products designated for donation by a cultivator.~~

~~(d) A cultivator shall keep records of any medicinal cannabis or medicinal cannabis products designated for donation.~~

~~(e) Nothing in this part shall be construed to impose a cultivation tax upon medicinal cannabis or medicinal cannabis products designated for donation.~~

~~(f) For purposes of this section, "medicinal cannabis" and "medicinal cannabis product" shall mean cannabis and cannabis product, as defined in Section 26001 of the Business and Professions Code, intended for use pursuant to the Compassionate Use Act of 1996 (Proposition 215), found in Section 11362.5 of the Health and Safety Code, by a medicinal cannabis patient.~~

~~(g) (1) This section shall become operative upon completion of the necessary changes to the track and trace program in order to implement the act adding this section, as determined by the Department of Food and Agriculture, or on March 1, 2020, whichever occurs first.~~

~~(2) This section shall remain in effect only until five years after it becomes operative, and as of that date is repealed.~~

Section 34012.5 is amended to read:

(a) ~~The cultivation tax and~~ cannabis excise taxes required to be collected by the distributor, ~~or required to be collected by the manufacturer pursuant to paragraph (2) of subdivision (h) of Section 34012,~~ and any amount unreturned to the cultivator ~~or cannabis retailer that is not tax but was collected from the cultivator or cannabis retailer under the representation by the distributor or the manufacturer that it was tax~~ constitute debts owed by the distributor ~~or the manufacturer~~ cannabis retailer to this state.

(b) ~~A distributor or manufacturer that has collected any amount of tax in excess of the amount of tax imposed by this part and actually due from a cultivator or cannabis retailer, may refund such amount to the cultivator or cannabis retailer, even though such tax amount has already been paid over to the department and no corresponding credit or refund has yet been secured. The distributor or manufacturer may claim credit for that overpayment against the amount of tax imposed by this part that is due upon any other quarterly return, providing that credit is claimed in a return dated no later than three years from the date of overpayment.~~

(eb) Any tax collected ~~from a cultivator or~~ by a cannabis retailer that has not been remitted to the department shall be deemed a debt owed to the State of California by the person required to collect and remit the tax.

Section 34014 is repealed.

(a) ~~All distributors must obtain a separate permit from the board pursuant to regulations adopted by the board. No fee shall be charged to any person for issuance of the permit. Any person required to obtain a permit who engages in business as a distributor without a permit or after a permit has been canceled, suspended, or revoked, and each officer of any corporation which so engages in business, is guilty of a misdemeanor.~~

(b) ~~The board may require every licensed distributor, retailer, cultivator, microbusiness, nonprofit, or other person required to be licensed, to provide security to cover the liability for taxes imposed by state law on cannabis produced or received sold or distributed by the retailer, cultivator, microbusiness, nonprofit, or other person required to be licensed in accordance with procedures to be established by the board. Notwithstanding anything herein to the contrary, the board may waive any security requirement it imposes for good cause, as~~

determined by the board. "Good cause" includes, but is not limited to, the inability of a distributor, retailer, cultivator, microbusiness, nonprofit, or other person required to be licensed to obtain security due to a lack of service providers or the policies of service providers that prohibit service to a cannabis business. A person may not commence or continue any business or operation relating to cannabis cultivation until any surety required by the board with respect to the business or operation has been properly prepared, executed, and submitted under this part. (c) In fixing the amount of any security required by the board, the board shall give consideration to the financial hardship that may be imposed on licensees as a result of any shortage of available surety providers.

Section 34015 is amended to read:

(a) Unless otherwise prescribed by the board pursuant to subdivision (c), the excise tax ~~and cultivation tax~~ imposed by this part is due and payable to the board quarterly on or before the last day of the month following each quarterly period of three months. On or before the last day of the month following each quarterly period, a return for the preceding quarterly period shall be filed with the board by each distributor using electronic media. Returns shall be authenticated in a form or pursuant to methods as may be prescribed by the board. ~~If the cultivation tax is paid by stamp pursuant to subdivision (d) of Section 34012 the board may by regulation determine when and how the tax shall be paid.~~

(b) The board may require every person engaged in the ~~cultivation, distribution, manufacturing,~~ retail sale of cannabis or cannabis products, ~~or any other person required to be licensed pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code~~ to file, on or before the 25th day of each month, a report using electronic media respecting the person's inventory, purchases, and sales during the preceding month and any other information as the board may require to carry out the purposes of this part. Reports shall be authenticated in a form or pursuant to methods as may be prescribed by the board.

(c) The board may adopt regulations prescribing the due date for returns and remittances of excise tax collected by a distributor in an arm's length transaction pursuant to subdivision (b) of Section 34011.

(d) The board may make examinations of the books and records of any person licensed, or required to be licensed, pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code, as it may deem necessary in carrying out this part.

Section 34016 is amended to read:

(a) Any peace officer or board employee granted limited peace officer status pursuant to paragraph (6) of subdivision (a) of Section 830.11 of the Penal Code, upon presenting appropriate credentials, is authorized to enter any place as

described in paragraph (3) and to conduct inspections in accordance with the following paragraphs, inclusive.

(1) Inspections shall be performed in a reasonable manner and at times that are reasonable under the circumstances, taking into consideration the normal business hours of the place to be entered.

(2) Inspections may be at any place at which cannabis or cannabis products are sold to purchasers, cultivated, or stored, or at any site where evidence of activities involving evasion of tax may be discovered.

(3) Inspections shall be conducted no more than once in a 24-hour period.

(b) Any person who fails or refuses to allow an inspection shall be guilty of a misdemeanor. Each offense shall be punished by a fine not to exceed five thousand dollars (\$5,000), or imprisonment not exceeding one year in a county jail, or both the fine and imprisonment. The court shall order any fines assessed be deposited in the California Cannabis Tax Fund.

(c) Upon discovery by the board or a law enforcement agency that a licensee or any other person possesses, stores, owns, or has made a retail sale of cannabis or cannabis products, without evidence of tax payment or not contained in secure packaging, the board or the law enforcement agency shall be authorized to seize the cannabis or cannabis products. Any cannabis or cannabis products seized by a law enforcement agency or the board shall within seven days be deemed forfeited and the board shall comply with the procedures set forth in Sections 30436 through 30449, inclusive.

(d) Any person who renders a false or fraudulent report is guilty of a misdemeanor and subject to a fine not to exceed one thousand dollars (\$1,000) for each offense.

(e) Any violation of any provisions of this part, except as otherwise provided, is a misdemeanor and is punishable as such.

(f) All moneys remitted to the board under this part shall be credited to the California Cannabis Tax Fund.

(g) Any cannabis or cannabis product seized pursuant to this section, after the times and actions set forth in Sections 30436 through 30449 have expired or been exhausted and the cannabis or cannabis products belong to the department, shall be disposed of solely by distribution to one or more licensed medical cannabis retail or dispensary for distribution without charge to the patients or patients caregivers, pursuant to 26071 of the Business and Professions Code.

Section 34019 is amended to read:

(a) Beginning with the ~~2017-18~~22-23 fiscal year, the Department of Finance shall estimate revenues to be received pursuant to Sections 34011 ~~and 34012~~ and provide those estimates to the Controller no later than June 15 of each year. The Controller shall use these estimates when disbursing funds pursuant to this section. Before any funds are disbursed pursuant to subdivisions (b), (c), (d), and (e) of this

section, the Controller shall disburse from the Tax Fund to the appropriate account, without regard to fiscal year, the following:

(1) Reasonable costs incurred by the board for administering and collecting the taxes imposed by this part; provided, however, such costs shall not exceed 4 percent of tax revenues received.

(2) Reasonable costs incurred by the bureau, ~~the Department of Consumer Affairs, the Department of Food and Agriculture, and the State Department of Public Health~~ for implementing, administering, and enforcing Division 10 (commencing with Section 26000) of the Business and Professions Code to the extent those costs are not reimbursed pursuant to Section 26180 of the Business and Professions Code. This paragraph shall remain operative through the 2022-23 2025-2026 fiscal year.

~~(3) Reasonable costs incurred by the Department of Fish and Wildlife, the State Water Resources Control Board, and the Department of Pesticide Regulation for carrying out their respective duties under Division 10 (commencing with Section 26000) of the Business and Professions Code to the extent those costs are not otherwise reimbursed.~~

(4) Reasonable costs incurred by the Controller for performing duties imposed by the Control, Regulate and Tax Adult Use of Marijuana Act, including the audit required by Section 34020.

~~(5) Reasonable costs incurred by the Department of Finance for conducting the performance audit pursuant to Section 26191 of the Business and Professions Code.~~

~~(6) Reasonable costs incurred by the Legislative Analyst's Office for performing duties imposed by Section 34017.~~

~~(7) Sufficient funds to reimburse the Division of Labor Standards Enforcement and the Division of Occupational Safety and Health within the Department of Industrial Relations and the Employment Development Department for the costs of applying and enforcing state labor laws to licensees under Division 10 (commencing with Section 26000) of the Business and Professions Code.~~

(b) The Controller shall next disburse the sum of XX million dollars ~~ten million dollars (\$10,000,000)~~ to a public university or universities in California annually beginning with the 2018-1922-23 fiscal year until the 2028-29 fiscal year to research and evaluate the implementation and effect of the Control, Regulate and Tax Adult Use of Marijuana Act, to determine how well the Act and amendments thereto are fulfilling their stated purpose and shall, if appropriate, make recommendations to the Legislature and Governor regarding possible amendments to the Control, Regulate and Tax Adult Use of Marijuana Act to improve any part thereof that is not fulfilling its stated purposes, to better achieve the stated intent of the voters in enacting the Act and amendments thereto. The recipients of these funds shall publish reports on their findings at a minimum of every two years and shall make the reports available to the public. The bureau shall select the universities to be funded. The research funded pursuant to this subdivision shall include but not necessarily be limited to:

~~(1) Impacts on public health, including health costs associated with cannabis use, as well as whether cannabis use is associated with an increase or decrease in use of alcohol or other drugs. A double-blind randomized controlled clinical trial of the effects of medical grade whole plant cannabis on the health outcomes of covered veterans diagnosed with chronic pain and covered veterans diagnosed with post-traumatic stress disorder, which shall include--~~

~~(A) with respect to covered veterans diagnosed with chronic pain, an evaluation of the effects of the use of cannabis on--~~

~~(i) neuropathic pain (including pain intensity and pain-related outcomes);~~

~~(ii) the reduction or increase in opioid use or dosage;~~

~~(iii) the reduction or increase in benzodiazepine use or dosage;~~

~~(iv) the reduction or increase in alcohol use;~~

~~(v) inflammation;~~

~~(vi) sleep quality;~~

~~(vii) spasticity;~~

~~(viii) agitation; and~~

~~(ix) quality of life; and~~

~~(B) with respect to covered veterans diagnosed with post-traumatic stress disorder (PTSD), an evaluation of the effects of the use of cannabis on--~~

~~(i) the symptoms of PTSD (based on the Clinician Administered PTSD Scale, the PTSD checklist, the PTSD symptom scale, the posttraumatic diagnostic scale, and other applicable methods of evaluating PTSD symptoms);~~

~~(ii) the reduction or increase in benzodiazepine use or dosage;~~

~~(iii) the reduction or increase in alcohol use;~~

~~(iv) mood;~~

~~(v) anxiety;~~

~~(vi) social functioning;~~

~~(vii) agitation;~~

~~(viii) suicidal ideation; and~~

~~(ix) sleep quality, including frequency of nightmares and night terrors.~~

~~(2) The impact of treatment for maladaptive cannabis use and the effectiveness of different treatment programs. Study of cannabis availability and its effectiveness as a substitute for alcohol, tobacco, and legal or illegal pharmaceuticals.~~

~~(3 and (4) [Deliberately left blank]~~

~~(3) Public safety issues related to cannabis use, including studying the effectiveness of the packaging and labeling requirements and advertising and marketing restrictions contained in the act at preventing underage access to and use of cannabis and cannabis products, and studying the health-related effects among users of varying potency levels of cannabis and cannabis products.~~

~~(4) Cannabis use rates, maladaptive use rates for adults and youth, and diagnosis rates of cannabis-related substance use disorders.~~

~~(5) Cannabis market prices, illicit market prices, tax structures and rates, including an evaluation of how to best tax cannabis based on potency, and the structure and function of licensed cannabis businesses.~~

~~(6) Whether additional protections are needed to prevent unlawful monopolies or anti-competitive behavior from occurring in the adult-use cannabis industry and, if so, recommendations as to the most effective measures for preventing such behavior.~~

~~(7) The economic impacts in the private and public sectors, including, but not necessarily limited to, job creation, workplace safety, revenues, taxes generated for state and local budgets, and criminal justice impacts, including, but not necessarily limited to, impacts on law enforcement and public resources, short and long term consequences of involvement in the criminal justice system, and state and local government agency administrative costs and revenue.~~

~~(8) Whether the regulatory agencies tasked with implementing and enforcing the Control, Regulate and Tax Adult Use of Marijuana Act are doing so consistent with the purposes of the act, and whether different agencies might do so more effectively.~~

~~(9) Environmental issues related to cannabis production and the criminal prohibition of cannabis production.~~

~~(10) The geographic location, structure, and function of licensed cannabis businesses, and demographic data, including race, ethnicity, and gender, of license holders.~~

~~(11) The outcomes achieved by the changes in criminal penalties made under the Control, Regulate and Tax Adult Use of Marijuana Act for cannabis-related offenses, and the outcomes of the juvenile justice system, in particular, probation based treatments and the frequency of up-charging illegal possession of cannabis or cannabis products to a more serious offense.~~

~~(c) The Controller shall next disburse the sum of three million dollars (\$3,000,000) annually to the Department of the California Highway Patrol beginning with the 2018-19 fiscal year until the 2022-23 fiscal year to establish and adopt protocols to determine whether a driver is operating a vehicle while impaired, including impairment by the use of cannabis or cannabis products, and to establish and adopt protocols setting forth best practices to assist law enforcement agencies. The department may hire personnel to establish the protocols specified in this subdivision. In addition, the department may make grants to public and private research institutions for the purpose of developing technology for determining when a driver is operating a vehicle while impaired, including impairment by the use of cannabis or cannabis products.~~

~~(dc) The Controller shall next disburse the sum of ten million dollars (\$10,000,000) beginning with the 2018-19 fiscal year and increasing ten million dollars (\$10,000,000) each fiscal year thereafter until the 2022-23 fiscal year, at which time the disbursement shall be fifty million dollars (\$50,000,000) each year~~

~~thereafter, to the Governor's Office of Business and Economic Development, in consultation with the Labor and Workforce Development Agency and the State Department of Social Services, to administer a community reinvestments grants program to local health departments and at least 50 percent to qualified community-based nonprofit organizations to support job placement, mental health treatment, substance use disorder treatment, system navigation services, legal services to address barriers to reentry, and linkages to medical care for communities disproportionately affected by past federal and state drug policies. The office shall solicit input from community-based job skills, job placement, and legal service providers with relevant expertise as to the administration of the grants program. In addition, the office shall periodically evaluate the programs it is funding to determine the effectiveness of the programs, shall not spend more than 4 percent for administrative costs related to implementation, evaluation, and oversight of the programs, and shall award grants annually, beginning no later than January 1, 2020.~~

~~(ed) The Controller shall next disburse the sum of two million dollars (\$2,000,000) annually to the University of California San Diego Center for Medicinal Cannabis Research to further the objectives of the center, including the enhanced understanding of the efficacy and adverse beneficial effects of cannabis as a pharmacological agent.~~

~~(fe) By July 15 of each fiscal year beginning in the 2018-19 fiscal year, the Controller shall, after disbursing funds pursuant to subdivisions (a), (b), (c), (d), and (e), disburse funds deposited in the Tax Fund during the prior fiscal year into sub-trust accounts, which are hereby created, as follows:~~

~~(1) Sixty percent shall be deposited in the Youth Education, Prevention, Early Intervention and Treatment Account, and disbursed by the Controller to the State Department of Health Care Services for programs for youth that are designed to educate about and to prevent substance use disorders and to prevent harm from substance use. The State Department of Health Care Services shall enter into interagency agreements with the State Department of Public Health and the State Department of Education to implement and administer these programs. The programs shall emphasize accurate education, effective prevention, early intervention, school retention, and timely treatment services for youth, their families and caregivers. The programs may include, but are not limited to, the following components:~~

~~(A) Prevention and early intervention services including outreach, risk survey and education to youth, families, caregivers, schools, primary care health providers, behavioral health and substance use disorder service providers, community and faith-based organizations, fostercare providers, juvenile and family courts, and others to recognize and reduce risks related to substance use, and the early signs of problematic use and of substance use disorders.~~

~~(B) Grants to schools to develop and support student assistance programs, or other similar programs, designed to prevent and reduce substance use, and improve school retention and performance, by supporting students who are at risk of dropping out of school and promoting alternatives to suspension or expulsion that focus on school retention, remediation, and professional care. Schools with higher than average dropout rates should be prioritized for grants.~~

~~(C) Grants to programs for outreach, education, and treatment for homeless youth and out-of-school youth with substance use disorders.~~

~~(D) Access and linkage to care provided by county behavioral health programs for youth, and their families and caregivers, who have a substance use disorder or who are at risk for developing a substance use disorder.~~

~~(E) Youth focused substance use disorder treatment programs that are culturally and gender competent, trauma-informed, evidence-based and provide a continuum of care that includes screening and assessment (substance use disorder as well as mental health), early intervention, active treatment, family involvement, case management, overdose prevention, prevention of communicable diseases related to substance use, relapse management for substance use and other cooccurring behavioral health disorders, vocational services, literacy services, parenting classes, family therapy and counseling services, medication-assisted treatments, psychiatric medication and psychotherapy. When indicated, referrals must be made to other providers.~~

~~(F) To the extent permitted by law and where indicated, interventions shall utilize a two-generation approach to addressing substance use disorders with the capacity to treat youth and adults together. This would include supporting the development of family-based interventions that address substance use disorders and related problems within the context of families, including parents, foster parents, caregivers and all their children.~~

~~(G) Programs to assist individuals, as well as families and friends of drug-using young people, to reduce the stigma associated with substance use including being diagnosed with a substance use disorder or seeking substance use disorder services. This includes peer-run outreach and education to reduce stigma, anti-stigma campaigns, and community recovery networks.~~

~~(H) Workforce training and wage structures that increase the hiring pool of behavioral health staff with substance use disorder prevention and treatment expertise. Provide ongoing education and coaching that increases substance use treatment providers' core competencies and trains providers on promising and evidenced-based practices.~~

~~(I) Construction of community-based youth treatment facilities.~~

~~(J) The departments may contract with each county behavioral health program for the provision of services.~~

~~(K) Funds shall be allocated to counties based on demonstrated need, including the number of youth in the county, the prevalence of substance use disorders among~~

adults, and confirmed through statistical data, validated assessments, or submitted reports prepared by the applicable county to demonstrate and validate need.

~~(L) The departments shall periodically evaluate the programs they are funding to determine the effectiveness of the programs.~~

~~(M) The departments may use up to 4 percent of the moneys allocated to the Youth Education, Prevention, Early Intervention and Treatment Account for administrative costs related to implementation, evaluation, and oversight of the programs.~~

~~(N) If the Department of Finance ever determines that funding pursuant to cannabis taxation exceeds demand for youth prevention and treatment services in the state, the departments shall provide a plan to the Department of Finance to provide treatment services to adults as well as youth using these funds.~~

~~(O) The departments shall solicit input from volunteer health organizations, physicians who treat addiction, treatment researchers, family therapy and counseling providers, and professional education associations with relevant expertise as to the administration of any grants made pursuant to this paragraph.~~

~~(2) Twenty percent shall be deposited in the Environmental Restoration and Protection Account, and disbursed by the Controller as follows:~~

~~(A) To the Department of Fish and Wildlife and the Department of Parks and Recreation for the cleanup, remediation, and restoration of environmental damage in watersheds affected by cannabis cultivation and related activities including, but not limited to, damage that occurred prior to enactment of this part, and to support local partnerships for this purpose. The Department of Fish and Wildlife and the Department of Parks and Recreation may distribute a portion of the funds they receive from the Environmental Restoration and Protection Account through grants for purposes specified in this paragraph.~~

~~(B) To the Department of Fish and Wildlife and the Department of Parks and Recreation for the stewardship and operation of state-owned wildlife habitat areas and state park units in a manner that discourages and prevents the illegal cultivation, production, sale, and use of cannabis and cannabis products on public lands, and to facilitate the investigation, enforcement, and prosecution of illegal cultivation, production, sale, and use of cannabis or cannabis products on public lands.~~

~~(C) To the Department of Fish and Wildlife to assist in funding the watershed enforcement program and multiagency taskforce established pursuant to subdivisions (b) and (c) of Section 12029 of the Fish and Game Code to facilitate the investigation, enforcement, and prosecution of these offenses and to ensure the reduction of adverse impacts of cannabis cultivation, production, sale, and use on fish and wildlife habitats throughout the state.~~

~~(D) For purposes of this paragraph, the Secretary of the Natural Resources Agency shall determine the allocation of revenues between the departments. During the first five years of implementation, first consideration should be given to funding purposes specified in subparagraph (A).~~

~~(E) Funds allocated pursuant to this paragraph shall be used to increase and enhance activities described in subparagraphs (A), (B), and (C), and not replace allocation of other funding for these purposes. Accordingly, annual General Fund appropriations to the Department of Fish and Wildlife and the Department of Parks and Recreation shall not be reduced below the levels provided in the Budget Act of 2014 (Chapter 25 of the Statutes of 2014).~~

~~(3) Twenty percent shall be deposited into the Local Business Development and Jobs Account State and Local Government Law Enforcement Account and disbursed by the Controller as follows:~~

~~(A) For grants to start-up cannabis businesses to offset costs that are a barrier to entry into the cannabis market, in addition to the grants authorized by subdivision (c) of this section;~~

~~(B) To the department to maintain a program of tax forgiveness for all licensed cannabis retailers in the first year of operation after becoming licensed;~~

~~(C) To the department to maintain a program of graduated partial tax forgiveness for licensed cannabis retailers after their first year of operation based on the gross receipts of the cannabis retailer so that smaller retailers are forgiven for a portion of their taxes on a sliding scale that diminishes as the cannabis retailer's gross receipts increases;~~

~~(D) To the programs listed in subdivision (c) of this section, in addition thereto, to provide funds to cannabis retailers to subsidize and maintain employment of new employees that the cannabis retailer hires and keeps in continuous full time employment for up to one year and pledges to keep in full time employment for one year thereafter.~~

~~(E) The bureau and department may adopt regulations to carry out the purposes of this subdivision.~~

~~(A) To the Department of the California Highway Patrol for conducting training programs for detecting, testing and enforcing laws against driving under the influence of alcohol and other drugs, including driving under the influence of cannabis. The department may hire personnel to conduct the training programs specified in this subparagraph.~~

~~(B) To the Department of the California Highway Patrol to fund internal California Highway Patrol programs and grants to qualified nonprofit organizations and local governments for education, prevention, and enforcement of laws related to driving under the influence of alcohol and other drugs, including cannabis; programs that help enforce traffic laws, educate the public in traffic safety, provide varied and effective means of reducing fatalities, injuries, and economic losses from collisions; and for the purchase of equipment related to enforcement of laws related to driving under the influence of alcohol and other drugs, including cannabis.~~

~~(C) To the Board of State and Community Corrections for making grants to local governments to assist with law enforcement, fire protection, or other local programs addressing public health and safety associated with the implementation of~~

~~the Control, Regulate and Tax Adult Use of Marijuana Act. The board shall not make any grants to local governments that ban both indoor and outdoor commercial cannabis cultivation, or ban retail sale of cannabis or cannabis products pursuant to Section 26200 of the Business and Professions Code or as otherwise provided by law.~~

~~(D) For purposes of this paragraph, the Department of Finance shall determine the allocation of revenues between the agencies; provided, however, beginning in the 2022-23 fiscal year the amount allocated pursuant to subparagraph (A) shall not be less than ten million dollars (\$10,000,000) annually and the amount allocated pursuant to subparagraph (B) shall not be less than forty million dollars (\$40,000,000) annually. In determining the amount to be allocated before the 2022-23 fiscal year pursuant to this paragraph, the Department of Finance shall give initial priority to subparagraph (A).~~

~~(gf) Funds allocated pursuant to subdivision (fe) shall be used to increase the funding of programs and purposes identified and shall not be used to replace allocation of other funding for these purposes.~~

~~(hg) Effective July 1, 2028, the Legislature may amend this section by majority vote to further the purposes of the Control, Regulate and Tax Adult Use of Marijuana Act, including allocating funds to programs other than those specified in subdivisions (dc) and (fe). Any revisions pursuant to this subdivision shall not result in a reduction of funds to accounts established pursuant to subdivisions (dc) and (fe) in any subsequent year from the amount allocated to each account in the 2027-28 fiscal year. Prior to July 1, 2028, the Legislature may not change the allocations to programs specified in subdivisions (dc) and (fe).~~

(fe) By July 15 of each fiscal year beginning in the 2018-2019 2022-2023 fiscal year, the Controller shall, after disbursing funds pursuant to subdivisions (a) and (b), (c), (d), and (e), disburse funds deposited in the Tax Fund during the prior fiscal year into sub-trust accounts, which are hereby created, as follows:

(1) 50 percent shall be deposited in the Youth Education and Research Account. The programs may include, but are not limited to, the following components:

(A) [Support for education for younger students, including pre-K programs, through programs specifically directed to the communities most directly and negatively affected by past policies and enforcement of laws regarding cannabis. . .]

(B) Research into the [Query: move research funding to a university from above into this tranche?]

(2) 25 percent shall be deposited in the Environmental Restoration and Protection Account, and disbursed by the Controller as follows:

(A) 5 percent to Clean Water programs.

[(B)...]

(3) 25 percent shall be deposited into the Health Care and Jobs Account and disbursed by the Controller as follows:

[(A) For social justice purposes, to lower the barriers to entry for populations affected by past policies regarding cannabis, particularly including people who were arrested, convicted or incarcerated for any reason for cannabis crimes. This shall include tiered tax credits to the social equity eligible candidates to offset state licensing fees and state and local taxes on cannabis sales. These tax credits will be available to eligible candidates to lower barriers to entry into new cannabis businesses, to lower costs to the cannabis industry and ultimately reduce prices to consumers to encourage participation in the legal cannabis markets as opposed to illicit sales..]

[(B) For health care, specifically directed to the communities most directly and negatively affected by past policies and enforcement of laws regarding cannabis, for. . .]

Section 34021 is amended to read:

The taxes imposed by this part shall be in addition to any other tax imposed by a city, county, or city and county.

Section 34021.5 is amended to read:

(a) (1) A county, city, or city and county may not impose a tax on the privilege of cultivating, manufacturing, producing, processing, preparing, storing, providing, donating, selling, or distributing cannabis or cannabis products by a licensee operating under Division 10 (commencing with Section 26000) of the Business and Professions Code.

(2) The board of supervisors shall specify in the ordinance proposing the tax the activities subject to the tax, the applicable rate or rates, the method of apportionment, if necessary, and the manner of collection of the tax. The tax may be imposed for general governmental purposes or for purposes specified in the ordinance by the board of supervisors.

(3) In addition to any other method of collection authorized by law, the board of supervisors may provide for the collection of the tax imposed pursuant to this section in the same manner, and subject to the same penalties and priority of lien, as other charges and taxes fixed and collected by the county. A tax imposed pursuant to this section is a tax and not a fee or special assessment. The board of supervisors shall specify whether the tax applies throughout the entire county or within the unincorporated area of the county.

(4) The tax authorized by this section may be imposed upon any or all of the activities set forth in paragraph (1), as specified in the ordinance, regardless of whether the activity is undertaken individually, collectively, or cooperatively, and regardless of whether the activity is for compensation or gratuitous, as determined by the board of supervisors.

(b) A tax imposed pursuant to this section shall be subject to applicable voter approval requirements imposed by law.

(eb) This section is declaratory of existing law and does not limit or prohibit the levy or collection of any other fee, charge, or tax, or a license or service fee or charge upon, or related to, the activities set forth in subdivision (a) as otherwise provided by law. This section shall not be construed as a limitation upon the taxing authority of a county as provided by law.

(dc) This section shall not be construed to authorize a county to impose a sales or use tax in addition to the sales and use taxes imposed under an ordinance conforming to the provisions of Sections 7202 and 7203 of this code.

Section 5. The Business and Professions Code is amended, partially repealed and added, to read:

BUSINESS AND PROFESSIONS CODE - BPC

DIVISION 10. Cannabis [26000 - 26260]

CHAPTER 1. General Provisions and Definitions [26000 - 26002]

Section 26001 is amended to read:

For purposes of this division, the following definitions apply:

(a) "A-license" means a state license issued under this division for cannabis or cannabis products that are intended for adults who are 21 years of age and older and who do not possess a physician's recommendation or other indicia as defined in Revenue and Taxation Code section 34010, subdivision (u).

(b) "A-licensee" means any person holding a license under this division for cannabis or cannabis products that are intended for adults who are 21 years of age and older and who do not possess a physician's recommendation or other indicia as defined in Revenue and Taxation Code section 34010, subdivision (u).

(c) "Applicant" means an owner applying for a state license pursuant to this division.

(d) "Batch" means a specific quantity of homogeneous cannabis or cannabis product that is one of the following types:

(1) Harvest batch. "Harvest batch" means a specifically identified quantity of dried flower or trim, leaves, and other cannabis plant matter that is uniform in strain, harvested at the same time, and, if applicable, cultivated using the same pesticides and other agricultural chemicals.

(2) Manufactured cannabis batch. "Manufactured cannabis batch" means either of the following:

(A) An amount of cannabis concentrate or extract that is produced in one production cycle using the same extraction methods and standard operating procedures.

- (B) An amount of a type of manufactured cannabis produced in one production cycle using the same formulation and standard operating procedures.
- (e) "Bureau" means the Bureau of Cannabis Control within the Department of Consumer Affairs, formerly named the Bureau of Marijuana Control, the Bureau of Medical Cannabis Regulation, and the Bureau of Medical Marijuana Regulation.
- (f) "Cannabis" means all parts of the plant *Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis*, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. "Cannabis" also means the separated resin, whether crude or purified, obtained from cannabis. "Cannabis" does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination. For the purpose of this division, "cannabis" does not mean "industrial hemp" as defined by Section 11018.5 of the Health and Safety Code.
- (g) "Cannabis accessories" has the same meaning as in Section 11018.2 of the Health and Safety Code.
- (h) "Cannabis concentrate" means cannabis that has undergone a process to concentrate one or more active cannabinoids, thereby increasing the product's potency. Resin from granular trichomes from a cannabis plant is a concentrate for purposes of this division. A cannabis concentrate is not considered food, as defined by Section 109935 of the Health and Safety Code, or a drug, as defined by Section 109925 of the Health and Safety Code.
- (i) "Cannabis products" has the same meaning as in Section 11018.1 of the Health and Safety Code.
- (j) "Child resistant" means designed or constructed to be significantly difficult for children under five years of age to open, and not difficult for normal adults to use properly.
- (k) "Commercial cannabis activity" includes the cultivation, possession, manufacture, distribution, processing, storing, laboratory testing, packaging, labeling, transportation, delivery, or sale of cannabis and cannabis products as provided for in this division.
- (l) "Cultivation" means any activity involving the planting, growing, harvesting, drying, curing, grading, or trimming of cannabis.
- (m) "Cultivation site" means a location where cannabis is planted, grown, harvested, dried, cured, graded, or trimmed, or a location where any combination of those activities occurs.
- (n) "Customer" means a natural person 21 years of age or older or a natural person 18 years of age or older who possesses a physician's recommendation, or a primary

caregiver, or other indicia as defined in Revenue and Taxation Code section 34010, subdivision (u).

(o) "Day care center" has the same meaning as in Section 1596.76 of the Health and Safety Code.

(p) "Delivery" means the commercial transfer of cannabis or cannabis products to a customer. "Delivery" also includes the use by a retailer of any technology platform.

(q) "Director" means the Director of Consumer Affairs.

(r) "Distribution" means the procurement, sale, and transport of cannabis and cannabis products between licensees.

(s) "Dried flower" means all dead cannabis that has been harvested, dried, cured, or otherwise processed, excluding leaves and stems.

(t) "Edible cannabis product" means a cannabis product that is intended to be used, in whole or in part, for human consumption, including, but not limited to, chewing gum, but excluding products set forth in Division 15 (commencing with Section 32501) of the Food and Agricultural Code. An edible cannabis product is not considered food, as defined by Section 109935 of the Health and Safety Code, or a drug, as defined by Section 109925 of the Health and Safety Code.

(u) "Fund" means the Cannabis Control Fund established pursuant to Section 26210.

(v) "Kind" means applicable type or designation regarding a particular cannabis variant, origin, or product type, including, but not limited to, strain name, trademark, or production area designation.

(w) "Labeling" means any label or other written, printed, or graphic matter upon a cannabis product, upon its container or wrapper, or that accompanies any cannabis product.

(x) "Labor peace agreement" means an agreement between a licensee and any bona fide labor organization that, at a minimum, protects the state's proprietary interests by prohibiting labor organizations and members from engaging in picketing, work stoppages, boycotts, and any other economic interference with the applicant's business. This agreement means that the applicant has agreed not to disrupt efforts by the bona fide labor organization to communicate with, and attempt to organize and represent, the applicant's employees. The agreement shall provide a bona fide labor organization access at reasonable times to areas in which the applicant's employees work, for the purpose of meeting with employees to discuss their right to representation, employment rights under state law, and terms and conditions of employment. This type of agreement shall not mandate a particular method of election or certification of the bona fide labor organization.

(y) "License" means a state license issued under this division, and includes both an A-license and an M-license, as well as a testing laboratory license.

(z) "Licensee" means any person holding a license under this division, regardless of whether the license held is an A-license or an M-license, and includes the holder of a testing laboratory license.

(aa) "Licensing authority" means the state agency responsible for the issuance, renewal, or reinstatement of the license, or the state agency authorized to take disciplinary action against the licensee.

(ab) "Live plants" means living cannabis flowers and plants, including seeds, immature plants, and vegetative stage plants.

(ac) "Local jurisdiction" means a city, county, or city and county.

(ad) "Local laws and regulations" means only laws of general application to businesses of the same character as the cannabis business, and which are applied and enforced against all such businesses. For example, for a cannabis retailer, laws that apply to non-cannabis retailers, or for a cannabis manufacturer laws that apply to non-cannabis manufacturers. Examples of such laws include, but are not limited to, ordinances regarding zoning, land use, noise, building, electrical and plumbing codes. Provided, however, that this reservation of powers and no part of this Division shall be interpreted to permit a local jurisdiction to make, maintain in effect or enforce any ordinance, regulation, rule or other requirement or prohibition specific to any type of cannabis businesses. Nor may a local jurisdiction enact, maintain, interpret, enforce any law, ordinance or regulation, or deny, limit or restrict any permit or license, or impose or collect any tax, with regard to a cannabis business licensed by the Bureau in any manner different from other, non-cannabis, businesses. This subdivision is intended to render moot and inoperative the court decisions in the cases *City of Riverside v. Inland Empire Patients Health & Wellness Center, Inc.* (2013) 56 Cal.4th 729, *Maral v. City of Live Oak* (2013) 221 Cal.App.4th 975, and *Kirby v. Cty. of Fresno* 195 Cal. Rptr. 3d. 815 (Cal. Ct. App. 2015) that affirmed as valid exercises of local land use power to prohibit cannabis businesses.

(ade) "Lot" means a batch or a specifically identified portion of a batch.

(aef) "M-license" means a state license issued under this division for commercial cannabis activity involving medicinal cannabis.

(afg) "M-licensee" means any person holding a license under this division for commercial cannabis activity involving medicinal cannabis.

(agh) "Manufacture" means to compound, blend, extract, infuse, or otherwise make or prepare a cannabis product.

(ahj) "Manufacturer" means a licensee that conducts the production, preparation, propagation, or compounding of cannabis or cannabis products either directly or indirectly or by extraction methods, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis at a fixed location that packages or repackages cannabis or cannabis products or labels or relabels its container.

(aij) (1) "Medicinal cannabis" or "medicinal cannabis product" means cannabis or a cannabis product, respectively, intended to be sold or donated for use pursuant to the Compassionate Use Act of 1996 (Proposition 215), found in Section 11362.5 of the Health and Safety Code, by a medicinal cannabis patient in California who

possesses a physician's recommendation, or in compliance with any compassionate use, equity, or other similar program administered by a local jurisdiction, or other indicia as defined in Revenue and Taxation Code section 34010, subdivision (u).

(2) The amendments made to this subdivision by the act adding this paragraph shall become operative upon completion of the necessary changes to the track and trace program in order to implement the act adding this paragraph, as determined by the Department of Food and Agriculture, or on March 1, 2020, whichever occurs first.

(ajk) "Nursery" means a licensee that produces only clones, immature plants, seeds, and other agricultural products used specifically for the propagation and cultivation of cannabis.

(akl) "Operation" means any act for which licensure is required under the provisions of this division, or any commercial transfer of cannabis or cannabis products.

(alm) "Owner" means any of the following:

(1) A person with an aggregate ownership interest of 20 percent or more in the person applying for a license or a licensee, unless the interest is solely a security, lien, or encumbrance.

(2) The chief executive officer of a nonprofit or other entity.

(3) A member of the board of directors of a nonprofit.

(4) An individual who will be participating in the direction, control, or management of the person applying for a license.

(am) "Package" means any container or receptacle used for holding cannabis or cannabis products.

(anq) "Person" includes any individual, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit, and the plural as well as the singular.

(aep) "Physician's recommendation" means a recommendation by a physician and surgeon that a patient use cannabis provided in accordance with the Compassionate Use Act of 1996 (Proposition 215), found at Section 11362.5 of the Health and Safety Code.

(apq) "Premises" means the designated structure or structures and land specified in the application that is owned, leased, or otherwise held under the control of the applicant or licensee where the commercial cannabis activity will be or is conducted. The premises shall be a contiguous area and shall only be occupied by one licensee.

(aer) "Primary caregiver" has the same meaning as in Section 11362.7 of the Health and Safety Code.

(ars) "Purchaser" means the customer who is engaged in a transaction with a licensee for purposes of obtaining cannabis or cannabis products.

(ast) "Sell," "sale," and "to sell" include any transaction whereby, for any consideration, title to cannabis or cannabis products is transferred from one person to another, and includes the delivery of cannabis or cannabis products pursuant to

an order placed for the purchase of the same and soliciting or receiving an order for the same, but does not include the return of cannabis or cannabis products by a licensee to the licensee from whom the cannabis or cannabis product was purchased.

(at) "Testing laboratory" means a laboratory, facility, or entity in the state that offers or performs tests of cannabis or cannabis products and that is both of the following:

(1) Accredited by an accrediting body that is independent from all other persons involved in commercial cannabis activity in the state.

(2) Licensed by the bureau.

(au) "Unique identifier" means an alphanumeric code or designation used for reference to a specific plant on a licensed premises and any cannabis or cannabis product derived or manufactured from that plant.

(av) "Youth center" has the same meaning as in Section 11353.1 of the Health and Safety Code.

Section 26012 is amended to read:

(a) It being a matter of statewide concern, except as otherwise authorized in this division the bureau shall have the sole authority to:

~~÷~~1 ~~(1) The bureau shall have the sole authority to create, issue, deny, renew, discipline, suspend, or revoke licenses for microbusinesses, transportation, storage unrelated to manufacturing activities, distribution, testing, and sale of cannabis and cannabis products within the state.~~

~~(2) The Department of Food and Agriculture shall administer the provisions of this division related to and associated with the cultivation of cannabis. The Department of Food and Agriculture shall have the authority to and create, issue, deny, and suspend or revoke cultivation licenses for violations of this division.~~

~~(3) The State Department of Public Health shall administer the provisions of this division related to and associated with the manufacturing of cannabis products. The State Department of Public Health shall have the authority to and create, issue, deny, and suspend or revoke manufacturing licenses for violations of this division.~~

~~(b4) The licensing authorities shall have the authority to collect fees in connection with activities they to regulate concerning cannabis. The licensing authorities may create licenses in addition to those identified in this division that the licensing authorities deem necessary to effectuate their duties under this division.~~

(b) The bureau may create licenses in addition to those identified in this division that the bureau deems necessary to effectuate its duties under this division.

(c) For the performance of its duties, the bureau ~~each licensing authority~~ has the power conferred by Sections 11180 to 11191, inclusive, of the Government Code.

~~(d) Licensing authorities shall begin issuing licenses under this division by January 1, 2018.~~

Section 26030 is amended to read:

Grounds for disciplinary action include, but are not limited to, all of the following:

- (a) Failure to comply with the provisions of this division or any rule or regulation adopted pursuant to this division.
- (b) Conduct that constitutes grounds for denial of licensure pursuant to Chapter 2 (commencing with Section 480) of Division 1.5 or discipline of a license pursuant to Chapter 3 (commencing with Section 490) of Division 1.5.
- (c) Any other grounds contained in regulations adopted by a licensing authority pursuant to this division.
- (d) Failure to comply with any state law including, but not limited to, the payment of taxes as required under the Revenue and Taxation Code, except as provided for in this division or other California law.
- (e) Knowing violations of any state or local law, ordinance, or regulation conferring worker protections or legal rights on the employees of a licensee.
- ~~(f) Failure to comply with the requirement of a local ordinance regulating commercial cannabis activity.~~
- (g) The intentional and knowing sale of cannabis or cannabis products by an A-licensee to a person under 21 years of age.
- (h) The intentional and knowing sale of medicinal cannabis or medicinal cannabis products by an M-licensee to a person without a physician's recommendation or other indicia as defined in Revenue and Taxation Code section 34010, subdivision (u).
- (i) Failure to maintain safe conditions for inspection by a licensing authority.
- (j) Failure to comply with any operating procedure submitted to the licensing authority pursuant to subdivision (b) of Section 26051.5.
- (k) Failure to comply with license conditions established pursuant to subdivision (b) of Section 26060.1.

Section 26031 is amended to read:

- (a) Each licensing authority may suspend, revoke, place on probation with terms and conditions, or otherwise discipline licenses issued by that licensing authority and fine a licensee, after proper notice and hearing to the licensee, if the licensee is found to have committed any of the acts or omissions constituting grounds for disciplinary action. The disciplinary proceedings under this chapter shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the director of each licensing authority shall have all the powers granted therein.
- ~~(b) A licensing authority may suspend or revoke a license when a local agency has notified the licensing authority that a licensee within its jurisdiction is in violation of state rules and regulations relating to commercial cannabis activities, and the licensing authority, through an investigation, has determined that the violation is grounds for suspension or revocation of the license.~~

(eb) Each licensing authority may take disciplinary action against a licensee for any violation of this division when the violation was committed by the licensee's officers, directors, owners, agents, or employees while acting on behalf of the licensee or engaged in commercial cannabis activity.

(dc) A licensing authority may recover the costs of investigation and enforcement of a disciplinary proceeding pursuant to Section 125.3 of this code.

(ed) Upon suspension or revocation of a license, the licensing authority shall inform the bureau. The bureau shall then inform all other licensing authorities. Upon any other enforcement action against a licensee, the licensing authority shall notify all other licensing authorities.

Section 26032 is amended to read:

(a) The actions of a licensee, its employees, and its agents are not unlawful under state law and shall not be an offense subject to arrest, prosecution, or other sanction under state law, or be subject to a civil fine or be a basis for seizure or forfeiture of assets under state law if they are all of the following:

(1) Permitted pursuant to a state license.

~~(2) Permitted pursuant to a local authorization, license, or permit issued by the local jurisdiction, if any.~~

~~(3)~~ Conducted in accordance with the requirements of this division and regulations adopted pursuant to this division.

(b) The actions of a person who, in good faith, allows his or her property to be used by a licensee, its employees, and its agents, as permitted pursuant to a state license and, if required by the applicable local ordinances, a local license or permit, are not unlawful under state law and shall not be an offense subject to arrest, prosecution, or other sanction under state law, or be subject to a civil fine or be a basis for seizure or forfeiture of assets under state law.

Section 26038 is amended to read:

(a) A person engaging in commercial cannabis activity without a license required by this division shall be subject to civil penalties of up to three times the amount of the license fee for each violation, and the court may order the disposal or distribution ~~destruction~~ of cannabis associated with that violation in accordance with Section 34016 subdivision (g) of the Revenue and Taxation Code ~~11479 of the Health and Safety Code~~. Each day of operation shall constitute a separate violation of this section. All civil penalties imposed and collected pursuant to this section by a licensing authority shall be deposited into the General Fund except as provided in subdivision (b). ~~A violator shall be responsible for the cost of the destruction of cannabis associated with his or her violation.~~

(b) If an action for civil penalties is brought against a person pursuant to this division by the Attorney General on behalf of the people, the penalty collected shall be deposited into the General Fund. If the action is brought by a district attorney or

county counsel, the penalty shall first be used to reimburse the district attorney or county counsel for the costs of bringing the action for civil penalties, with the remainder, if any, to be deposited into the General Fund. If the action is brought by a city attorney or city prosecutor, the penalty collected shall first be used to reimburse the city attorney or city prosecutor for the costs of bringing the action for civil penalties, with the remainder, if any, to be deposited into the General Fund. (c) Notwithstanding subdivision (a), criminal penalties shall continue to apply to an unlicensed person engaging in commercial cannabis activity in violation of this division.

Section 26050.2 is amended to read:

(a) A licensing authority may, in its sole discretion, issue a provisional license to an applicant if the applicant has submitted a completed license application to the licensing authority, including the following, if applicable:

(1) If compliance with the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) is not complete, evidence that compliance is underway.

(2) If compliance with local laws ~~ordinances enacted pursuant to Section 26200~~ is not complete, evidence that compliance is underway.

(b) A provisional license issued pursuant to this section shall be valid for no more than 12 months from the date it was issued. If the licensing authority issues or renews a provisional license, they shall include the outstanding items needed to qualify for an annual license specific to the licensee.

(c) A licensing authority may, in its sole discretion, renew a provisional license until the licensing authority issues or denies the provisional licensee's annual license.

(d) A licensing authority may, in its sole discretion, revoke or suspend a provisional license if the licensing authority determines the licensee failed to actively and diligently pursue requirements for the annual license.

(e) A licensing authority shall cancel a provisional license upon issuance of an annual license, denial of an annual license, abandonment of an application for licensure, or withdrawal of an application for licensure.

(f) Except as specified in this section, the provisions of this division shall apply to a provisional license in the same manner as to an annual license.

(g) Without limiting any other statutory exemption or categorical exemption, Division 13 (commencing with Section 21000) of the Public Resources Code does not apply to the issuance of a license pursuant to this section by the licensing authority.

(h) Refusal by the licensing authority to issue a license pursuant to this section or revocation or suspension by the licensing authority of a license issued pursuant to this section shall not entitle the applicant or licensee to a hearing or an appeal of the decision. Chapter 2 (commencing with Section 480) of Division 1.5 and Chapter

4 (commencing with Section 26040) of this division and Sections 26031 and 26058 shall not apply to licenses issued pursuant to this section.

(i) This section shall remain in effect only until January 1, 2022, and as of that date is repealed.

Section 26051 is amended to read:

(a) The Cartwright Act, the Unfair Practices Act, the Unfair Competition Law, and the other provisions of Part 2 (commencing with Section 16600) of Division 7 apply to all licensees regulated under this division.

(b) It shall be unlawful for any person to monopolize, attempt to monopolize, or combine or conspire with any person or persons to monopolize, any part of the trade or commerce related to cannabis. The Attorney General shall have the sole authority to enforce the provisions of this subdivision.

(c) In determining whether to grant, deny, or renew a retail license, microbusiness license, or a license issued under Section 26070.5, the bureau shall consider if an excessive concentration, or an insufficient number or concentration, exists in the area where the licensee will operate. For purposes of this section "excessive concentration" applies when either of the following conditions exist:

(1) The ratio of licensees to population in the census tract or census division in which the applicant premises is located exceeds the ratio of licensees to population in the county in which the applicant premises is located, unless denial of the application would unduly limit the development of the legal market so as to perpetuate the illegal market for cannabis or cannabis products.

(2) For purposes of this section, "insufficient number or concentration" means the number of licenses issued for retail cannabis commercial activity in the jurisdiction is less than the figure derived under subdivision (c)(3) of this section.~~The ratio of retail licenses, microbusiness licenses, or licenses under Section 26070.5 to the population in the census tract, census division, or jurisdiction exceeds that allowable by local ordinance adopted under Section 26200.~~

(3) (A) Except as provided in subparagraph (C), the minimum number of local licenses for retail cannabis commercial activity that the Bureau shall issue is one-sixth of the number of on-sale general license types for alcoholic beverage sales that are currently active in that jurisdiction, as determined pursuant to subparagraph (B).

(B) (i) (I) If the local jurisdiction is a city, the number of on-sale general licenses for alcoholic beverages shall be determined by adding all of the currently active licenses issued in the jurisdiction that are of a license type listed in subclause (II).
If the local jurisdiction is a county, the number of on-sale general licenses for alcoholic beverages shall be determined by adding all of the currently active licenses issued in the unincorporated regions of the county that are of a license type listed in subclause (II).

(II) For purposes of subclause (I), the following on-sale general license types shall be counted: Types 47, 47D, 48, 48D, 57, 57D, 68, 70, 71, 71D, 75, 75D, 78, and 78D.

(ii) The number determined in clause (i) shall be divided by six and rounded up to the nearest whole number using generally accepted mathematical rounding practices.

(iii) If the number of local licenses for retail commercial cannabis determined in clause (ii) would result in a ratio equal to, or fewer than, one local license for retail cannabis commercial activity for every 10,000 15,000 residents of the local jurisdiction, the number determined in clause (ii) shall be the minimum number of licenses for the jurisdiction.

Section 26051.5 is amended to read:

(a) An applicant for any type of state license issued pursuant to this division shall do all of the following:

(1) Require that each owner electronically submit to the Department of Justice fingerprint images and related information required by the Department of Justice of all applicants for any type of state license issued pursuant to this division, for the purpose of obtaining information as to the existence and content of a record of state or federal convictions and state and federal arrests, and also information as to the existence and content of a record of state or federal convictions and arrests for which the Department of Justice establishes that the person is free on bail or on their own recognizance pending trial or appeal.

(A) Notwithstanding any other law, the Bureau of Cannabis Control, ~~the Department of Food and Agriculture, and the State Department of Public Health~~ may obtain and receive, at their discretion, criminal history information from the Department of Justice and the Federal Bureau of Investigation for an applicant for any state license under this division, including any license established by a licensing authority by regulation pursuant to subdivision (b) of Section 26012.

(B) When received, the Department of Justice shall transmit fingerprint images and related information received pursuant to this section to the Federal Bureau of Investigation for the purpose of obtaining a federal criminal history records check. The Department of Justice shall review the information returned from the Federal Bureau of Investigation and compile and disseminate a response to the licensing authority.

(C) The Department of Justice shall provide a response to the licensing authority pursuant to paragraph (1) of subdivision (p) of Section 11105 of the Penal Code.

(D) The licensing authority shall request from the Department of Justice subsequent notification service, as provided pursuant to Section 11105.2 of the Penal Code, for applicants.

(E) The Department of Justice shall charge the applicant a fee sufficient to cover the reasonable cost of processing the requests described in this paragraph.

- (2) Provide evidence of the legal right to occupy and use the proposed location and provide a statement from the landowner of real property or that landowner's agent where the commercial cannabis activity will occur, as proof to demonstrate the landowner has acknowledged and consented to permit commercial cannabis activities to be conducted on the property by the tenant applicant.
- (3) Provide evidence that the proposed location is in compliance with subdivision (b) of Section 26054.
- (4) Provide a statement, signed by the applicant under penalty of perjury, that the information provided is complete, true, and accurate.
- (5) (A) (i) For an applicant with 20 or more employees, provide a notarized statement that the applicant will enter into, or demonstrate that it has already entered into, and abide by the terms of a labor peace agreement.
(ii) For an applicant with less than 20 employees that has not yet entered into a labor peace agreement, provide a notarized statement as a part of its application indicating that the applicant will enter into and abide by the terms of a labor peace agreement within 60 days of employing its 20th employee.
(iii) Nothing in this paragraph shall be construed to limit the authority of the Bureau of Cannabis Control, ~~the Department of Food and Agriculture, and the State Department of Public Health~~ to revoke or suspend a license for a violation of this paragraph.
- (B) For the purposes of this paragraph, "employee" does not include a supervisor.
- (C) For the purposes of this paragraph, "supervisor" means an individual having authority, in the interest of the applicant, to hire, transfer, suspend, lay off, recall, promote, discharge, assign, reward, or discipline other employees, or responsibility to direct them or to adjust their grievances, or effectively to recommend such action, if, in connection with the foregoing, the exercise of that authority is not of a merely routine or clerical nature, but requires the use of independent judgment.
- (6) Provide the applicant's valid seller's permit number issued pursuant to Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code or indicate that the applicant is currently applying for a seller's permit.
- (7) Provide any other information required by the licensing authority.
- (8) For an applicant seeking a cultivation license, provide a statement declaring the applicant is an "agricultural employer," as defined in the Alatorre-Zenovich-Dunlap-Berman Agricultural Labor Relations Act of 1975 (Part 3.5 (commencing with Section 1140) of Division 2 of the Labor Code), to the extent not prohibited by law.
- (9) Pay all applicable fees required for licensure by the licensing authority.
- (10) Provide proof of a bond to cover the costs of destruction of cannabis or cannabis products if necessitated by a violation of licensing requirements.
- (11) (A) Provide a statement, upon initial application and application for renewal, that the applicant employs, or will employ within one year of receiving or renewing a license, one supervisor and one employee who have successfully completed a

Cal-OSHA 30-hour general industry outreach course offered by a training provider that is authorized by an OSHA Training Institute Education Center to provide the course. This paragraph shall not be construed to alter or amend existing requirements for employers to provide occupational safety and health training to employees.

(B) An applicant with only one employee shall not be subject to subparagraph (A).

(C) For purposes of this paragraph "employee" has the same meaning as provided in subparagraph (B) of paragraph (5) and "supervisor" has the same meaning as provided in subparagraph (C) of paragraph (5).

(b) An applicant shall also include in the application a detailed description of the applicant's operating procedures for all of the following, as required by the licensing authority:

(1) Cultivation.

(2) Extraction and infusion methods.

(3) The transportation process.

(4) Inventory procedures.

(5) Quality control procedures.

(6) Security protocols.

(7) For applicants seeking licensure to cultivate, the source or sources of water the applicant will use for cultivation, as provided in subdivisions (a) to (c), inclusive, of Section 26060.1. For purposes of this paragraph, "cultivation" as used in Section 26060.1 shall have the same meaning as defined in Section 26001. The bureau ~~Department of Food and Agriculture~~ shall consult with the State Water Resources Control Board and the Department of Fish and Wildlife in the implementation of this paragraph.

(c) The applicant shall also provide a complete detailed diagram of the proposed premises wherein the license privileges will be exercised, with sufficient particularity to enable ready determination of the bounds of the premises, showing all boundaries, dimensions, entrances and exits, interior partitions, walls, rooms, and common or shared entryways, and include a brief statement or description of the principal activity to be conducted therein, and, for licenses permitting cultivation, measurements of the planned canopy, including aggregate square footage and individual square footage of separate cultivation areas, if any, roads, water crossings, points of diversion, water storage, and all other facilities and infrastructure related to the cultivation.

(d) Provide a complete list of every person with a financial interest in the person applying for the license as required by the licensing authority. For purposes of this subdivision, "persons with a financial interest" does not include persons whose only interest in a licensee is an interest in a diversified mutual fund, blind trust, or similar instrument.

Section 26055 is amended to read:

(a) Licensing authorities may issue state licenses only to qualified applicants.

(b) Revocation of a state license issued under this division shall terminate the ability of the licensee to operate pursuant to that license within California until a new license is obtained.

(c) A licensee shall not change or alter the premises in a manner which materially or substantially alters the premises, the usage of the premises, or the mode or character of business operation conducted from the premises, from the plan contained in the diagram on file with the application, unless and until written approval by the licensing authority has been obtained. For purposes of this section, material or substantial physical changes of the premises, or in the usage of the premises, shall include, but not be limited to, a substantial increase or decrease in the total area of the licensed premises previously diagrammed, or any other physical modification resulting in substantial change in the mode or character of business operation.

~~(d) Licensing authorities shall not approve an application for a state license under this division if approval of the state license will violate the provisions of any local ordinance or regulation adopted in accordance with Section 26200.~~

(ed) An applicant may voluntarily provide proof of a commercial license, permit, or other authorization under local law from the local jurisdiction verifying that the applicant is in compliance with the local jurisdiction. An applicant that voluntarily submits a valid, unexpired commercial license, permit, or other authorization from the local jurisdiction shall be presumed to be in compliance with all local ordinances unless the licensing authority is notified otherwise by the local jurisdiction. ~~The licensing authority shall notify the contact person for the local jurisdiction of any applicant that voluntarily submits a valid, unexpired license, permit, or other authorization from the local jurisdiction.~~

~~(f) (1) A local jurisdiction shall provide to the bureau a copy of any ordinance or regulation related to commercial cannabis activity and the name and contact information for the person who will serve as the contact for state licensing authorities regarding commercial cannabis activity within the jurisdiction. If a local jurisdiction does not provide a contact person, the bureau shall assume that the clerk of the legislative body of the local jurisdiction is the contact person.~~

~~(2) Whenever there is a change in a local ordinance or regulation adopted pursuant to Section 26200 or a change in the contact person for the jurisdiction, the local jurisdiction shall provide that information to the bureau.~~

~~(3) The bureau shall share the information required by this subdivision with the other licensing authorities.~~

~~(g) (1) The licensing authority shall deny an application for a license under this division for a commercial cannabis activity that the local jurisdiction has notified the bureau is prohibited in accordance with subdivision (f). The licensing authority shall notify the contact person for the local jurisdiction of each application denied due to~~

~~the local jurisdiction's indication that the commercial cannabis activity for which a license is sought is prohibited by a local ordinance or regulation.~~

~~(2) Prior to issuing a state license under this division for any commercial cannabis activity, if an applicant has not provided adequate proof of compliance with local laws pursuant to subdivision (e):~~

~~(A) The licensing authority shall notify the contact person for the local jurisdiction of the receipt of an application for commercial cannabis activity within their jurisdiction.~~

~~(B) A local jurisdiction may notify the licensing authority that the applicant is not in compliance with a local ordinance or regulation. In this instance, the licensing authority shall deny the application.~~

~~(C) A local jurisdiction may notify the licensing authority that the applicant is in compliance with all applicable local ordinances and regulations. In this instance, the licensing authority may proceed with the licensing process.~~

~~(D) If the local jurisdiction does not provide notification of compliance or noncompliance with applicable local ordinances or regulations, or otherwise does not provide notification indicating that the completion of the local permitting process is still pending, within 60 business days of receiving the inquiry from a licensing authority submitted pursuant to subparagraph (A), the licensing authority shall make a rebuttable presumption that the applicant is in compliance with all local ordinances and regulations adopted in accordance with Section 26200, except as provided in subparagraphs (E) and (F).~~

~~(E) At any time after expiration of the 60 business day period set forth in subparagraph (D), the local jurisdiction may provide written notification to the licensing authority that the applicant or licensee is not in compliance with a local ordinance or regulation adopted in accordance with Section 26200. Upon receiving this notification, the licensing authority shall not presume that the applicant or licensee has complied with all local ordinances and regulations adopted in accordance with Section 26200, and may commence disciplinary action in accordance with Chapter 3 (commencing with Section 26030). If the licensing authority does not take action against the licensee before the time of the renewal of the license, the license shall not be renewed until and unless the local jurisdiction notifies the licensing authority that the licensee is once again in compliance with local ordinances.~~

~~(F) A presumption by a licensing authority pursuant to this paragraph that an applicant has complied with all local ordinances and regulations adopted in accordance with Section 26200 shall not prevent, impair, or preempt the local government from enforcing all applicable local ordinances or regulations against the applicant, nor shall the presumption confer any right, vested or otherwise, upon the applicant to commence or continue operating in any local jurisdiction except in accordance with all local ordinances or regulations.~~

~~(3) For purposes of this section, "notification" includes written notification or access by a licensing authority to a local jurisdiction's registry, database, or other platform designated by a local jurisdiction, containing information specified by the licensing authority, on applicants to determine local compliance.~~

~~(h) Without limiting any other statutory exemption or categorical exemption, Division 13 (commencing with Section 21000) of the Public Resources Code does not apply to the adoption of an ordinance, rule, or regulation by a local jurisdiction that requires discretionary review and approval of permits, licenses, or other authorizations to engage in commercial cannabis activity. To qualify for this exemption, the discretionary review in any such law, ordinance, rule, or regulation shall include any applicable environmental review pursuant to Division 13 (commencing with Section 21000) of the Public Resources Code. This subdivision shall become inoperative on July 1, 2021.~~

~~(ie) A local or state public agency may charge and collect a fee from a person proposing a project pursuant to subdivision (a) of Section 21089 of the Public Resources Code.~~

Section 26057 is amended to read:

(a) The licensing authority shall deny an application if either the applicant, or the premises for which a state license is applied, do not qualify for licensure under this division.

(b) The licensing authority may deny the application for licensure or renewal of a state license if any of the following conditions apply:

(1) Failure or inability to comply with the provisions of this division, any rule or regulation adopted pursuant to this division, or any requirement imposed to protect natural resources, including, but not limited to, protections for instream flow, water quality, and fish and wildlife.

(2) Conduct that constitutes grounds for denial of licensure under Chapter 2 (commencing with Section 480) of Division 1.5, except as otherwise specified in this section and Section 26059.

(3) Failure to provide information required by the licensing authority.

(4) The applicant, owner, or licensee has been convicted of an offense that is substantially related to the qualifications, functions, or duties of the business or profession for which the application is made, except that if the licensing authority determines that the applicant, owner, or licensee is otherwise suitable to be issued a license, and granting the license would not compromise public safety, the licensing authority shall conduct a thorough review of the nature of the crime, conviction, circumstances, and evidence of rehabilitation of the applicant or owner, and shall evaluate the suitability of the applicant, owner, or licensee to be issued a license based on the evidence found through the review. In determining which offenses are substantially related to the qualifications, functions, or duties of the

business or profession for which the application is made, the licensing authority shall include, but not be limited to, the following:

(A) A violent felony conviction, as specified in subdivision (c) of Section 667.5 of the Penal Code.

(B) A serious felony conviction, as specified in subdivision (c) of Section 1192.7 of the Penal Code.

(C) A felony conviction involving fraud, deceit, or embezzlement.

(D) A felony conviction for hiring, employing, or using a minor in transporting, carrying, selling, giving away, preparing for sale, or peddling, any controlled substance to a minor; or selling, offering to sell, furnishing, offering to furnish, administering, or giving any controlled substance to a minor.

(E) A felony conviction for drug trafficking with enhancements pursuant to Section 11370.4 or 11379.8 of the Health and Safety Code.

(F) Provided further, if the offense for which the applicant was convicted would not be a crime at the time the application is made, or if the conviction has been resentenced, rehabilitated or dismissed the conviction shall not be the basis for denial or limitation of the license, pursuant to Section 26059.

(5) Except as provided in subparagraphs (D) and (E) of paragraph (4) and notwithstanding Chapter 2 (commencing with Section 480) of Division 1.5, a prior conviction, where the sentence, including any term of probation, incarceration, or supervised release, is completed, for possession, possession for sale, sale, manufacture, transportation, or cultivation of a controlled substance is not considered substantially related, and shall not be the sole ground for denial of a license. Conviction for any controlled substance felony subsequent to licensure shall be grounds for revocation of a license or denial of the renewal of a license.

(6) The applicant, or any of its officers, directors, or owners, has been subject to fines, penalties, or otherwise been sanctioned for cultivation or production of a controlled substance on public or private lands pursuant to Section 12025 or 12025.1 of the Fish and Game Code.

(7) The applicant, or any of its officers, directors, or owners, has been sanctioned by a licensing authority or a city, county, or city and county for unauthorized commercial cannabis activities, has had a license suspended or revoked under this division in the three years immediately preceding the date the application is filed with the licensing authority.

(8) Failure to obtain and maintain a valid seller's permit required pursuant to Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code.

(9) Any other condition specified in law.

Section 26059 is amended to read:

An applicant shall not be denied a state license if the denial is based in whole or in part ~~solely~~ on any of the following:

- (a) A conviction or act that is substantially related to the qualifications, functions, or duties of the business or profession for which the application is made for which the applicant or licensee has obtained a certificate of rehabilitation pursuant to Chapter 3.5 (commencing with Section 4852.01) of Title 6 of Part 3 of the Penal Code.
- (b) A conviction that was subsequently dismissed pursuant to Section 1203.4, 1203.4a, or 1203.41 of the Penal Code or any other provision allowing for dismissal of a conviction.

Section 26060 is amended to read:

- (a) ~~Regulations issued by the Department of Food and Agriculture~~ governing the licensing of indoor, outdoor, nursery, special cottage, and mixed-light cultivation sites shall apply to licensed cultivators under this division. ~~The Department of Food and Agriculture~~ licensing authority shall have the authority necessary for the implementation of the regulations it adopts pursuant to this division, including regulations governing the licensing of indoor, outdoor, mixed-light cultivation site, nursery, and special cottage cultivation.
- (b) The regulations shall do all of the following:
 - (1) Provide that weighing or measuring devices used in connection with the sale or distribution of cannabis are required to meet standards equivalent to Division 5 (commencing with Section 12001).
 - (2) Require that cannabis cultivation by licensees is conducted in accordance with all state and local laws.
 - (3) Establish procedures for the issuance and revocation of unique identifiers for activities associated with a cannabis cultivation license, pursuant to Chapter 6.5 (commencing with Section 26067). ~~All cannabis shall be labeled with the unique identifier issued by the bureau Department of Food and Agriculture.~~
 - (4) Prescribe standards, in consultation with the bureau, for the reporting of information as necessary related to unique identifiers pursuant to Chapter 6.5 (commencing with Section 26067).
- (c) ~~The bureau Department of Food and Agriculture~~ shall serve as the lead agency for purposes of the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) related to the licensing of cannabis cultivation.
- (d) ~~The bureau Department of Pesticide Regulation~~ shall develop or adopt guidelines for the use of pesticides in the cultivation of cannabis and residue in harvested cannabis.
- (e) A cannabis cultivator shall not use any pesticide that has been banned for use in the state.
- (f) The regulations promulgated by the bureau ~~Department of Food and Agriculture~~ under this division shall implement the requirements of subdivision (b) of Section 26060.1.

(g) The ~~bureau~~ ~~Department of Pesticide Regulation~~ shall require that the application of pesticides or other pest control in connection with the indoor, outdoor, nursery, specialty cottage, or mixed-light cultivation of cannabis complies with Division 6 (commencing with Section 11401) of the Food and Agricultural Code and its implementing regulations.

Section 26060.1 is amended to read:

(a) An application for a license for cultivation ~~issued by the Department of Food and Agriculture~~ shall identify the source of water supply as follows:

(1) (A) If water will be supplied by a retail water supplier, as defined in Section 13575 of the Water Code, the application shall identify the retail water supplier.

(B) Paragraphs (2) and (3) do not apply to any water subject to subparagraph (A) unless the retail water supplier has 10 or fewer customers, the applicant receives 10 percent or more of the water supplied by the retail water supplier, 25 percent or more of the water delivered by the retail water supplier is used for cannabis cultivation, or the applicant and the retail water supplier are affiliates, as defined in Section 2814.20 of Title 23 of the California Code of Regulations.

(2) If the water supply includes a diversion within the meaning of Section 5100 of the Water Code, the application shall identify the point of diversion and the maximum amount to be diverted as follows:

(A) For an application submitted before January 1, 2019, the application shall include a copy of one of the following:

(i) A small irrigation use registration certificate, permit, or license issued pursuant to Part 2 (commencing with Section 1200) of Division 2 of the Water Code that covers the diversion.

(ii) A statement of water diversion and use filed with the State Water Resources Control Board on or before October 31, 2017, that covers the diversion and specifies the amount of water used for cannabis cultivation.

(iii) A pending application for a permit to appropriate water, filed with the State Water Resources Control Board on or before October 31, 2017.

(iv) Documentation submitted to the State Water Resources Control Board on or before January 1, 2019, demonstrating that the diversion is subject to subdivision (a), (c), (d), or (e) of Section 5101 of the Water Code.

(v) Documentation submitted to the State Water Resources Control Board on or before October 31, 2017, demonstrating that the diversion is authorized under a riparian right and that no diversion occurred after January 1, 2010, and before January 1, 2017. The documentation shall be submitted on or accompany a form provided by the State Water Resources Control Board and shall include all of the information outlined in subdivisions (a) to (d), inclusive, and (e) of Section 5103 of the Water Code. The documentation shall also include a general description of the area in which the water will be used in accordance with subdivision (g) of Section

5103 of the Water Code and the year in which the diversion is planned to commence.

(B) For an application submitted after December 31, 2018, the application shall include a copy of one of the following:

(i) A small irrigation use registration certificate, permit, or license issued pursuant to Part 2 (commencing with Section 1200) of Division 2 of the Water Code that covers the diversion.

(ii) A statement of water diversion and use filed with the State Water Resources Control Board that covers the diversion and specifies the amount of water used for cannabis cultivation.

(iii) Documentation submitted to the State Water Resources Control Board demonstrating that the diversion is subject to subdivision (a), (c), (d), or (e) of Section 5101 of the Water Code.

(iv) Documentation submitted to the State Water Resources Control Board demonstrating that the diversion is authorized under a riparian right and that no diversion occurred after January 1, 2010, and in the calendar year in which the application is submitted. The documentation shall be submitted on or accompany a form provided by the State Water Resources Control Board and shall include all of the information outlined in subdivisions (a) to (d), inclusive, and (e) of Section 5103 of the Water Code. The documentation shall also include a general description of the area in which the water will be used in accordance with subdivision (g) of Section 5103 of the Water Code and the year in which the diversion is planned to commence.

(3) If water will be supplied from a groundwater extraction not subject to paragraph (2), the application shall identify the location of the extraction and the maximum amount to be diverted for cannabis cultivation in any year.

(b) The ~~bureau~~ Department of Food and Agriculture shall include in any license for cultivation all of the following:

(1) Conditions requested by the Department of Fish and Wildlife and the State Water Resources Control Board to: (A) ensure that individual and cumulative effects of water diversion and discharge associated with cultivation do not affect the instream flows needed for fish spawning, migration, and rearing, and the flows needed to maintain natural flow variability; (B) ensure that cultivation does not negatively impact springs, riparian habitat, wetlands, or aquatic habitat; and (C) otherwise protect fish, wildlife, fish and wildlife habitat, and water quality. The conditions shall include, but not be limited to, the principles, guidelines, and requirements established pursuant to Section 13149 of the Water Code.

(2) Any relevant mitigation requirements the Department of Food and Agriculture has previously identified or the bureau identifies as part of its approval of the final environmental documentation for the cannabis cultivation licensing program as requirements that should be included in a license for cultivation. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the

Government Code does not apply to the identification of these mitigation measures. This paragraph does not reduce any requirements established pursuant to Division 13 (commencing with Section 21000) of the Public Resources Code.

(3) A condition that the license shall not be effective until the licensee has demonstrated compliance with Section 1602 of the Fish and Game Code or receives written verification from the Department of Fish and Wildlife that a streambed alteration agreement is not required.

(c) The ~~bureau Department of Food and Agriculture~~ shall consult with the State Water Resources Control Board and the Department of Fish and Wildlife in the implementation of this section.

(d) Notwithstanding paragraph (1) of subdivision (b), the ~~bureau Department of Food and Agriculture~~ is not responsible for verifying compliance with the conditions requested or imposed by the Department of Fish and Wildlife or the State Water Resources Control Board. The Department of Fish and Wildlife or the State Water Resources Control Board, upon finding and making the final determination of a violation of a condition included pursuant to paragraph (1) of subdivision (b), shall notify the ~~bureau Department of Food and Agriculture~~, which may take appropriate action with respect to the licensee in accordance with Chapter 3 (commencing with Section 26030).

Section 26061 is amended to read:

(a) The state cultivator license types to be issued ~~by the Department of Food and Agriculture~~ under this division shall include all of the following:

(1) Type 1, or "specialty outdoor," for outdoor cultivation using no artificial lighting of less than or equal to 5,000 square feet of total canopy size on one premises, or up to 50 mature plants on noncontiguous plots.

(2) Type 1A, or "specialty indoor," for indoor cultivation using exclusively artificial lighting of between 501 and 5,000 square feet of total canopy size on one premises.

(3) Type 1B, or "specialty mixed-light," for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, of between 2,501 and 5,000 square feet of total canopy size on one premises.

(4) Type 1C, or "specialty cottage," for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, of 2,500 square feet or less of total canopy size for mixed-light cultivation, 2,500 square feet or less of total canopy size for outdoor cultivation with the option to meet an alternative maximum threshold to be determined by the licensing authority of up to 25 mature plants for outdoor cultivation, or 500 square feet or less of total canopy size for indoor cultivation, on one premises.

- (5) Type 2, or "small outdoor," for outdoor cultivation using no artificial lighting between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.
- (6) Type 2A, or "small indoor," for indoor cultivation using exclusively artificial lighting between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.
- (7) Type 2B, or "small mixed-light," for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.
- (8) Type 3, or "outdoor," for outdoor cultivation using no artificial lighting from 10,001 square feet to one acre, inclusive, of total canopy size on one premises. ~~The Department of Food and Agriculture shall~~ bureau may limit the number of licenses allowed of this type.
- (9) Type 3A, or "indoor," for indoor cultivation using exclusively artificial lighting between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises. ~~The Department of Food and Agriculture shall~~ bureau may limit the number of licenses allowed of this type.
- (10) Type 3B, or "mixed-light," for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises. ~~The Department of Food and Agriculture shall~~ bureau may limit the number of licenses allowed of this type.
- (11) Type 4, or "nursery," for cultivation of cannabis solely as a nursery.
- (b) Except as otherwise provided by law:
- (1) Type 5, or "outdoor," means for outdoor cultivation using no artificial lighting greater than one acre, inclusive, of total canopy size on one premises.
- (2) Type 5A, or "indoor," means for indoor cultivation using exclusively artificial lighting greater than 22,000 square feet, inclusive, of total canopy size on one premises.
- (3) Type 5B, or "mixed-light," means for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, greater than 22,000 square feet, inclusive, of total canopy size on one premises.
- (c) No Type 5, Type 5A, or Type 5B cultivation licenses may be issued before January 1, 2023.
- (d) Commencing on January 1, 2023, a Type 5, Type 5A, or Type 5B licensee may apply for and hold a Type 6 or Type 7 license and apply for and hold a Type 10 license. A Type 5, Type 5A, or Type 5B licensee shall not be eligible to apply for or hold a Type 8, Type 11, or Type 12 license.

Section 26062 is amended to read:

(a) (1) No later than January 1, 2021, the Department of Food and Agriculture shall establish a program for cannabis that is comparable to the National Organic Program (Section 6517 of the federal Organic Foods Production Act of 1990 (7 U.S.C. Sec. 6501 et seq.)), and the California Organic Food and Farming Act (Chapter 10 (commencing with Section 46000) of Division 17 of the Food and Agricultural Code) and Article 7 (commencing with Section 110810) of Chapter 5 of Part 5 of Division 104 of the Health and Safety Code.

(2) No later than July 1, 2021, the State Department of Public Health shall establish a certification program for manufactured cannabis products that is comparable to the National Organic Program (Section 6517 of the federal Organic Foods Production Act of 1990 (7 U.S.C. Sec. 6501 et seq.)), the California Organic Food and Farming Act (Chapter 10 (commencing with Section 46000) of Division 17 of the Food and Agricultural Code), and Article 7 (commencing with Section 110810) of Chapter 5 of Part 5 of Division 104 of the Health and Safety Code. For purposes of administering this section, the State Department of Public Health shall be exempt from the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(b) If at any time preceding or following the establishment of a program pursuant to subdivision (a), the National Organic Program (Section 6517 of the federal Organic Foods Production Act of 1990 (7 U.S.C. Sec. 6501 et seq.)) authorizes organic designation and certification for cannabis, this section shall become inoperative and, as of January 1, of the following year, is repealed.

(c)The bureau may adopt any program and regulations established under this section by the Department of Food and Agriculture or State Department of Public Health and make future amendments to such programs or regulations; the adoption of such existing programs or regulations without substantive change shall be exempt from the Administrative Procedure Act referenced in this section.

Section 26062.5 is amended to read:

A person shall not represent, sell, or offer for sale any cannabis or cannabis product as organic except in accordance with the National Organic Program (Section 6517 of the federal Organic Foods Production Act of 1990 (7 U.S.C. Sec. 6501 et seq.)), if applicable. A person shall not represent, sell, or offer for sale any cannabis or cannabis product with the designation or certification previously established by the Department of Food and Agriculture or the State Department of Public Health or adopted by the bureau pursuant to subdivision (a) of Section 26062 except in accordance with that subdivision.

Section 26063 is amended to read:

(a) (1) No later than January 1, 2018, the Department of Food and Agriculture shall establish standards by which a licensed cultivator may designate a county, city, or city and county of origin for cannabis. To be eligible for the designation, 100

percent of the cannabis shall be produced within the designated county, city, or city and county, as defined by finite political boundaries.

(2) Cannabis shall not be advertised, marketed, labeled, or sold as produced in a California county, city, or city and county, including any similar name that is likely to mislead consumers as to the kind of cannabis, when the cannabis was not produced in that county, city, or city and county.

(3) The name of a California county, city, or city and county, including any similar name that is likely to mislead consumers as to the kind of cannabis contained in the product, shall not be used in the advertising, labeling, marketing, or packaging of cannabis products unless 100 percent of the cannabis contained in the product was produced in that county, city, or city and county.

(b) (1) No later than January 1, 2021, the Department of Food and Agriculture shall establish a process by which licensed cultivators may establish appellations of origin, including standards, practices, and cultivars applicable to cannabis produced in a certain geographical area in California, not otherwise specified in subdivision (a).

(2) Cannabis shall not be advertised, marketed, labeled, or sold using an appellation of origin established pursuant to paragraph (1), including any similar name that is likely to mislead consumers as to the kind of cannabis, unless the cannabis meets the appellation of origin requirements for, and was produced in, the geographical area.

(3) An appellation of origin established pursuant to this subdivision, including any similar name that is likely to mislead consumers as to the kind of cannabis contained in a product, shall not be used in the advertising, labeling, marketing, or packaging of a cannabis product unless 100 percent of the cannabis contained in the product meets the appellation of origin requirements and was produced in the geographical area.

(c) An appellation of origin shall not be approved unless it requires the practice of planting in the ground in the canopy area and excludes the practices of using structures, including a greenhouse, hoop house, glasshouse, conservatory, hothouse, and any similar structure, and any artificial light in the canopy area.

(d)The bureau may adopt any program and regulations established under this section by the Department of Food and Agriculture and make future amendments to such programs or regulations; such adoption or amendments shall be exempt from the Administrative Procedure Act referenced in this section

Section 26067 is amended to read:

(a) The department, in consultation with the bureau, shall establish a track and trace program for reporting the movement of cannabis and cannabis products throughout the distribution chain that utilizes a unique identifier pursuant to Section 26069, secure packaging, and is capable of providing information that captures, at a minimum, all of the following:

- (1) The licensee receiving the product.
 - (2) The transaction date.
 - (3) The cultivator from which the product originates, including the associated unique identifier pursuant to Section 26069.
- (b) (1) The department, in consultation with the California Department of Tax and Fee Administration, shall create an electronic database containing the electronic shipping manifests to facilitate the administration of the track and trace program, which shall include, but not be limited to, the following information:
- (A) The variety and quantity or weight of products shipped.
 - (B) The estimated times of departure and arrival.
 - (C) The variety and quantity or weight of products received.
 - (D) The actual time of departure and arrival.
 - (E) A categorization of the product.
 - (F) The license number and the unique identifier pursuant to Section 26069 issued by the licensing authority for all licensees involved in the shipping process, including, but not limited to, cultivators, manufacturers, distributors, and dispensaries.
- (2) (A) The database shall be designed to flag irregularities for all licensing authorities in this division to investigate. All licensing authorities pursuant to this division may access the database and share information related to licensees under this chapter, including social security and individual taxpayer identifications notwithstanding Section 30.
- (B) The department shall immediately inform the bureau upon the finding of an irregularity or suspicious finding related to a licensee, applicant, or commercial cannabis activity for investigatory purposes.
- (3) Licensing authorities ~~and state and local agencies~~ may, at any time, inspect shipments and request documentation for current inventory.
- (4) The bureau shall have 24-hour access to the electronic database administered by the department. The California Department of Tax and Fee Administration shall have read access to the electronic database for the purpose of taxation and regulation of cannabis and cannabis products.
- (5) The department shall be authorized to enter into memoranda of understandings with licensing authorities for data sharing purposes, as deemed necessary by the department.
- (6) Information received and contained in records kept by the department or licensing authorities for the purposes of administering this chapter are confidential and shall not be disclosed pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), except as necessary for authorized employees of the State of California or any city, county, or city and county to perform official duties pursuant to this division ~~or a local ordinance~~.

~~(7) Upon the request of a state or local law enforcement agency, licensing authorities shall allow access to or provide information contained within the database to assist law enforcement in their duties and responsibilities pursuant to this division.~~

Section 26068 is amended to read:

~~(a) The department, in consultation with the bureau and the California Department of Tax and Fee Administration, shall ensure that the track and trace program can also track and trace the amount of the cultivation tax due pursuant to Part 14.5 (commencing with Section 34010) of Division 2 of the Revenue and Taxation Code.~~

The track and trace program shall include an electronic seed to sale software tracking system with data points for the different stages of commercial activity, including, but not limited to, cultivation, harvest, processing, distribution, inventory, and sale.

(b) The department, in consultation with the bureau, shall ensure that licensees under this division are allowed to use third-party applications, programs, and information technology systems to comply with the requirements of the expanded track and trace program described in subdivision (a) to report the movement of cannabis and cannabis products throughout the distribution chain and communicate the information to licensing agencies as required by law.

(c) Any software, database, or other information technology system utilized by the department to implement the expanded track and trace program shall support interoperability with third-party cannabis business software applications and allow all licensee-facing system activities to be performed through a secure application programming interface (API) or comparable technology that is well documented, bi-directional, and accessible to any third-party application that has been validated and has appropriate credentials. The API or comparable technology shall have version control and provide adequate notice of updates to third-party applications. The system should provide a test environment for third-party applications to access that mirrors the production environment.

Section 26069 is amended to read:

(a) The department shall establish a Cannabis Cultivation Program to be administered by the secretary. The secretary shall administer this section as it pertains to the cultivation of cannabis. For purposes of this division, cannabis is an agricultural product.

(b) A person or entity shall not cultivate cannabis without first obtaining a state license issued by the department pursuant to this division.

(c) (1) The department, in consultation with, but not limited to, the bureau, shall implement a unique identification program for cannabis. In implementing the program, the department shall consider issues including, but not limited to, water use and environmental impacts. If the State Water Resources Control Board or the

Department of Fish and Wildlife finds, based on substantial evidence, that cannabis cultivation is causing significant adverse impacts on the environment in a watershed or other geographic area, the department shall not issue new licenses or increase the total number of plant identifiers within that watershed or area.

(2) (A) The department shall establish a program for the identification of permitted cannabis plants at a cultivation site during the cultivation period. A unique identifier shall be issued for each cannabis plant. The department shall ensure that unique identifiers are issued as quickly as possible to ensure the implementation of this division. The unique identifier shall be attached at the base of each plant or as otherwise required by law or regulation.

(B) Unique identifiers shall only be issued to those persons appropriately licensed by this section.

(C) Information associated with the assigned unique identifier and licensee shall be included in the trace and track program specified in Section 26067.

(D) The department may charge a fee to cover the reasonable costs of issuing the unique identifier and monitoring, tracking, and inspecting each cannabis plant.

(E) The department may promulgate regulations to implement this section.

(3) The department shall take adequate steps to establish protections against fraudulent unique identifiers and limit illegal diversion of unique identifiers to unlicensed persons.

~~(d) A city, county, or city and county may administer unique identifiers and associated identifying information but a city, county, or city and county's identifiers shall not supplant the department's track and trace program.~~

~~(ed)~~ (1) This section does not apply to the cultivation of cannabis in accordance with Section 11362.1 of the Health and Safety Code or the Compassionate Use Act.

(2) Subdivision (b) does not apply to persons or entities licensed under subdivision (b) of Section 26070.5.

Section 26069.5 is amended to read:

(a) A county agricultural commissioner may report to the secretary on the condition, acreage, production, and value of cannabis produced in the commissioner's county under a cultivation license issued pursuant to this division. The cannabis data may be submitted in a separate report that is similar to those reports required for agricultural products pursuant to Section 2279 of the Food and Agricultural Code. This section does not require the department to publish this report.

(b) Data on cannabis production that is included in a report pursuant to this section may be organized by categories including, but not limited to, the following:

(1) State cultivator license type, as set forth in Chapter 5 (commencing with Section 26050), and regulations adopted pursuant to that chapter.

~~(2) Local license, permit, or other authorization type, as described in Section 26200.~~

(32) Price tier, including for different strains of cannabis, different production methods, or different parts of a plant, such as flowers or leaves.

(c) A county agricultural commissioner may not seek reimbursement for expenses incurred in making a report pursuant to this section from either of the following sources:

(1) The Department of Food and Agriculture Fund.

(2) Funding that may otherwise be available for the purposes of this section from a cooperative agreement entered into pursuant to Section 2222 of the Food and Agricultural Code.

Section 26069.9 is amended to read:

For purposes of this chapter:

(a) "Department" means the bureau ~~Department of Food and Agriculture~~.

(b) "Secretary" means the Director of the Bureau ~~Secretary of Food and Agriculture~~.

Section 26070 is amended to read:

Retailers, Distributors, and Microbusinesses.

(a) State licenses to be issued by the bureau related to the sale and distribution of cannabis and cannabis products are as follows:

(1) "Retailer," for the retail sale and delivery of cannabis or cannabis products to customers. A retailer shall have a licensed premises which is a physical location from which commercial cannabis activities are conducted. A retailer's premises may be closed to the public. A retailer may conduct sales exclusively by delivery.

(2) "Distributor," for the distribution of cannabis and cannabis products. A distributor licensee shall be bonded and insured at a minimum level established by the licensing authority.

(3) (A) "Microbusiness," for the cultivation of cannabis on an area less than 10,000 square feet and to act as a licensed distributor, Level 1 manufacturer, and retailer under this division, provided such licensee can demonstrate compliance with all requirements imposed by this division on licensed cultivators, distributors, Level 1 manufacturers, and retailers to the extent the licensee engages in such activities. Microbusiness licenses that authorize cultivation of cannabis shall include the license conditions described in subdivision (b) of Section 26060.1.

(B) In coordination with each other, the licensing authorities shall establish a process by which an applicant for a microbusiness license can demonstrate compliance with all the requirements under this division for the activities that will be conducted under the license.

(C) The bureau may enter into interagency agreements with licensing authorities to implement and enforce the provisions of this division related to microbusinesses. The costs of activities carried out by the licensing authorities as requested by the bureau pursuant to the interagency agreement shall be calculated into the application and licensing fees collected pursuant to this division, and shall provide

for reimbursement to state agencies for associated costs as provided for in the interagency agreement.

(b) The bureau shall establish minimum security and transportation safety requirements for the commercial distribution and delivery of cannabis and cannabis products. Except as provided in subdivision (d) of Section 26110, the transportation of cannabis and cannabis products shall only be conducted by persons holding a distributor license under this division or employees of those persons. Transportation safety standards established by the bureau shall include, but not be limited to, minimum standards governing the types of vehicles in which cannabis and cannabis products may be distributed and delivered and minimum qualifications for persons eligible to operate such vehicles.

(c) The driver of a vehicle transporting or transferring cannabis or cannabis products shall be directly employed by a licensee authorized to transport or transfer cannabis or cannabis products.

(d) Notwithstanding any other law, all vehicles transporting cannabis and cannabis products for hire shall be required to have a valid motor carrier permit pursuant to Chapter 2 (commencing with Section 34620) of Division 14.85 of the Vehicle Code. The Department of the California Highway Patrol shall have authority over the safe operation of these vehicles, including, but not limited to, requiring licensees engaged in the transportation of cannabis or cannabis products to participate in the Basic Inspection of Terminals (BIT) program pursuant to Section 34501.12 of the Vehicle Code.

(e) Prior to transporting cannabis or cannabis products, a licensed distributor shall do both of the following:

(1) Complete an electronic shipping manifest as prescribed by the licensing authority. The shipping manifest shall include the unique identifier, pursuant to Section 26069, issued by the Department of Food and Agriculture for the original cannabis product.

(2) Securely transmit the manifest to the bureau and the licensee that will receive the cannabis product. ~~The bureau shall inform the Department of Food and Agriculture of information pertaining to commercial cannabis activity for the purpose of the track and trace program identified in Section 26067.~~

(f) During transportation, the licensed distributor shall maintain a physical copy of the shipping manifest and make it available upon request to agents of the bureau ~~Department of Consumer Affairs~~ and law enforcement officers.

(g) The licensee receiving the shipment shall maintain each electronic shipping manifest and shall make it available upon request to the Department of Consumer Affairs and any law enforcement officers.

(h) Upon receipt of the transported shipment, the licensee receiving the shipment shall submit to the licensing authority a record verifying receipt of the shipment and the details of the shipment.

(i) Transporting, or arranging for or facilitating the transport of, cannabis or cannabis products in violation of this chapter is grounds for disciplinary action against the license.

(j) Licensed retailers and microbusinesses, and licensed nonprofits under Section 26070.5, shall implement security measures reasonably designed to prevent unauthorized entrance into areas containing cannabis or cannabis products and theft of cannabis or cannabis products from the premises. These security measures shall include, but not be limited to, all of the following:

(1) Prohibiting individuals from remaining on the licensee's premises if they are not engaging in activity expressly related to the operations of the retailer.

(2) Establishing limited access areas accessible only to authorized personnel.

(3) Other than limited amounts of cannabis used for display purposes, samples, or immediate sale, storing all finished cannabis and cannabis products in a secured and locked room, safe, or vault, and in a manner reasonably designed to prevent diversion, theft, and loss.

(k) A retailer shall notify the licensing authority and the appropriate law enforcement authorities within 24 hours after discovering any of the following:

(1) Significant discrepancies identified during inventory. The level of significance shall be determined by the bureau.

(2) Diversion, theft, loss, or any criminal activity pertaining to the operation of the retailer.

(3) Diversion, theft, loss, or any criminal activity by any agent or employee of the retailer pertaining to the operation of the retailer.

(4) The loss or unauthorized alteration of records related to cannabis or cannabis products, registered qualifying patients, primary caregivers, or retailer employees or agents.

(5) Any other breach of security.

(l) Beginning January 1, 2018, a licensee may sell cannabis or cannabis products that have not been tested for a limited and finite time as determined by the bureau. The cannabis or cannabis products must have a label affixed to each package containing the cannabis or cannabis products that clearly states "This product has not been tested as required by the Medicinal and Adult-Use Cannabis Regulation and Safety Act" and must comply with any other requirement as determined by the bureau.

Section 26070.5 is amended to read:

(a) The bureau shall, by January 1, 2020, and every three years thereafter, investigate the feasibility of creating, continuing or amending one or more classifications of nonprofit licenses under this section. The feasibility determination shall be made in consultation with the relevant licensing agencies ~~and representatives of local jurisdictions which issue temporary licenses pursuant to~~

~~subdivision (b).~~ The bureau shall consider factors including, but not limited to, the following:

(1) Should nonprofit licensees be exempted from any or all state taxes, licensing fees, and regulatory provisions applicable to other licenses in this division?

(2) Should funding incentives be created to encourage others licensed under this division to provide professional services at reduced or no cost to nonprofit licensees?

(3) Should nonprofit licenses be limited to, or prioritize those, entities previously operating on a not-for-profit basis primarily providing whole-plant cannabis and cannabis products and a diversity of cannabis strains and seed stock to low-income persons?

(b) The Controller shall include in its determination of the "reasonable costs incurred by the bureau" for implementing and administering this Division under section 34019(a)(2) of the Revenue and Taxation Code the costs of these triennial studies, provided however that if the study is not completed within the three years following its inclusion, the funds shall either be returned to the Controller or offset the next fiscal year's "reasonable costs".

~~(b) Any local jurisdiction may issue temporary local licenses to nonprofit entities primarily providing whole-plant cannabis and cannabis products and a diversity of cannabis strains and seed stock to low-income persons so long as the local jurisdiction does all of the following:~~

~~(1) Confirms the license applicant's status as a nonprofit entity registered with the California Attorney General's Registry of Charitable Trusts and that the applicant is in good standing with all state requirements governing nonprofit entities.~~

~~(2) Licenses and regulates any such entity to protect public health and safety, and so as to require compliance with all environmental requirements in this division.~~

~~(3) Provides notice to the bureau of any such local licenses issued, including the name and location of any such licensed entity and all local regulations governing the licensed entity's operation.~~

~~(4) Certifies to the bureau that any such licensed entity will not generate annual gross revenues in excess of two million dollars (\$2,000,000).~~

~~(c) Temporary local licenses authorized under subdivision (b) shall expire after 12 months unless renewed by the local jurisdiction.~~

~~(d) The bureau may impose reasonable additional requirements on the local licenses authorized under subdivision (b).~~

~~(e) (1) New temporary local licenses shall not be issued pursuant to this section after the date the bureau determines that creation of nonprofit licenses under this division is not feasible, or if the bureau determines that creation of nonprofit licenses under this division is feasible, after the date a licensing agency commences issuing state nonprofit licenses.~~

~~(2) If the bureau determines that creation of nonprofit licenses under this division is feasible, no temporary license issued under subdivision (b) shall be renewed or~~

~~extended after the date on which a licensing agency commences issuing state nonprofit licenses.~~

~~(3) If the bureau determines that creation of nonprofit licenses under this division is not feasible, the bureau shall provide notice of this determination to all local jurisdictions that have issued temporary licenses under subdivision (b). The bureau may, in its discretion, permit any such local jurisdiction to renew or extend on an annual basis any temporary license previously issued under subdivision (b).~~

Section 26071 is amended to read:

(a) To provide access to medicinal cannabis patients who have difficulty accessing cannabis or cannabis products, a licensee that is authorized to make retail sales may provide free cannabis or cannabis products if all of the following criteria are met:

(1) Free cannabis or cannabis products are provided only to a medicinal cannabis patient or the patient's primary caregiver. For purposes of this section, "medicinal cannabis patient" includes a qualified patient, as defined under Section 11362.7 of the Health and Safety Code, or a person in possession of a valid identification card issued under Section 11362.71 of the Health and Safety Code, or other indicia identified in Revenue and Taxation Code section 34010, subdivision (u).

(2) (A) A licensed retailer providing medicinal cannabis or medicinal cannabis products pursuant to this section to a qualified patient, as defined under Section 11362.7 of the Health and Safety Code, that possesses a valid physician's recommendation, shall ensure that the physician is in good standing by following the procedures described in subparagraph (B) before providing the qualified patient with any medicinal cannabis or medicinal cannabis products that a cultivator certified were for donation pursuant to Section 34012.1 of the Revenue and Taxation Code or that are exempt from the use tax pursuant to Section 6414 of the Revenue and Taxation Code.

(B) In order to verify the physician's recommendation, the licensed retailer shall do all of the following:

(i) Verify with the Medical Board of California, the Osteopathic Medical Board of California, and the California Board of Podiatric Medicine that the attending physician has a license in good standing to practice medicine or osteopathy in the state.

(ii) Keep a copy of the patient's or primary caregiver's driver's license or other government issued identification.

(3) Except as provided for under Section 34012.1 of the Revenue and Taxation Code, the cannabis or cannabis products comply with all applicable requirements for cultivation, manufacture, distribution, processing, storing, laboratory testing, packaging, labeling, transportation, delivery, or donation under this division.

(4) A licensee intending to donate the cannabis or cannabis products shall designate the cannabis or cannabis products for donation in the track and trace system. If a

cultivator certified that the cannabis or cannabis products are designated for donation to medicinal cannabis patients pursuant to Section 34012.1 of the Revenue and Taxation Code, a licensee shall not change that designation pursuant to subdivision (b) of Section 34012.1 of the Revenue and Taxation Code.

(5) Before being provided to the patient or primary caregiver, the cannabis or cannabis products have been properly recorded in the track and trace system as belonging to the retailer.

(6) The cannabis or cannabis products provided to a medicinal cannabis patient or the primary caregiver of the patient in a single day shall not exceed the possession limits prescribed by Section 11362.77 of the Health and Safety Code.

(7) The event shall be properly recorded in the retailer's inventory records and the track and trace system. The retailer shall include in its inventory records for each medicinal cannabis patient the number of an identification card issued pursuant to Article 2.5 (commencing with Section 11362.7) of Chapter 6 of Division 10 of the Health and Safety Code or a copy of the physician's recommendation or the other indicia identified in Revenue and Taxation Code section 34010, subdivision (u) for no less than four years. If the medicinal cannabis patient is a qualified patient, as defined under Section 11362.7 of the Health and Safety Code, that possesses a valid physician's recommendation, or other indicia identified in Revenue and Taxation Code section 34010, subdivision (u) the retailer shall certify in writing that they verified the recommendation pursuant to paragraph (2) and shall keep a copy of that certification for no less than seven years.

(8) A licensed retailer that donates medicinal cannabis or medicinal cannabis products shall note the donation in their sales invoice or receipt pursuant to Section 26161 of the Business and Professions Code.

(b) In addition to the provision of free cannabis or cannabis products in subdivision (a), a licensee that is authorized to make retail sales may donate cannabis or cannabis products and the use of equipment in compliance with any compassionate use, equity, or other similar program administered by a local jurisdiction.

(c) A licensee that is authorized to make retail sales may contract with an individual or organization to coordinate the provision of free medicinal cannabis or medicinal cannabis products on the retailer's premises. Licensed retailers that are solely authorized to engage in retail sales by means of delivery may provide free medicinal cannabis or medicinal cannabis products by means of delivery.

(d) This section shall become operative upon completion of the necessary changes to the track and trace program in order to implement the act adding this section, as determined by the Department of Food and Agriculture, or on March 1, 2020, whichever occurs first.

Section 26090 is amended to read:

(a) Deliveries, as defined in this division, may only be made by a licensed retailer or microbusiness, or a licensed nonprofit under Section 26070.5.

(b) All employees of a retailer, microbusiness, or nonprofit delivering cannabis or cannabis products shall carry a copy of the licensee's current license and a government-issued identification with a photo of the employee, such as a driver's license. The employee shall present that license and identification upon request to state and local law enforcement, employees of regulatory authorities, and other state and local agencies enforcing this division.

(c) During delivery, the licensee shall maintain a copy of the delivery request and shall make it available upon request of the licensing authority and law enforcement officers. The delivery request documentation shall comply with state and federal law regarding the protection of confidential medical information.

(d) A customer requesting delivery shall maintain a physical or electronic copy of the delivery request and shall make it available upon request by the licensing authority and law enforcement officers.

(e) A local jurisdiction shall not prevent delivery of cannabis or cannabis products on public roads by a licensee acting in compliance with this division, regardless of whether the delivery is from a cannabis delivery service located in the local jurisdiction or elsewhere in the State. ~~and local law as adopted under Section 26200.~~

(f) No City or County, or City and County, nor any other state governmental entity or subdivision shall prevent or impede any lawfully licensed cannabis business from using any public road to deliver or transport cannabis or for any other lawful purpose.

Section 26105 is amended to read:

Manufacturing Level 2 licensees shall enact sufficient methods or procedures to capture or otherwise limit risk of explosion, combustion, or any other unreasonably dangerous risk to public safety created by volatile solvents. ~~The State Department of Public Health~~ bureau shall establish minimum standards concerning such methods and procedures for Level 2 licensees.

Section 26106 is amended to read:

Standards for the production, packaging, and labeling of all cannabis products developed by the State Department of Public Health, as adopted or amended by the bureau apply to all licensed manufacturers and microbusinesses, and nonprofits licensed under Section 26070.5, unless otherwise specified by the bureau ~~State Department of Public Health~~.

Section 26120 is amended to read:

(a) Prior to delivery or sale at a retailer, cannabis and cannabis products shall be labeled and placed in a resealable, tamper-evident, child-resistant package and shall include a unique identifier for the purposes of identifying and tracking cannabis and cannabis products.

(b) Packages and labels shall not be made to be attractive to children.

(c) ~~All~~ cannabis and cannabis product labels and inserts shall include the following information prominently displayed in a clear and legible fashion in accordance with the requirements, including font size, prescribed by the bureau ~~or the State Department of Public Health~~:

(1) The following statements, in bold print:

(A) For cannabis: "GOVERNMENT WARNING: THIS PACKAGE CONTAINS CANNABIS, A SCHEDULE I CONTROLLED SUBSTANCE. KEEP OUT OF REACH OF CHILDREN AND ANIMALS. CANNABIS MAY ONLY BE POSSESSED OR CONSUMED BY PERSONS 21 YEARS OF AGE OR OLDER UNLESS THE PERSON IS A QUALIFIED PATIENT. CANNABIS USE WHILE PREGNANT OR BREASTFEEDING MAY BE HARMFUL. CONSUMPTION OF CANNABIS IMPAIRS YOUR ABILITY TO DRIVE AND OPERATE MACHINERY. PLEASE USE EXTREME CAUTION."

(B) For cannabis products: "GOVERNMENT WARNING: THIS PRODUCT CONTAINS CANNABIS, A SCHEDULE I CONTROLLED SUBSTANCE. KEEP OUT OF REACH OF CHILDREN AND ANIMALS. CANNABIS PRODUCTS MAY ONLY BE POSSESSED OR CONSUMED BY PERSONS 21 YEARS OF AGE OR OLDER UNLESS THE PERSON IS A QUALIFIED PATIENT. THE INTOXICATING EFFECTS OF CANNABIS PRODUCTS MAY BE DELAYED UP TO TWO HOURS. CANNABIS USE WHILE PREGNANT OR BREASTFEEDING MAY BE HARMFUL. CONSUMPTION OF CANNABIS PRODUCTS IMPAIRS YOUR ABILITY TO DRIVE AND OPERATE MACHINERY. PLEASE USE EXTREME CAUTION."

(2) For packages containing only dried flower, the net weight of cannabis in the package.

(3) Identification of the source and date of cultivation, the type of cannabis or cannabis product and the date of manufacturing and packaging.

(4) The appellation of origin, if any.

(5) List of pharmacologically active ingredients, including, but not limited to, tetrahydrocannabinol (THC), cannabidiol (CBD), and other cannabinoid content, the THC and other cannabinoid amount in milligrams per serving, servings per package, and the THC and other cannabinoid amount in milligrams for the package total.

(6) A warning if nuts or other known allergens are used.

(7) Information associated with the unique identifier issued by ~~the Department of Food and Agriculture~~, the bureau.

(8) For a medicinal cannabis product sold at a retailer, the statement "FOR MEDICAL USE ONLY."

(9) Any other requirement set by the bureau ~~or the State Department of Public Health~~.

(d) Only generic food names may be used to describe the ingredients in edible cannabis products.

(e) In the event the Attorney General determines that cannabis is no longer a Schedule I controlled substance under federal law, the label prescribed in

subdivision (c) shall no longer require a statement that cannabis is a Schedule I controlled substance.

26130.

(a) The bureau ~~State Department of Public Health~~ shall promulgate or adopt existing regulations governing the licensing of cannabis manufacturers and standards for the manufacturing, packaging, and labeling of all manufactured cannabis products. Licenses to be issued are as follows:

(1) "Manufacturing Level 1," for sites that manufacture cannabis products using nonvolatile solvents, or no solvents.

(2) "Manufacturing Level 2," for sites that manufacture cannabis products using volatile solvents.

(b) For purposes of this section, "volatile solvents" shall have the same meaning as in paragraph (3) of subdivision (b) of Section 11362.3 of the Health and Safety Code, unless otherwise provided by law or regulation.

(c) Edible cannabis products shall be:

(1) Not designed to be appealing to children or easily confused with commercially sold candy or foods that do not contain cannabis.

(2) Produced and sold with a standardized concentration of cannabinoids not to exceed 10 milligrams tetrahydrocannabinol (THC) per serving.

(3) Delineated or scored into standardized serving sizes if the cannabis product contains more than one serving and is an edible cannabis product in solid form.

(4) Homogenized to ensure uniform disbursement of cannabinoids throughout the product.

(5) Manufactured and sold under sanitation standards established by the bureau ~~State Department of Public Health~~, in consultation with the bureau, that are similar to the standards for preparation, storage, handling, and sale of food products.

(6) Provided to customers with sufficient information to enable the informed consumption of the product, including the potential effects of the cannabis product and directions as to how to consume the cannabis product, as necessary.

(7) Marked with a universal symbol, as determined by the bureau ~~State Department of Public Health~~ through regulation.

(d) Cannabis, including concentrated cannabis, included in a cannabis product manufactured in compliance with law is not considered an adulterant under state law.

Section 26132 is amended to read:

(a) When the bureau ~~State Department of Public Health~~ has evidence that a cannabis product is adulterated or misbranded, the department shall notify the manufacturer.

(b) the bureau ~~State Department of Public Health~~ may order a manufacturer to immediately cease distribution of a cannabis product and recall the product if the department determines both of the following:

(1) The manufacture, distribution, or sale of the cannabis product creates or poses an immediate and serious threat to human life or health.

(2) Other procedures available to the bureau ~~State Department of Public Health~~ to remedy or prevent the occurrence of the situation would result in an unreasonable delay.

(c) the bureau ~~State Department of Public Health~~ shall provide the manufacturer an opportunity for an informal proceeding on the matter, as determined by the department, within five days, on the actions required by the order and on why the product should not be recalled. Following the proceeding, the order shall be affirmed, modified, or set aside as determined appropriate by the bureau ~~State Department of Public Health~~.

(d) the bureau ~~State Department of Public Health~~'s powers set forth in this section expressly include the power to order movement, segregation, isolation, or destruction of cannabis products, as well as the power to hold those products in place.

(e) If the bureau ~~State Department of Public Health~~ determines it is necessary, it may issue the mandatory recall order and may use all appropriate measures to obtain reimbursement from the manufacturer for any and all costs associated with these orders. All funds obtained by the bureau ~~State Department of Public Health~~ from these efforts shall be deposited into a fee account specific to the State bureau ~~State Department of Public Health~~, to be established in the Cannabis Control Fund, and will be available for use by the bureau ~~department~~ upon appropriation by the Legislature.

(f) It is unlawful for any person to move or allow to be moved a cannabis product subject to an order issued pursuant to this section unless that person has first obtained written authorization from the bureau ~~State Department of Public Health~~.

Section 26133 is amended to read:

(a) If the bureau ~~State Department of Public Health~~ finds or has probable cause to believe that a cannabis product is adulterated or misbranded within the meaning of this division or the sale of the cannabis product would be in violation of this division, the department shall affix to the cannabis product, or component thereof, a tag or other appropriate marking. the bureau ~~State Department of Public Health~~ shall give notice that the cannabis product is, or is suspected of being, adulterated or misbranded, or the sale of the cannabis would be in violation of this division and has been embargoed and that no person shall remove or dispose of the cannabis product by sale or otherwise until permission for removal or disposal is given by the bureau ~~State Department of Public Health~~ or a court.

(b) It is unlawful for a person to remove, sell, or dispose of a detained or embargoed cannabis product without written permission of the bureau ~~State Department of Public Health~~ or a court. A violation of this subdivision is punishable by a fine of not more than ten thousand dollars (\$10,000).

(c) If the adulteration or misbranding can be corrected by proper labeling or additional processing of the cannabis product and all of the provisions of this division can be complied with, the licensee or owner may request the bureau ~~State Department of Public Health~~ to remove the tag or other marking. If, under the supervision of the bureau ~~State Department of Public Health~~, the adulteration or misbranding has been corrected, the department may remove the tag or other marking.

(d) If the bureau ~~State Department of Public Health~~ finds that a cannabis product that is embargoed is not adulterated or misbranded, or that its sale is not otherwise in violation of this division, the bureau ~~State Department of Public Health~~ may remove the tag or other marking.

(e) The cannabis product may be destroyed by the owner pursuant to a corrective action plan approved by the bureau ~~State Department of Public Health~~ and under the supervision of the bureau department. The cannabis product shall be destroyed at the expense of the licensee or owner. In the alternative, the bureau may permit the cannabis product to be remediated so that it may be lawfully sold by one or more licensed cannabis retailers, or donated to a medical cannabis dispensary for distribution to its patients.

(f) A proceeding for condemnation of a cannabis product under this section shall be subject to appropriate notice to, and the opportunity for a hearing with regard to, the person affected in accordance with Section 26016.

(g) Upon a finding by the administrative law judge that the cannabis product is adulterated or misbranded, or that its sale is otherwise in violation of this division, the administrative law judge may direct the cannabis product to be destroyed or remediated under subdivision (e) and (h) of this section at the expense of the licensee or owner. The administrative law judge may also direct a licensee or owner of the affected cannabis product to pay fees and reasonable costs, including the costs of storage and testing, incurred by the bureau ~~or the State Department of Public Health~~ in investigating and prosecuting the action taken pursuant to this section.

(h) When, under the supervision of the bureau ~~State Department of Public Health~~, the adulteration or misbranding has been corrected by proper labeling or additional processing of the cannabis and cannabis product and when all provisions of this division have been complied with, and after costs, fees, and expenses have been paid, the bureau ~~State Department of Public Health~~ may release the embargo and remove the tag or other marking.

(i) the bureau ~~State Department of Public Health~~ may condemn a cannabis product under provisions of this division. The cannabis product shall be destroyed or

remediated under subdivision (e), (g) and (h) of this section at the expense of the licensee or owner.

Section 26134 is amended to read:

(a) The bureau ~~State Department of Public Health~~ may issue a citation, which may contain an order of abatement and an order to pay an administrative fine assessed by the department if the licensee is in violation of this division or any regulation adopted pursuant to it.

(1) Citations shall be in writing and shall describe with particularity the nature of the violation, including specific reference to the law determined to have been violated.

(2) If appropriate, the citation shall contain an order of abatement fixing a reasonable time for abatement of the violation.

(3) The administrative fine assessed by the bureau ~~State Department of Public Health~~ shall not exceed five thousand dollars (\$5,000) for each violation, unless a different fine amount is expressly provided by this division. In assessing a fine, the department shall give due consideration to the appropriateness of the amount of the fine with respect to factors such as the gravity of the violation, the good faith of the licensee, and the history of previous violations.

(4) A citation issued or a fine assessed pursuant to this section shall notify the licensee that if the licensee desires a hearing to contest the finding of a violation, that bureau ~~State Department of Public Health~~ hearing shall be requested by written notice to the bureau ~~State Department of Public Health~~ within 30 days of the date of issuance of the citation or fine. If a hearing is not requested pursuant to this section, payment of any fine shall not constitute an admission of the violation charged. Hearings shall be held pursuant to Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

(5) Failure of a licensee to pay a fine within 30 days of the date of assessment of the fine, unless assessment of the fine or the bureau's citation ~~State Department of Public Health~~ is being appealed, may result in further legal action being taken by the bureau ~~State Department of Public Health~~. If a licensee does not contest a citation or pay the fine, the full amount of the fine shall be added to the fee for renewal of the license. A license shall not be renewed without payment of the renewal fee, including the amount of the fine.

(6) A citation may be issued without the assessment of an administrative fine.

(7) The bureau ~~State Department of Public Health~~ may limit the assessment of administrative fines to only particular violations of this division and establish any other requirement for implementation of the citation system by regulation.

(b) Notwithstanding any other law, if a fine is paid to satisfy an assessment based on the finding of a violation, payment of the fine shall be represented as satisfactory resolution of the matter for purposes of public disclosure.

Section 26135 is amended to read:

A peace officer, including a peace officer within the ~~State Department of Public Health or the~~ bureau, may seize cannabis and cannabis products in any of the following circumstances:

- (a) The cannabis or cannabis product is subject to recall or embargo by any licensing authority.
- (b) The cannabis or cannabis product is subject to destruction or donation pursuant to this division.
- (c) The cannabis or cannabis product is seized related to an investigation or disciplinary action for violation of this division.

Section 26162.5 is amended to read:

- (a) Identification cards issued pursuant to Section 11362.71 of the Health and Safety Code or any of the indicia in Revenue and Taxation Code section 30401, subdivision (u) are hereby deemed "medical information" within the meaning of the Confidentiality of Medical Information Act (Part 2.6 (commencing with Section 56) of Division 1 of the Civil Code) and shall not be disclosed by a licensee except as (1) necessary for the State of California or any county to perform official duties pursuant to this chapter, Part 1 (commencing with Section 6001) and Part 14.5 (commencing with Section 34010) of Division 2 of the Revenue and Taxation Code, or a local ordinance, or (2) to a contractor providing software services to a licensee for the purpose of conducting a transaction or verifying eligibility, provided that the contractor does not use or retain medical information for any other purpose or share information with any party other than the contracting licensee.
- (b) Information contained in a physician's recommendation issued in accordance with Article 25 (commencing with Section 2525) of Chapter 5 of Division 2 and received by a licensee, including, but not limited to, the name, address, or social security number of the patient, the patient's medical condition, or the name of the patient's primary caregiver is hereby deemed "medical information" within the meaning of the Confidentiality of Medical Information Act (Part 2.6 (commencing with Section 56) of Division 1 of the Civil Code) and shall not be disclosed by a licensee except as (1) necessary for the State of California ~~or any city, county, or city and county~~ to perform official duties pursuant to this chapter, Part 1 (commencing with Section 6001) and Part 14.5 (commencing with Section 34010) of Division 2 of the Revenue and Taxation Code, pursuant to a subpoena, warrant or court order ~~or a local ordinance~~, or (2) to a contractor providing software services to a licensee for the purpose of conducting a transaction or verifying eligibility, provided that the contractor does not use or retain medical information for any other purpose or share information with any party other than the contracting licensee.

Section 26190 is amended to read:

Beginning on March 1, 2023, and on or before March 1 of each year thereafter, each licensing authority shall prepare and submit to the Legislature an annual report on the authority's activities, in compliance with Section 9795 of the Government Code, and post the report on the authority's Internet Web site. The report shall include, but not be limited to, the following information for the previous fiscal year:

- (a) The amount of funds allocated and spent by the licensing authority for cannabis licensing, enforcement, and administration.
- (b) The number of state licenses issued, renewed, denied, suspended, and revoked, by state license category.
- (c) The average time for processing state license applications, by state license category.
- (d) The number of appeals from the denial of state licenses or other disciplinary actions taken by the licensing authority and the average time spent on these appeals.
- (e) The number of complaints submitted by citizens or representatives of cities or counties regarding licensees, provided as both a comprehensive statewide number and by geographical region.
- (f) The number and type of enforcement activities conducted by the licensing authorities and by local law enforcement agencies in conjunction with the licensing authorities.
- (g) The number, type, and amount of penalties, fines, and other disciplinary actions taken by the licensing authorities.
- (h) A detailed list of the petitions for regulatory relief or rulemaking changes received by the licensing authorities from licensees requesting modifications of the enforcement of rules under this division.
- (i) (1) For the first publication of the reports, the licensing authorities shall provide a joint report to the Legislature regarding the state of the cannabis market in California. This report shall identify any statutory or regulatory changes necessary to ensure that the implementation of this division does not do any of the following:
 - (A) Allow unreasonable restraints on competition by creation or maintenance of unlawful monopoly power.
 - (B) Perpetuate the presence of an illegal market for cannabis or cannabis products in the state or out of the state.
 - (C) Encourage underage use or adult abuse of cannabis or cannabis products, or illegal diversion of cannabis or cannabis products out of the state.
 - (D) Result in an excessive concentration or insufficient numbers of concentrations of licensees in a given city, county, or both.
 - (E) Present an unreasonable risk of minors being exposed to cannabis or cannabis products.
 - (F) Result in violations of any environmental protection laws.

(2) For purposes of this subdivision, "excessive concentration or insufficient numbers of concentrations" means when the premises for a retail license, microbusiness license, or a license issued under Section 26070.5 is located in an area ~~where either of the following conditions exist:~~ that does not meet the criteria under section 26051, subdivision (c)(2).

~~(A) The ratio of licensees number of licenses issued for retail cannabis commercial activity is less than one-sixth of the number of on-sale general license types for alcoholic beverage sales that are currently active in that jurisdiction, to population in a census tract or census division exceeds or is insufficient to the ratio of licensees to population in the county in which the census tract or census division is located, or that unless reduction of that ratio would unduly limit the development of the legal market so as to perpetuate the illegal market for cannabis or cannabis products.~~

~~(B) The ratio of retail licenses, microbusiness licenses, or licenses under Section 26070.5 to population in the census tract, division, or jurisdiction exceeds that allowable by local ordinance adopted under Section 26200.~~

Section 26200 is amended to read:

(a) (1) This division shall not be interpreted to supersede or limit the authority of a local jurisdiction to adopt and enforce local laws ordinances to regulate businesses licensed under this division, including, but not limited to, local zoning and land use requirements, business license requirements, and requirements related to reducing exposure to secondhand smoke, provided that no local ordinance or regulation or enforcement can: (i) apply solely to cannabis businesses that do not also apply to similar types of businesses or (ii) in intent, force or effect completely prohibit or unduly limit the establishment or operation of one or more types of businesses licensed under this division within the local jurisdiction.

(2) This division shall not be interpreted to supersede or limit existing local authority for law enforcement activity, enforcement of local zoning requirements or local ordinances, or enforcement of local license, permit, or other authorization requirements.provided that no local ordinance or regulation or enforcement can: (i) apply solely to cannabis businesses that do not also apply to retail off-sale liquor establishments or (ii) in intent, force or effect completely prohibit or unduly limit the establishment or operation of one or more types of businesses licensed under this division within the local jurisdiction.

(3) For purposes of this subdivision "unduly limit" means the number of licensed businesses is less than the number derived from section 26051, subdivision (c)(2).

~~(b) This division shall not be interpreted to require a licensing authority to undertake local law enforcement responsibilities, enforce local zoning requirements, or enforce local licensing, permitting, or other authorization requirements.~~

~~(c) A local jurisdiction shall notify the bureau upon revocation of any local license, permit, or authorization for a licensee to engage in commercial cannabis activity~~

~~within the local jurisdiction. Within 10 days of notification, the bureau shall inform the relevant licensing authorities. Within 60 days of being so informed by the bureau, the relevant licensing authorities shall begin the process to determine whether a license issued to the licensee should be suspended or revoked pursuant to Chapter 3 (commencing with Section 26030).~~

~~(d) For facilities issued a state license that are located within the incorporated area of a city, the city shall have full power and authority to enforce this division and the regulations promulgated by the bureau or any licensing authority, if delegated by the state. Notwithstanding Sections 101375, 101400, and 101405 of the Health and Safety Code or any contract entered into pursuant thereto, or any other law, the city shall assume complete responsibility for any regulatory function pursuant to this division within the city limits that would otherwise be performed by the county or any county officer or employee, including a county health officer, without liability, cost, or expense to the county.~~

~~(eb) (1) This division does not prohibit the issuance of a state temporary event license to a licensee authorizing onsite cannabis sales to, and consumption by, persons 21 years of age or older at a county fair event, district agricultural association event, or at another venue expressly approved by a local jurisdiction for the purpose of holding temporary events of this nature, provided that the activities, at a minimum, comply with all the following:~~

~~(2) The bureau shall adopt regulations governing the sale and use of cannabis at such temporary events. Such regulations shall to the extent practicable follow the laws and regulations governing the sale and consumption of alcohol at such events under sections 23320 and 23390 of the Business and Professions Code.~~

~~(A) The requirements of paragraphs (1) to (3), inclusive, of subdivision (gd).~~

~~(B) All participants who are engaged in the onsite retail sale of cannabis or cannabis products at the event are licensed under this division to engage in that activity.~~

~~(C) The activities are otherwise consistent with regulations promulgated and adopted by the bureau governing state temporary event licenses.~~

~~(D) A state temporary event license shall only be issued in local jurisdictions that authorize such events.~~

~~(E) A licensee who submits an application for a state temporary event license shall, 60 days before the event, provide to the bureau a list of all licensees that will be providing onsite sales of cannabis or cannabis products at the event. If any changes occur in that list, the licensee shall provide the bureau with a final updated list to reflect those changes. A person shall not engage in the onsite retail sale of cannabis or cannabis products, or in any way participate in the event, who is not included in the list, including any updates, provided to the bureau.~~

~~(2) The bureau may impose a civil penalty on any person who violates this subdivision, or any regulations adopted by the bureau governing state temporary event licenses, in an amount up to three times the amount of the license fee for each violation, consistent with Sections 26018 and 26038.~~

~~(3) The bureau may require the event and all participants to cease operations without delay if in the opinion of the bureau or local law enforcement it is necessary to protect the immediate public health and safety of the people of the state. The bureau may also require the event organizer to immediately expel from the event any participant selling cannabis or cannabis products without a license from the bureau that authorizes the participant to sell cannabis or cannabis products. If the unlicensed participant does not leave the event, the bureau may require the event and all participants to cease operations immediately.~~

~~(4) The order by the bureau for the event to cease operations pursuant to paragraph (3) does not entitle the event organizer or any participant in the event to a hearing or an appeal of the decision. Chapter 3 (commencing with Section 490) of Division 1.5 and Chapter 4 (commencing with Section 26040) of this division shall not apply to the order by the bureau for the event to cease operations pursuant to paragraph (3).~~

~~(5) The smoking of cannabis or cannabis products at temporary events authorized pursuant to this subdivision is prohibited in locations where smoking is prohibited. For purposes of this section, "smoking" has the same meaning as defined in subdivision (c) of Section 22950.5.~~

~~(fc) This division, or any regulations promulgated thereunder, shall not be deemed to limit the authority or remedies of a city, county, or city and county under any provision of law, including, but not limited to, Section 7 of Article XI of the California Constitution.~~

~~(gd) Notwithstanding paragraph (1) of subdivision (a) of Section 11362.3 of the Health and Safety Code, the bureau ~~a local jurisdiction~~ may allow for the smoking, vaporizing, and ingesting of cannabis or cannabis products on the premises of a retailer or microbusiness licensed under this division if all of the following are met:~~

~~(1) Access to the area where cannabis consumption is allowed is restricted to persons 21 years of age or older.~~

~~(2) Cannabis consumption is not visible from any public place or nonage-restricted area.~~

~~(3) Sale or consumption of alcohol or tobacco is not allowed on the premises.~~

~~(he) This division shall not be interpreted to supersede Section 6404.5 of the Labor Code.~~

Section 26201 is amended to read:

Any standards, requirements, and regulations regarding health and safety, environmental protection, testing, security, food safety, and worker protections established by the state shall be the uniform minimum standards for all licensees under this division statewide. ~~A local jurisdiction may establish additional standards, requirements, and regulations.~~

Section 26202 is repealed.

~~(a) A local jurisdiction may enforce this division and the regulations promulgated by any licensing authority if delegated the power to do so by the licensing authority.~~

~~(b) A licensing authority shall implement the delegation of enforcement authority in subdivision (a) through an agreement between the licensing authority and the local jurisdiction to which enforcement authority is to be delegated.~~

Section 26211 is repealed.

~~(a) Funds for the initial establishment and support of the regulatory activities under this division, including the public information program described in subdivision (c), and for the activities of the State Board of Equalization under Part 14.5~~

~~(commencing with Section 34010) of Division 2 of the Revenue and Taxation Code until July 1, 2017, or until the 2017 Budget Act is enacted, whichever occurs later, shall be advanced from the General Fund and shall be repaid by the initial proceeds from fees collected pursuant to this division, any rule or regulation adopted pursuant to this division, or revenues collected from the tax imposed by Sections 34011 and 34012 of the Revenue and Taxation Code, by January 1, 2025.~~

~~(1) Funds advanced pursuant to this subdivision shall be appropriated to the bureau, which shall distribute the moneys to the appropriate licensing authorities, as necessary to implement the provisions of this division, and to the State Board of Equalization, as necessary, to implement the provisions of Part 14.5 (commencing with Section 34010) of Division 2 of the Revenue and Taxation Code.~~

~~(2) Within 45 days of November 9, 2016, the date this section became operative:~~

~~(A) The Director of Finance shall determine an amount of the initial advance from the General Fund to the Cannabis Control Fund that does not exceed thirty million dollars (\$30,000,000); and~~

~~(B) There shall be advanced a sum of five million dollars (\$5,000,000) from the General Fund to the State Department of Health Care Services to provide for the public information program described in subdivision (c).~~

~~(b) Notwithstanding subdivision (a), the Legislature shall provide sufficient funds to the Cannabis Control Fund to support the activities of the bureau, state licensing authorities under this division, and the California Department of Tax and Fee Administration to support its activities under Part 14.5 (commencing with Section 34010) of Division 2 of the Revenue and Taxation Code. It is anticipated that this funding will be provided annually beginning on July 1, 2017.~~

~~(c) The State Department of Health Care Services shall establish and implement a public information program no later than September 1, 2017. This public information program shall, at a minimum, describe the provisions of the Control, Regulate and Tax Adult Use of Marijuana Act of 2016, the scientific basis for restricting access of cannabis and cannabis products to persons under the age of 21 years, describe the penalties for providing access to cannabis and cannabis products to persons under the age of 21 years, provide information regarding the~~

~~dangers of driving a motor vehicle, boat, vessel, aircraft, or other vehicle used for transportation while impaired from cannabis use, the potential harms of using cannabis while pregnant or breastfeeding, and the potential harms of overusing cannabis or cannabis products.~~

Section 6: Amendment

Pursuant to Article 2, section 10(c) of the California Constitution, this Act may be amended either by a subsequent measure submitted to a vote of the People at a statewide election; or by statute validly passed by the Legislature and signed by the Governor, but only if it passes each House by a two-thirds majority, and only to further the purposes of the Act.

Section 7: Severability

Section 6: Severability

If any provision of this measure or the application thereof to any person or circumstance is held invalid, that invalidity shall not affect other provisions or applications of the measure that can be given effect without the invalid provision or application, and to this end the provisions of this measure are severable.