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CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 266

**Introduced by Assembly Members Bonta, Cooley, Jones-Sawyer,
and Lackey
(Coauthor: Assembly Member Chiu)**

February 10, 2015

An act to amend Sections 2220.05, 2242, and 2264 of, to add Article 25 (commencing with Section 2525) to Chapter 5 of Division 2 of, and to add Chapter 3.5 (commencing with Section 19300) to Division 8 of, the Business and Professions Code, to amend and repeal Section 11362.775 of the Health and Safety Code, to add Sections 147.5 and 3094 to the Labor Code, and to add Section 2402.5 to the Vehicle Code, relating to medical cannabis.

LEGISLATIVE COUNSEL'S DIGEST

AB 266, as amended, Bonta. Medical cannabis.

(1) Existing law, the Compassionate Use Act of 1996, an initiative measure enacted by the approval of Proposition 215 at the November 6, 1996, statewide general election, authorizes the use of marijuana for medical purposes. Existing law enacted by the Legislature requires the

establishment of a program for the issuance of identification cards to qualified patients so that they may lawfully use marijuana for medical purposes, and requires the establishment of guidelines for the lawful cultivation of marijuana grown for medical use. Existing law provides for the licensure of various professions by the Department of Consumer Affairs. Existing law, the Sherman Food, Drug, and Cosmetic Law, provides for the regulation of food, drugs, devices, and cosmetics, as specified. A violation of that law is a crime.

This bill would enact the Medical Cannabis Regulation and Control Act and would establish within the office of the Governor, the Governor's Office of Medical Cannabis Regulation to coordinate and provide oversight of the licensing and regulation of various commercial cannabis activities, as defined. The bill would establish the Division of Medical Cannabis Regulation within the State Board of Equalization, for the licensure and regulation of medical cannabis dispensaries and transporters. The bill would establish the Division of Medical Cannabis Manufacturing and Testing within the State Department of Public Health for the licensing and regulation of medical cannabis manufacturers and certified testing laboratories. The bill would also require the Division of Medical Cannabis Manufacturing and Testing to set specified standards for edible cannabis products. The bill would also establish the Division of Medical Cannabis Cultivation within the Department of Food and Agriculture for the licensure and regulation of medical cannabis cultivators. The bill would set forth the duties of these various divisions. The bill would require the office, by April 1, 2016, to convene a task force to advise the office on the development of standards for the regulation of medical cannabis.

This bill would provide for the enforcement of the provisions of the act and of local ordinances relating to medical cannabis by the state and local governments and would require the office, by January 1, 2017, to develop an enforcement framework that clarifies the enforcement roles of the state and local governments. ~~The bill would provide that the director of the office and other prescribed persons employed by licensing and law enforcement authorities are peace officers for purposes of enforcing the provisions of this act.~~ The bill would specify that it does not supersede the provisions of Measure D, approved by the voters of the City of Los Angeles on the May 21, 2013, ballot and would require the State Board of Equalization to enter into a memorandum of understanding with the City of Los Angeles to establish specified protocols, including tracking medical cannabis to and from the City of

Los Angeles. The bill would exempt facilities engaged in commercial cannabis activity within the City of Los Angeles from the licensing requirements and would give the city full power and authority to enforce prescribed standards and regulations.

This bill would require, before a business granted a state license commences operation, that the business also obtain a license or permit from the local jurisdiction and would authorize the local jurisdiction to regulate commercial cannabis activity in specified ways. The bill would provide for provisional licensure to engage in commercial cannabis activity, as specified, until the state license application is either granted or denied or until July 1, 2017.

This bill would, by January 1, 2017, require the Division of Labor Standards and Enforcement to develop a certification program for cannabis employees. The bill would require, by January 1, 2019, that all persons who perform work as cannabis employees be certified or participating in an apprenticeship program, as provided.

This bill would establish the Medical Cannabis Regulation Fund and various accounts within that fund for the collection of fines and fees imposed on the licensees conducting commercial cannabis activities.

(2) Existing law establishes the Division of Apprenticeship Standards, which audits and regulates apprenticeship programs for various trades, including electricians.

This bill would require the division to investigate, approve, or reject applications for apprenticeship employees of a licensed cultivation site or a licensed dispensing facility, as defined.

(3) Existing law, the Medical Practice Act, provides for the licensure and regulation of physicians and surgeons by the Medical Board of California. Existing law requires the board to prioritize investigations and prosecutions of physicians and surgeons representing the greatest threat of harm, as specified. Existing law identifies the cases that are to be given priority, which include cases of repeated acts of excessively prescribing, furnishing, or administering controlled substances without a good faith prior examination of the patient. Existing law sets forth the conduct that would constitute unprofessional conduct for a physician and surgeon, including, but not limited to, prescribing certain drugs without an appropriate examination or medical indication. Existing law provides that a violation of the Medical Practice Act is a crime.

This bill would require the board to consult with the Center for Medicinal Cannabis Research on developing and adopting medical guidelines for the appropriate administration and use of marijuana.

The bill would also make it a misdemeanor for a physician and surgeon who recommends marijuana to a patient for a medical purpose to accept, solicit, or offer any remuneration from or to a licensed dispensing facility in which the physician and surgeon or his or her immediate family has a financial interest. By creating a new crime, the bill would impose a state-mandated local program.

This bill would specify that recommending marijuana to patients without an appropriate prior examination and a medical indication is unprofessional conduct. The bill would provide that specified acts of recommending marijuana for medical purposes without a good faith examination are among the types of cases that should be given priority for investigation and prosecution by the board, as described above. The bill would further prohibit a physician and surgeon from recommending medical marijuana to a patient unless that person is the patient's attending physician, as defined. Because a violation of that provision would be a crime, the bill would impose a state-mandated local program.

(4) Existing law exempts qualified patients, persons with valid identification cards, and the designated primary caregivers of qualified patients and persons with identification cards from certain crimes, including possession of concentrated cannabis and marijuana, cultivation of marijuana, and possession of marijuana for sale.

This bill, commencing 180 days after the Governor's Office of Medical Cannabis Regulation posts a notice on its Internet Web site that the licensing authorities have commenced issuing provisional licenses, would repeal those provisions.

(5) Existing law establishes the Department of the California Highway Patrol. Existing law also prohibits and establishes standards for driving under the influence of alcohol.

This bill would require the Department of the California Highway Patrol to establish protocols to determine whether a driver is operating a vehicle under the influence of cannabis, and to develop protocols setting forth best practices to assist law enforcement agencies.

(6) Existing law regulates the labor practices of agricultural employers. Existing law establishes the Occupational Safety and Health Standards Board within the Department of Industrial Relations to adopt, amend, and repeal occupational safety and health standards and establishes the Division of Occupational Safety and Health to enforce those standards.

This bill would include licensed cultivation sites in the definition of agricultural employer. The bill would require the division to convene

an advisory committee to evaluate whether there is a need to develop industry-specific regulations relating to facilities issued a conditional license.

(7) This bill would provide that its provisions are severable.

(8) Existing constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest.

This bill would make legislative findings to that effect.

(9) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that with regard to certain mandates no reimbursement is required by this act for a specified reason.

With regard to any other mandates, this bill would provide that, if the Commission on State Mandates determines that the bill contains costs so mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) The people of California enacted the Compassionate Use
4 Act of 1996 to ensure that seriously ill Californians have access
5 to cannabis for medical purposes. The Compassionate Use Act of
6 1996 urged the state and federal governments to implement a plan
7 to provide for the safe and affordable distribution of medical
8 cannabis to all patients in medical need of the drug.

9 (b) Federal enforcement authorities have recognized that in
10 states that have authorized cannabis use and have enacted strong
11 and effective regulatory and enforcement systems to control the
12 cultivation, distribution, sale, and possession of cannabis, conduct
13 in compliance with those regulatory and enforcement systems is
14 less likely to threaten federal priorities, and, thus, less likely to
15 require federal enforcement intervention (See: Memorandum For
16 All United States Attorneys—Guidance Regarding Marijuana

1 Enforcement, by James M. Cole, Deputy Attorney General, August
2 29, 2013).

3 (c) Greater certainty and minimum statewide standards are
4 urgently needed regarding the obligations of medical cannabis
5 facilities, and for the imposition and enforcement of regulations
6 to prevent unlawful cultivation and the diversion of cannabis to
7 nonmedical use.

8 (d) The purpose of this act is to establish for California a robust
9 medical cannabis regulatory and enforcement system to ensure
10 that conduct in compliance with California's medical cannabis
11 laws does not threaten the federal priorities as set forth in the James
12 M. Cole memorandum, and, therefore, does not require federal
13 enforcement intervention.

14 (e) The California Constitution grants cities and counties the
15 authority to make and enforce, within their borders, "all local
16 police, sanitary, and other ordinances and regulations not in conflict
17 with the general laws." This inherent local police power includes
18 broad authority to determine, for purposes of public health, safety,
19 and welfare, the appropriate uses of land within the local
20 jurisdiction's borders. The police power, therefore, allows each
21 city and county to determine whether or not a medical cannabis
22 dispensary or other facility that makes medical cannabis available
23 may operate within its borders. This authority has been upheld by
24 City of Riverside v. Inland Empire Patients Health and Wellness
25 Center, Inc. (2013) 56 Cal.4th 729, and County of Los Angeles v.
26 Hill (2011) 192 Cal.App.4th 861. Nothing in this act shall diminish,
27 erode, or modify that authority.

28 (f) If a city or county determines that a dispensary or other
29 facility that makes medical cannabis available may operate within
30 its borders, then there is a need for the state to license these
31 dispensaries and other facilities for the purpose of adopting and
32 enforcing protocols for security standards at dispensaries and in
33 the transportation of medical cannabis, as well as health and safety
34 standards to ensure patient safety. This licensing requirement is
35 not intended in any way nor shall it be construed to preempt local
36 ordinances, regulations, or enforcement actions regarding the sale
37 and use of medical cannabis, including, but not limited to, security,
38 signage, lighting, and inspections.

39 (g) ~~Nothing~~ *To the extent that this act does not conflict with or*
40 *violate Section 11362.5 of the Health and Safety Code, nothing in*

1 this act or Article 2 (commencing with Section 11357) or Article
2 2.5 (commencing with Section 11362.7) of Chapter 6 of Division
3 10 of the Health and Safety Code is intended to preempt any local
4 ordinance regulating or banning the cultivation, processing,
5 manufacturing, testing, transportation, distribution, provision,
6 donation, or sale of medical cannabis, or to otherwise prevent or
7 limit a city, county, or city and county from adopting or enforcing
8 a zoning ordinance or other law, ordinance, or regulation that bans
9 or regulates the location, operation, or establishment of any
10 individual or other person that cultivates, processes, possesses,
11 stores, manufactures, tests, transports, distributes, provides,
12 donates, or sells cannabis.

13 (h) Nothing in this act is intended to interfere with an employer's
14 rights and obligations to maintain a drug and alcohol free
15 workplace or to require an employer to permit or accommodate
16 the use, consumption, possession, transfer, display, transportation,
17 sale, or growth of cannabis in the workplace, or to affect the ability
18 of employers to have policies prohibiting the use of cannabis by
19 employees and prospective employees, or otherwise complying
20 with state and federal law.

21 (i) Nothing in this act shall be construed to promote or facilitate
22 the nonmedical, recreational possession, sale, or use of cannabis.

23 (j) Nothing in this act shall have a diminishing effect on the
24 protections granted to a patient or primary caregiver pursuant to
25 the Compassionate Use Act of 1996.

26 SEC. 2. Section 2220.05 of the Business and Professions Code
27 is amended to read:

28 2220.05. (a) In order to ensure that its resources are maximized
29 for the protection of the public, the Medical Board of California
30 shall prioritize its investigative and prosecutorial resources to
31 ensure that physicians and surgeons representing the greatest threat
32 of harm are identified and disciplined expeditiously. Cases
33 involving any of the following allegations shall be handled on a
34 priority basis, as follows, with the highest priority being given to
35 cases in the first paragraph:

36 (1) Gross negligence, incompetence, or repeated negligent acts
37 that involve death or serious bodily injury to one or more patients,
38 such that the physician and surgeon represents a danger to the
39 public.

1 (2) Drug or alcohol abuse by a physician and surgeon involving
2 death or serious bodily injury to a patient.

3 (3) Repeated acts of clearly excessive prescribing, furnishing,
4 or administering of controlled substances, or repeated acts of
5 prescribing, dispensing, or furnishing of controlled substances, or
6 recommending cannabis to patients for medical purposes without
7 a good faith prior examination of the patient and medical reason
8 therefor. However, in no event shall a physician and surgeon
9 prescribing, furnishing, or administering controlled substances for
10 intractable pain consistent with lawful prescribing, including, but
11 not limited to, Sections 725, 2241.5, and 2241.6 of this code and
12 Sections 11159.2 and 124961 of the Health and Safety Code, be
13 prosecuted for excessive prescribing and prompt review of the
14 applicability of these provisions shall be made in any complaint
15 that may implicate these provisions.

16 (4) Sexual misconduct with one or more patients during a course
17 of treatment or an examination.

18 (5) Practicing medicine while under the influence of drugs or
19 alcohol.

20 (b) The board may by regulation prioritize cases involving an
21 allegation of conduct that is not described in subdivision (a). Those
22 cases prioritized by regulation shall not be assigned a priority equal
23 to or higher than the priorities established in subdivision (a).

24 (c) The Medical Board of California shall indicate in its annual
25 report mandated by Section 2312 the number of temporary
26 restraining orders, interim suspension orders, and disciplinary
27 actions that are taken in each priority category specified in
28 subdivisions (a) and (b).

29 SEC. 3. Section 2242 of the Business and Professions Code is
30 amended to read:

31 2242. (a) Prescribing, dispensing, or furnishing dangerous
32 drugs as defined in Section 4022 without an appropriate prior
33 examination and a medical indication, constitutes unprofessional
34 conduct. Recommending medical cannabis to a patient for a
35 medical purpose without an appropriate prior examination and a
36 medical indication constitutes unprofessional conduct.

37 (b) No licensee shall be found to have committed unprofessional
38 conduct within the meaning of this section if, at the time the drugs
39 were prescribed, dispensed, or furnished, any of the following
40 applies:

1 (1) The licensee was a designated physician and surgeon or
2 podiatrist serving in the absence of the patient's physician and
3 surgeon or podiatrist, as the case may be, and if the drugs were
4 prescribed, dispensed, or furnished only as necessary to maintain
5 the patient until the return of his or her practitioner, but in any case
6 no longer than 72 hours.

7 (2) The licensee transmitted the order for the drugs to a
8 registered nurse or to a licensed vocational nurse in an inpatient
9 facility, and if both of the following conditions exist:

10 (A) The practitioner had consulted with the registered nurse or
11 licensed vocational nurse who had reviewed the patient's records.

12 (B) The practitioner was designated as the practitioner to serve
13 in the absence of the patient's physician and surgeon or podiatrist,
14 as the case may be.

15 (3) The licensee was a designated practitioner serving in the
16 absence of the patient's physician and surgeon or podiatrist, as the
17 case may be, and was in possession of or had utilized the patient's
18 records and ordered the renewal of a medically indicated
19 prescription for an amount not exceeding the original prescription
20 in strength or amount or for more than one refill.

21 (4) The licensee was acting in accordance with Section 120582
22 of the Health and Safety Code.

23 SEC. 4. Section 2264 of the Business and Professions Code is
24 amended to read:

25 2264. (a) The employing, directly or indirectly, the aiding, or
26 the abetting of any unlicensed person or any suspended, revoked,
27 or unlicensed practitioner to engage in the practice of medicine or
28 any other mode of treating the sick or afflicted which requires a
29 license to practice constitutes unprofessional conduct.

30 (b) Employment by, or other agreement with, a mandatory
31 commercial licensee acting pursuant to the Medical Cannabis
32 Regulation and Control Act or a dispensary to provide
33 recommendations for medical cannabis constitutes unprofessional
34 conduct.

35 SEC. 5. Article 25 (commencing with Section 2525) is added
36 to Chapter 5 of Division 2 of the Business and Professions Code,
37 to read:

1 Article 25. Recommending Medical Cannabis

2
3 2525. (a) It is unlawful for a physician and surgeon who
4 recommends cannabis to a patient for a medical purpose to accept,
5 solicit, or offer any form of remuneration from or to a facility
6 issued a state license pursuant to Chapter 3.5 (commencing with
7 Section 19300) of Division 8, if the physician and surgeon or his
8 or her immediate family have a financial interest in that facility.

9 (b) For the purposes of this section, “financial interest” shall
10 have the same meaning as in Section 650.01.

11 (c) A violation of this section shall be a misdemeanor.

12 2525.1. The Medical Board of California shall consult with
13 the California Marijuana Research Program, known as the Center
14 for Medicinal Cannabis Research, authorized pursuant to Section
15 11362.9 of the Health and Safety Code, on developing and adopting
16 medical guidelines for the appropriate administration and use of
17 medical cannabis.

18 2525.2. A physician and surgeon shall not recommend medical
19 cannabis to a patient, unless that person is the patient’s attending
20 physician, as defined by subdivision (a) of Section 11362.7 of the
21 Health and Safety Code.

22 SEC. 6. Chapter 3.5 (commencing with Section 19300) is added
23 to Division 8 of the Business and Professions Code, to read:

24
25 CHAPTER 3.5. MEDICAL CANNABIS

26
27 Article 1. Definitions

28
29 19300. For purposes of this chapter, the following definitions
30 shall apply:

31 (a) “Cannabinoid” means a chemical compound that is unique
32 to and derived from cannabis, also known as phytocannabinoid.

33 (b) “Cannabis” means all parts of the plant *Cannabis sativa* L.,
34 *Cannabis indica*, or *Cannabis ruderalis*, whether growing or not;
35 the seeds thereof; the resin, whether crude or purified, extracted
36 from any part of the plant; and every compound, manufacture, salt,
37 derivative, mixture, or preparation of the plant, its seeds, or resin.
38 “Cannabis” does not include the mature stalks of the plant, fiber
39 produced from the stalks, oil or cake made from the seeds of the
40 plant, any other compound, manufacture, salt, derivative, mixture,

1 or preparation of the mature stalks (except the resin extracted
2 therefrom), fiber, oil, or cake, or the sterilized seed of the plant
3 which is incapable of germination. “Cannabis” also means the
4 separated resin, whether crude or purified, obtained from marijuana.
5 Without limiting the definition, “cannabis” also means marijuana
6 as defined by Section 11018 of the Health and Safety Code as
7 enacted by Chapter 1407 of the Statutes of 1972.

8 (c) “Cannabis concentrate” means manufactured cannabis that
9 has undergone a process to concentrate the cannabinoid active
10 ingredient, thereby increasing the product’s potency.

11 (d) “Caregiver” or “primary caregiver” has the same meaning
12 as that term is defined in Section 11362.7 of the Health and Safety
13 Code.

14 (e) “Certified testing laboratory” means a laboratory that is
15 certified by the State Department of Public Health to perform
16 random sample testing of medical cannabis pursuant to the
17 certification standards for these facilities promulgated by the
18 department.

19 (f) “Commercial cannabis activity” means any cultivation,
20 possession, manufacture, processing, storing, laboratory testing,
21 labeling, transporting, distribution, or sale of cannabis or cannabis
22 product, or any technology platform that enables qualified patients
23 or primary caregivers to arrange for or facilitate any of the
24 above-described functions with a third party, except as set forth
25 in Section 19316.

26 (g) “Cultivation” means any activity involving the planting,
27 growing, harvesting, drying, processing, or trimming of cannabis.

28 (h) “Delivery” means the commercial transfer of medical
29 cannabis or medical cannabis products from a dispensary to a
30 primary caregiver or qualified patient, as defined in Section
31 11362.7 of the Health and Safety Code.

32 (i) “Delivery service” means a person issued a state license by
33 the State Board of Equalization pursuant to this chapter and a local
34 license or permit, to deliver medical cannabis or medical cannabis
35 products, up to an amount determined by the department, to
36 patients, testing laboratories, or to events or locations where it will
37 be used solely for promotional purposes. A delivery service shall
38 not be required to obtain a transporter license.

39 (j) “Director” means the director of the Office of Medical
40 Cannabis Regulation.

1 (k) “Dispensary” means a physical retail establishment operating
2 from a fixed location, including mobile deliveries *that are expressly*
3 *authorized by local ordinance* originating from the location, that
4 makes retail sales of medical cannabis or medical cannabis
5 products.

6 (l) “Dispensing” means any activity involving the retail sale of
7 medical cannabis or medical cannabis products from a dispensary.

8 (m) “Distribution” means the first sale of cannabis in this state.
9 Distribution does not include the sale of cannabis from a cultivator
10 to a distributor.

11 (n) “Distributor” means a person who is engaged in the business
12 of purchasing medical cannabis in this state from a licensed
13 cultivator and who then distributes the medical cannabis to a
14 manufacturer or dispensary.

15 (o) “Dried flower” means all dead medical cannabis that has
16 been harvested, dried, cured, or otherwise processed, excluding
17 leaves and stems.

18 (p) “Edible cannabis product” means manufactured cannabis
19 that is intended to be used, in whole or in part, for human
20 consumption, including, but not limited to, chewing gum.

21 (q) “Fund” means the Medical Cannabis Regulation Fund
22 established pursuant to Section 19361.

23 (r) “Identification program” means the universal identification
24 certificate program for licensees.

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

1 (t) “Licensed cultivation site” means a person that plants, grows,
2 cultivates, harvests, dries, or processes medical cannabis, or that
3 does all or any combination of those activities, and that is issued
4 a state license pursuant to this chapter and a local license or permit.

5 (u) “Licensed dispensing facility” means a person that provides
6 medical cannabis, medical cannabis products, or devices for the
7 use of medical cannabis or medical cannabis products, either
8 individually or in any combination, that is issued a state license
9 pursuant to this chapter and a local license or permit.

10 (v) “Licensed manufacturer” means a person that conducts the
11 production, preparation, propagation, compounding, or processing
12 of medical cannabis or medical cannabis products, either directly
13 or indirectly or by extraction processes, or independently by means
14 of chemical synthesis or by a combination of extraction and
15 chemical synthesis, and includes a location that packages or
16 repackages medical cannabis or medical cannabis products or
17 labeling or relabeling of its container, and that has been issued
18 both a local license or permit and a state license pursuant to this
19 chapter.

20 (w) “Licensed transporter” means a person issued a state license
21 by the Board of Equalization to transport medical cannabis or
22 medical cannabis products above a limit determined by the board
23 between facilities that have been issued a state license or to
24 dispensing facilities in the City of Los Angeles pursuant to this
25 chapter.

26 (x) “Licensee” means a person issued a state license under this
27 chapter to engage in commercial cannabis activity.

28 (y) “Licensing authority” means the state agency responsible
29 for granting and renewing state licenses and regulating the relevant
30 licensees. For licensed cultivators, the licensing authority is the
31 Division of Medical Cannabis Cultivation in the Department of
32 Food and Agriculture. For dispensaries and transporters, the
33 licensing authority is the Division of Medical Cannabis Regulation
34 within the State Board of Equalization. For licensed manufacturers
35 and certified testing laboratories, the licensing authority is the
36 Division of Medical Cannabis Manufacturing and Testing within
37 the State Department of Public Health.

38 (z) “Live plants” means living medical cannabis flowers and
39 plants, including seeds, immature plants, and vegetative stage
40 plants.

1 (aa) “Manufactured cannabis” means raw cannabis that has
2 undergone a process whereby the raw agricultural product has
3 been transformed into a concentrate, an edible product, or a topical
4 product.

5 (ab) “Manufacturing site” means a location that produces,
6 prepares, propagates, compounds, or processes medical cannabis
7 or medical cannabis products, directly or indirectly, by extraction
8 processes, independently by means of chemical synthesis, or by a
9 combination of extraction and chemical synthesis, and is owned
10 and operated by a licensee for these activities pursuant to this
11 chapter.

12 (ac) “Medical cannabis,” “medical cannabis product,” or
13 “cannabis product” means a product containing cannabis, including,
14 but not limited to, concentrates and extractions, intended to be sold
15 for use by medical cannabis patients in California pursuant to the
16 Compassionate Use Act of 1996 (Proposition 215).

17 (ad) “Nursery” means a licensee that produces only clones,
18 immature plants, seeds, and other agricultural products used
19 specifically for the planting, propagation, and cultivation of medical
20 cannabis.

21 (ae) “Office” means the Governor’s Office of Medical Cannabis
22 Regulation.

23 (af) “Permit,” “local license,” or “local permit” means an official
24 document granted by a local jurisdiction that specifically authorizes
25 a person to conduct commercial cannabis activity in the local
26 jurisdiction.

27 (ag) “Person” means an individual, firm, partnership, joint
28 venture, association, corporation, limited liability company, estate,
29 trust, business trust, receiver, syndicate, or any other group or
30 combination acting as a unit and includes the plural as well as the
31 singular number.

32 (ah) “State license ” or “license” means a state license issued
33 pursuant to this chapter.

34 (ai) “Topical cannabis” means a product intended for external
35 use.

36 (aj) “Transport” means the transfer of medical cannabis or
37 medical cannabis products from the permitted business location
38 of one licensee to the permitted business location of another
39 licensee, or to dispensing facilities in the City of Los Angeles, for

1 the purposes of conducting commercial cannabis activity authorized
2 by licensees pursuant to this chapter.

3
4 Article 2. Administration
5

6 19301. This chapter shall be known, and may be cited, as the
7 Medical Cannabis Regulation and Control Act.

8 19302. (a) There is hereby created within the office of the
9 Governor, the Governor's Office of Medical Cannabis Regulation,
10 under the supervision and control of the Director of the Office of
11 Medical Cannabis Regulation, who shall be appointed by the
12 Governor, subject to Senate confirmation. The Governor shall
13 appoint the director at a salary to be fixed and determined by the
14 director with the approval of the Director of Finance.

15 (b) The director shall be the appointing power of all employees
16 within the office, and all heads of divisions, bureaus, and other
17 employees in the office shall be responsible to the director for the
18 proper carrying out of the duties and responsibilities of their
19 respective positions.

20 (c) In developing a regulatory framework pursuant to this
21 chapter, the director shall consult with state agencies possessing
22 expertise in licensure and enforcement, including, but not limited
23 to, the Department of Alcoholic Beverage Control and the
24 Department of Consumer Affairs.

25 (d) The office shall have overall executive authority and
26 responsibility for implementation of all aspects of cannabis
27 regulation pursuant to this chapter.

28 (e) The office shall coordinate and provide oversight of all
29 activities described in this chapter. The office shall lead all state
30 and local authorities regarding the tracking of medical cannabis,
31 medical cannabis products, and licensees pursuant to this chapter.
32 All departments and divisions specified in Section 19304 shall
33 report directly to the office. Any information technology systems
34 created to store and process data related to commercial cannabis
35 licensing shall be integrated, and all licensing data shall be
36 immediately available to each licensing authority and to the office.

37 19303. The office shall maintain a registry of all permit holders
38 and shall maintain a record of all state licenses and commercial
39 cannabis activity of the permit holder throughout the length of
40 licensure and for a minimum of seven years following the

1 expiration of each license. The office shall make limited licensee
2 information available to a licensee so that it may verify whether
3 it is engaging in commercial cannabis activities with a properly
4 licensed entity.

5 19304. ~~(a)~~—The following entities shall report to and be directly
6 accountable to the office for their respective designated
7 responsibilities within the regulatory and enforcement framework,
8 as follows:

9 ~~(1)~~

10 (a) The Division of Medical Cannabis Regulation, which is
11 established within the State Board of Equalization, shall do all of
12 the following:

13 ~~(A)~~

14 (1) Be administered by a person who is ~~appointed~~ hired by the
15 Governor, ~~subject to Senate confirmation. State Board of~~
16 *Equalization, and who shall serve in accordance with the State*
17 *Civil Service Act (Part 2 (commencing with Section 18500) of*
18 *Division 5 of Title 2 of the Government Code).*

19 ~~(B)~~

20 (2) Administer this chapter, as it pertains to commercial cannabis
21 activity relating to dispensaries and transporters.

22 ~~(2)~~

23 (b) The Division of Medical Cannabis Manufacturing and
24 Testing, which is established within the State Department of Public
25 Health, shall do all of the following:

26 ~~(A)~~

27 (1) Be administered by a person who is appointed by the
28 Governor, ~~subject to Senate confirmation. State Department of~~
29 *Public Health, and who shall serve in accordance with the State*
30 *Civil Service Act (Part 2 (commencing with Section 18500) of*
31 *Division 5 of Title 2 of the Government Code).*

32 ~~(B)~~

33 (2) Administer this chapter, as it pertains to manufacturing,
34 testing, and certification of testing laboratories for medical cannabis
35 and medical cannabis products.

36 ~~(3)~~

37 (c) The Division of Medical Cannabis Cultivation, which is
38 established within the Department of Food and Agriculture, shall
39 do all of the following:

40 ~~(A)~~

(1) Be administered by a person who is appointed by the Governor, ~~subject to Senate confirmation.~~ *Department of Food and Agriculture, and who shall serve in accordance with the State Civil Service Act (Part 2 (commencing with Section 18500) of Division 5 of Title 2 of the Government Code).*

~~(B)~~

(2) Administer this chapter as it pertains to cultivation of medical cannabis.

~~(4)~~

(d) The California Environmental Protection Agency and the California Natural Resources Agency shall coordinate and direct the following entities in the discharge of their designated regulatory responsibilities:

~~(A)~~

(1) The State Water Resources Control Board shall promulgate regulations related to discharge into waterways, and diversion therefrom, resulting from cannabis cultivation.

~~(B)~~

(2) The Department of Fish and Wildlife shall promulgate regulations for the protection of any species affected by cultivation activity, and regulations for any cultivation-related development, including alteration of waterways.

(3) *The Department of Pesticide Regulation shall promulgate regulations consistent with Division 6 (commencing with Section 11401) of the Food and Agricultural Code.*

~~(5)~~

(e) The Department of Justice shall conduct the following activities:

~~(A)~~

(1) Perform criminal background checks of applicants for licensure.

~~(B)~~

(2) Develop uniform security standards for dispensaries and all phases of transport covered by this chapter.

~~(C)~~

(3) Provide supplemental enforcement on an as-needed basis at the request of the office.

19305. (a) The office and licensing authorities shall have the authority necessary for the implementation of this chapter, including, but not limited to, all of the following:

(1) Establishing rules or regulations necessary to carry out the purposes and intent of this chapter and to enable the office and licensing authorities to exercise the powers and perform the duties conferred by this chapter and in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. These rules and regulations shall not limit the authority of a city, county, or city and county specified in Article 3 (commencing with Section 19307), or specified in Section 7 of Article XI of the California Constitution, or any other law. For the performance of its duties, the office has the powers set forth in Article 2 (commencing with Section 11180) of Chapter 2 of Part 1 of Division 3 of Title 2 of the Government Code. The office shall review all regulations and guidance promulgated by licensing authorities in the administration of this chapter to ensure no duplication, overlap, or inconsistent regulations occur between licensing authorities.

(2) Prescribing, adopting, and enforcing emergency regulations as necessary to implement this chapter. Emergency regulations prescribed, adopted, or enforced pursuant to this section shall be adopted in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. For purposes of that chapter, including Section 11349.6 of the Government Code, the adoption of the regulation is an emergency and shall be considered by the Office of Administrative Law as necessary for the immediate preservation of the public peace, health and safety, and general welfare.

(3) Issuing state licenses to persons for the cultivation, distribution, manufacture, transportation, and retail sale of medical cannabis within the state.

(4) Setting application, licensing, and renewal fees for state licenses issued pursuant to this chapter.

(5) Establishing standards for commercial cannabis activity.

(6) Establishing procedures for the issuance, renewal, suspension, denial, and revocation of state licenses.

(7) Imposing a penalty authorized by this chapter or any rule or regulation adopted pursuant to this chapter.

(8) Taking action with respect to an application for a state license in accordance with procedures established pursuant to this chapter.

1 (9) Overseeing the operation of the Medical Cannabis Regulation
2 Fund, established pursuant to Section 19361.

3 (10) Consulting with other state or local agencies, departments,
4 representatives of the medical cannabis community, or public or
5 private entities for the purposes of establishing statewide standards
6 and regulations.

7 (b) Protection of the public's health and safety shall be the
8 highest priority for the office and the licensing authorities in
9 exercising the licensing, regulatory, and disciplinary functions
10 pursuant to this chapter. Whenever the protection of the public's
11 health and safety is inconsistent with other interests sought to be
12 promoted, the protection of the public's health and safety shall be
13 paramount.

14 19306. (a) The office, by April 1, 2016, shall convene a task
15 force, which shall advise the office on the development of standards
16 pursuant to this chapter. The task force shall be responsible for
17 recommending to the office the appropriate roles of each state
18 entity as it pertains to this chapter, and shall recommend guidelines
19 on communication and information sharing between state entities,
20 and with local agencies, for implementation of this chapter.
21 Notwithstanding Section 10231.5 of the Government Code, the
22 task force shall submit a report on these standards, determinations,
23 and guidelines for implementation of this chapter to the Legislature
24 and state entities affected by this chapter by August 1, 2016. The
25 report submitted to the Legislature shall be submitted in compliance
26 with Section 9795 of the Government Code.

27 (b) The task force shall be comprised of 15 members, each of
28 whom shall ~~serve~~ *be appointed* to a two-year term, as follows:

29 (1) Four members to be appointed by the Governor, as follows:

30 (A) A member representing counties.

31 (B) A member representing cities.

32 (C) A member representing local law enforcement.

33 (D) A member representing state law enforcement.

34 (2) Three members to be appointed by the *Speaker of the*
35 *Assembly*, as follows:

36 (A) A member representing labor.

37 (B) A member representing the medical cannabis industry.

38 (C) A member with public health expertise.

39 (3) Three members to be appointed by the ~~Senate~~, *Senate*
40 *Committee on Rules*, as follows:

1 (A) A member representing qualified medical cannabis patients
2 and caregivers.

3 (B) A member with environmental expertise.

4 (C) A member representing physicians. This member shall have
5 a minimum of two years experience recommending medical
6 cannabis to qualified patients.

7 (4) The director or chief of each of the following state agencies,
8 or his or her designee:

9 (A) The Department of Food and Agriculture.

10 (B) State Department of Public Health.

11 (C) State Board of Equalization.

12 (D) Department of Justice.

13 (E) Department of the California Highway Patrol.

14 (c) Task force members shall serve on a voluntary basis and
15 shall be responsible for costs associated with their participation in
16 the task force. The licensing authorities shall not be responsible
17 for travel costs incurred by task force members or otherwise
18 compensating task force members for costs associated with their
19 participation in the task force.

20 (d) Each member shall only have one vote in determinations of
21 the task force.

22 *19306.5. (a) The task force established in Section 19306 shall*
23 *work with representatives of medical cannabis patient groups and*
24 *physicians and shall, on or before July 1, 2016, establish best*
25 *practices and guidelines to ensure qualified patients have adequate*
26 *access to medical cannabis and medical cannabis products. These*
27 *best practices and guidelines shall be sent in a report to the*
28 *Legislature and to all local authorities that have implemented*
29 *local ordinances that ban exempt individuals of this chapter from*
30 *engaging in cultivation or possession of medical cannabis or*
31 *medical cannabis products within their jurisdictions.*

32 *(b) The report shall be submitted in compliance with Section*
33 *9795 of the Government Code.*

34 *(c) This section shall remain in effect only until January 1, 2017,*
35 *and as of that date is repealed, unless a later enacted statute, that*
36 *is enacted before January 1, 2017, deletes or extends that date.*

Article 3. Enforcement and Local Control

19307. (a) Each licensing authority shall work in conjunction with local agencies for the purposes of implementing, administering, and enforcing this chapter, and any regulations adopted pursuant to this chapter and taking appropriate action against licensees and others who fail to comply with this chapter or the regulations adopted pursuant to this chapter.

~~(b) Except for persons employed by the State Board of Equalization, the director and the persons employed by the licensing authorities for the administration and enforcement of this chapter are, for purposes of this chapter, peace officers in the enforcement of the penal provisions of this chapter, the regulations adopted pursuant to this chapter, and any other penal provisions of law prohibiting or regulating the cultivation, processing, storing, manufacturing, testing, transporting, or selling of medical cannabis. These persons may, while acting as peace officers, enforce any penal provisions of state law applicable to this chapter while in the course of their employment.~~

~~(c) The regulatory directors, persons employed by the licensing authorities for the administration and enforcement of this chapter, peace officers listed in Section 830.1 of the Penal Code, persons listed in Section 830.11 of the Penal Code, and officers listed in Section 830.6 of the Penal Code, while acting in the course and scope of their employment as peace officers,~~

~~(b) Peace officers~~ may, in enforcing this chapter, visit and inspect the premises of a licensee pursuant to subdivision (f) of Section 19326.

~~(d)~~

(c) Peace officers of the Department of the California Highway Patrol, members of the University of California and California State University police departments, and peace officers of the Department of Parks and Recreation, as defined in subdivisions (a), (b), (c), and (f) of Section 830.2 of the Penal Code, may, in enforcing this chapter, visit and inspect the premises of a licensee pursuant to subdivision (f) of Section 19326.

19308. (a) By January 1, 2017, the office shall, in consultation with local governments, develop an enforcement framework that clarifies the enforcement roles of the state and local governments

1 consistent with this chapter. Local agencies are authorized to
2 enforce any state statutory or regulatory standard.

3 (b) A state agency is not required by this section to enforce a
4 city, county, city and county, or local law, ordinance, rule, or
5 regulation regarding the site or operation of a facility or transporter
6 issued a state license.

7 19309. (a) For facilities issued a state license that are located
8 within the incorporated area of a city, the city shall have full power
9 and authority to enforce this chapter and the rules, regulations, and
10 standards promulgated by the office. Notwithstanding Sections
11 101375, 101400, and 101405 of the Health and Safety Code or
12 any contract entered into pursuant thereto, or any other law, the
13 city shall further assume complete responsibility for any regulatory
14 function relating to those licensees within the city limits that would
15 otherwise be performed by the county or any county officer or
16 employee, including a county health officer, without liability, cost,
17 or expense to the county.

18 (b) For licensed facilities located within the unincorporated area
19 of a county, the county shall have full power and authority to
20 enforce this chapter and the rules, regulations, and standards
21 promulgated by the office.

22 (c) ~~All standards and regulations promulgated pursuant to this~~
23 ~~chapter shall be the minimum standards and regulations for~~
24 ~~obtaining and maintaining a state license.~~ State agencies shall
25 collaborate with local agencies to enforce state standards and
26 regulations to the extent that it is within the scope of other statutory
27 responsibilities of local agencies and to the extent that resources
28 for this enforcement are available *and appropriated by the local*
29 *governing body* to the local agencies. ~~This section shall not limit~~
30 ~~any other state or local requirements.~~

31 (d) Pursuant to Section 7 of Article XI of the California
32 Constitution, a city, county, or city and county may adopt
33 ordinances that establish additional standards, requirements, and
34 regulations for local licenses and permits for commercial cannabis
35 activity. For all conflicts between the state and local standards,
36 requirements, and regulations regarding health and safety, testing,
37 security, and worker protections, the state shall preempt local
38 ordinances.

39 (e) Nothing in this chapter, or any regulations promulgated
40 thereunder, shall be deemed to limit the authority or remedies of

1 a city, county, or city and county under any provision of law,
2 including, but not limited to, Section 7 of Article XI of the
3 California Constitution.

4 19310. (a) The director of a licensing authority or a district
5 attorney, county counsel, city attorney, or city prosecutor may
6 bring an action in the name of the people of the State of California
7 to enjoin a violation or the threatened violation of any provision
8 of this chapter, including, but not limited to, a licensee's failure
9 to correct objectionable conditions following notice or as a result
10 of a rule promulgated pursuant to this chapter, and to assess and
11 recover civil penalties in accordance with this chapter. The action
12 shall be brought in the county in which the violation occurred or
13 is threatened to occur. A proceeding for injunctive relief brought
14 pursuant to this chapter shall conform to the requirements of
15 Chapter 3 (commencing with Section 525) of Title 7 of Part 2 of
16 the Code of Civil Procedure.

17 (b) A state or local agency shall immediately notify the office
18 and the appropriate licensing authority of violations or arrests made
19 for violations over which the licensing authority has jurisdiction
20 that involve a licensee or licensed premises. Notice shall be given
21 within 10 days of the violation or arrest. The office or licensing
22 authority shall promptly investigate as to whether grounds exist
23 for suspension or revocation of the state license.

24 (c) This chapter shall not be construed to limit a state or local
25 agency's ability to investigate unlawful activity in relation to a
26 state license.

27 (d) Nothing in this chapter shall prevent a city or other local
28 governing body from taking action as specified in Section 19315
29 of this code or Section 11362.83 of the Health and Safety Code.

30 (e) The office shall establish procedures to provide any relevant
31 state and local agencies, including all licensing authorities, upon
32 their request, with 24-hour access to information to verify a state
33 license, track transportation manifests, and track the inventories
34 of facilities issued a state license. This record shall allow state and
35 local law enforcement, agencies, and licensing entities to verify a
36 state license and provide summary information on licensees
37 consisting of the name of the licensee, the date the license was
38 issued, the status of the license, and the licensee's mailing address.

39 19312. (a) This chapter shall in no way supersede the
40 provisions of Measure D, approved by the voters of the City of

1 Los Angeles on the May 21, 2013, ballot for the city, which
2 provides potential limited immunity to medical cannabis businesses
3 as defined by Measure D consistent with the terms of the measure
4 and local ordinances. Notwithstanding the provisions of this part,
5 cannabis businesses within the City of Los Angeles shall continue
6 to be subject to Measure D and any and all other applicable
7 ordinances and regulations of the City of Los Angeles.

8 (b) It is the intent of the Legislature to recognize the unique
9 circumstances of the City of Los Angeles with respect to Measure
10 D and associated rules related to commercial cannabis activity. In
11 light of these unique circumstances, the provisions of Sections
12 19319 and 19338 shall apply in the City of Los Angeles.

13 (c) The State Board of Equalization shall enter into a
14 memorandum of understanding with the City of Los Angeles to
15 establish protocols for the following:

16 (1) Tracking businesses granted immunity pursuant to Measure
17 D, as approved by the voters of the City of Los Angeles at the May
18 21, 2013, general election.

19 (2) Tracking medical cannabis and medical cannabis products
20 to and from the City of Los Angeles.

21 (3) Allowing for the legal transfer of medical cannabis and
22 medical cannabis products from outside the jurisdiction of the City
23 of Los Angeles to within the city by licensees conducting
24 commercial cannabis activities outside of the city.

25 19313. (a) The actions of a licensee or provisional licensee,
26 its employees, and its agents, that are permitted pursuant to both
27 a state license or provisional license and a license or permit issued
28 by the local jurisdiction following the requirements of the
29 applicable local ordinances, and that are conducted in accordance
30 with the requirements of this chapter and regulations adopted
31 pursuant to this chapter, are not unlawful under state law and shall
32 not be an offense subject to arrest, prosecution, or other sanction
33 under state law or be subject to a civil fine or be a basis for seizure
34 or forfeiture of assets under state law.

35 (b) The actions of a person who, in good faith and upon
36 investigation, allows his or her property to be used by a licensee
37 or provisional licensee, its employees, and its agents, as permitted
38 pursuant to both a state license and a license or permit issued by
39 the local jurisdiction following the requirements of the applicable
40 local ordinances, are not unlawful under state law and shall not be

1 an offense subject to arrest, prosecution, or other sanction under
2 state law, or be subject to a civil fine or be a basis for seizure or
3 forfeiture of assets under state law.

4 (c) Conduct that is within the scope of a license issued pursuant
5 to this chapter and permitted by local ordinance but not fully in
6 compliance with this chapter shall be subject to the enforcement
7 provisions of this chapter and shall not be subject to the penal
8 provisions of state law generally prohibiting cannabis-related
9 activity, unless and until the license is revoked.

10 (d) This section shall not be deemed to limit the authority or
11 remedies of a city, county, or city and county under any provision
12 of law, including, without limitation, Section 7 of Article XI of
13 the California Constitution.

14 19314. (a) A person engaging in commercial cannabis activity
15 without a license required by this chapter shall be subject to civil
16 penalties of up to twice the amount of the license fee for each
17 violation, and the office, licensing authority, or court may order
18 the destruction of medical cannabis associated with that violation.
19 Each day of operation shall constitute a separate violation of this
20 section. All civil penalties imposed and collected pursuant to this
21 section shall be deposited into the Medical Cannabis Fines and
22 Penalties Account established pursuant to Section 19361. A day
23 of operation is defined to mean any period of time within a 24-hour
24 period. This section shall not apply to unlicensed facilities in the
25 City of Los Angeles.

26 (b) If an action for civil penalties is brought by the Attorney
27 General, the penalty collected shall be deposited into the General
28 Fund. If the action is brought by a district attorney or county
29 counsel, the penalty collected shall be paid to the treasurer of the
30 county in which the judgment was entered. If the action is brought
31 by a city attorney or city prosecutor, the penalty collected shall be
32 paid to the treasurer of the city in which the judgment was entered.

33 (c) Notwithstanding subdivision (a), criminal penalties shall
34 continue to apply to an unlicensed person or entity engaging in
35 commercial cannabis activity in violation of this chapter, including,
36 but not limited to, those individuals covered under Section 11362.7
37 of the Health and Safety Code.

38 19315. (a) ~~This~~ *To the extent that this chapter does not*
39 *interfere with or violate Section 11362.5 of the Health and Safety*
40 *Code, this chapter does not, nor do Article 2 (commencing with*

1 Section 11357) and Article 2.5 (commencing with Section 11362.7)
2 of Chapter 6 of Division 10 of the Health and Safety Code, prevent
3 a city, county, or city and county from doing any of the following:

4 (1) Adopting local ordinances, whether consistent or inconsistent
5 with this chapter, that do the following:

6 (A) Regulate the location, operation, or establishment of a
7 licensee or a person that cultivates, processes, possesses, stores,
8 manufactures, tests, transports, distributes, or sells medical
9 cannabis.

10 (B) Prohibit *commercial* cannabis activity within their
11 jurisdiction.

12 (2) Providing for the administrative, civil, or criminal
13 enforcement of the ordinances described in paragraph (1).

14 (3) Establishing a fee for the operation within its jurisdiction of
15 any of the following:

16 (A) A licensee.

17 (B) Another person that cultivates, processes, possesses, stores,
18 manufactures, tests, transports, distributes, or sells medical
19 cannabis or medical cannabis products.

20 (C) A person exempt from licensure pursuant to this chapter.

21 (4) Enacting and enforcing other laws or ordinances pursuant
22 to the authority granted by Section 7 of Article XI of the California
23 Constitution.

24 (b) ~~Nothing~~ *To the extent that this chapter does not interfere*
25 *with or violate Section 11362.5 of the Health and Safety Code,*
26 *nothing* in this chapter or in Article 2 (commencing with Section
27 11357) or Article 2.5 (commencing with Section 11362.7) of
28 Chapter 6 of Division 10 of the Health and Safety Code, shall
29 prevent a city, county, or city and county from adopting or
30 enforcing a zoning ordinance or other law, ordinance, or regulation
31 that bans or regulates the location, operation, or establishment of
32 a licensee or other person that engages in *commercial* cannabis
33 activity.

34 Article 4. Licensure

35
36
37 19316. (a) This chapter shall not apply to, and shall have no
38 diminishing effect on the protections granted to, a patient or a
39 primary caregiver pursuant to the Compassionate Use Act of 1996.

1 (b) (1) A qualified patient who cultivates, possesses, stores,
2 manufactures, or transports cannabis exclusively for his or her
3 personal medical use but who does not provide, donate, sell, or
4 distribute cannabis to any other person is not, thereby, engaged in
5 commercial cannabis activity and is, therefore, exempt from the
6 licensure requirements of this chapter.

7 (2) A primary caregiver who cultivates, possesses, stores,
8 manufactures, transports, donates, or provides cannabis exclusively
9 for the personal medical purposes of no more than five specified
10 qualified patients for whom he or she is the primary caregiver
11 within the meaning of Section 11362.7 of the Health and Safety
12 Code but who does not receive remuneration for these activities
13 except for compensation in full compliance with subdivision (c)
14 of Section 11362.765 of the Health and Safety Code is not engaged
15 in commercial cannabis activity and is, therefore, exempt from the
16 licensure requirements of this chapter.

17 (c) ~~Exemption~~ *To the extent that this chapter does not interfere*
18 *with or violate Section 11362.5 of the Health and Safety Code,*
19 *exemption* from the license requirements of this chapter shall not
20 limit or prevent a city, county, or city and county from regulating
21 or banning the cultivation, storage, manufacture, transport,
22 provision, or other activity by the exempt person, or impair the
23 enforcement of that regulation or ban.

24 19317. ~~The~~ *To the extent that this chapter does not interfere*
25 *with or violate Section 11362.5 of the Health and Safety Code, the*
26 *state shall have the right and authority to conduct state licensure*
27 *activities and to regulate commercial cannabis activity pursuant*
28 *to this chapter. Local governments have the right and authority to*
29 *regulate commercial cannabis activity within their jurisdiction,*
30 *including granting or refusing to grant permits pursuant to local*
31 *ordinances. In the exercise of these rights and powers, the state*
32 *and each of its agencies, and all local agencies, are hereby deemed*
33 *not to be engaged in activities requiring licensure under this*
34 *chapter.*

35 19318. (a) Licensing authorities may issue state licenses only
36 to qualified applicants engaging in commercial cannabis activity
37 pursuant to this chapter. Except as specified in Section ~~19318.1,~~
38 ~~19318.5,~~ beginning January 1, 2018, no person shall engage in
39 commercial cannabis activity without possessing *both* a state
40 license and a local ~~permit.~~ *permit, license, or other authorization.*

1 For purposes of this section, “state license” includes a provisional
2 license issued pursuant to Article 6 (commencing with Section
3 19330).

4 (b) Local permits shall be determined by local ordinances.
5 Licensing authorities issuing state licenses shall have sole authority
6 to revoke a state license. Local agencies issuing local permits shall
7 have sole authority to revoke a local permit.

8 (c) Each applicant for a state license shall provide notice to
9 every affected local jurisdiction at the same time the state
10 application is filed. The office shall confirm with the applicant a
11 list of each affected local jurisdictions, including those jurisdictions
12 affected by potential deliveries by the applicant.

13 (d) The issuance of a state license shall not, in and of itself,
14 authorize the recipient to begin business operations. The state
15 license shall certify, at a minimum, that the applicant has paid the
16 state licensing fee, successfully passed a criminal background
17 check, and met state residency requirements.

18 (e) Even if a state license has been granted pursuant to this
19 chapter, a facility shall not operate in a local jurisdiction that
20 prohibits the establishment of that type of business. A facility shall
21 not commence activity under the authority of a state license until
22 the applicant has obtained, in addition to the state license, a license
23 or permit from the local jurisdiction in which he or she proposes
24 to operate, following the requirements of the applicable local
25 ordinances.

26 (f) If a local government agency notifies the office or a licensing
27 authority and provides evidence that a licensee or applicant within
28 its jurisdiction is in violation of local ordinances relating to
29 *commercial* cannabis activities, the licensing authority shall
30 schedule a hearing to determine whether the evidence is sufficient
31 to constitute grounds for the revocation of the license within 20
32 working days: *days pursuant to Section 19323.*

33 (g) Revocation of a state license or local license or permit shall
34 terminate the ability of a medical cannabis business to operate
35 ~~within California.~~ *California until the licensing authority or local*
36 *jurisdiction reinstates or reissues the state license or local license*
37 *or permit.*

38 19318.5. (a) A licensing authority shall not issue a license to
39 an applicant who proposes to operate within the City of Los
40 Angeles, regardless of the activity for which the license is sought.

1 (b) A medical cannabis business, as defined by Measure D,
2 within the City of Los Angeles shall comply with all standards
3 and regulations applicable to the commercial cannabis activity or
4 activities engaged in by that medical cannabis business with respect
5 to all of the following:

6 (1) Standards for the production, labeling, and manufacture of
7 medical cannabis and medical cannabis products, in accordance
8 with Article 7 (commencing with Section 19332) and Article 10
9 (commencing with Section 19342).

10 (2) Standards regarding the application of pesticides, in
11 accordance with Article 7 (commencing with Section 19332).

12 (3) Regulations to be promulgated by the State Board of
13 Equalization, in accordance with Article 8 (commencing with
14 Section 19334), governing dispensing facilities and transporters
15 to the extent that those regulations relate to health and safety
16 standards, environmental standards, worker protections, or security
17 requirements.

18 (4) Security measures regarding transported medical cannabis,
19 in accordance with Section 19337.

20 (5) Standards to be promulgated by the Division of Medical
21 Cannabis Manufacturing and Testing regarding health and safety,
22 in accordance with Article 10 (commencing with Section 19342).

23 (c) The City of Los Angeles shall have the full power, authority,
24 and discretion to enforce all standards and regulations required by
25 this section.

26 19319. (a) A licensing authority shall promulgate regulations
27 for implementation and enforcement of this chapter, including,
28 but not limited to, all of the following:

29 (1) A description of the various specific forms of commercial
30 cannabis activity to be authorized by the various types of licenses.

31 (2) Procedures for the issuance, renewal, suspension, denial,
32 and revocation of a state license.

33 (3) Procedures for appeal of fines and the appeal of denial,
34 suspension, or revocation of a state license.

35 (4) Application, licensing, and renewal forms and fees. All fees
36 shall be established on a scaled basis, depending on the size or tier
37 of the license.

38 (5) Time periods, not to exceed 90 days, by which the licensing
39 authority shall approve or deny an application for a state license.
40 The failure of the licensing authority to act upon an application

1 for licensure within the time prescribed shall not be deemed
2 approval of the application.

3 (6) Qualifications for licensees.

4 (7) Security requirements, including, but not limited to,
5 procedures for limiting access to facilities and for the screening
6 of employees. All screening processes shall adhere to guidance
7 and best practices established by the United States Equal
8 Employment Opportunity Commission, including, but not limited
9 to, those on hiring practices relating to the consideration of arrest
10 and conviction records in employment decisions under Title VII
11 of the Civil Rights Act of 1964.

12 (8) Requirements to ensure that all licensees and certified testing
13 laboratories conform with applicable standards equivalent to state
14 statutory environmental, agricultural, consumer protection, and
15 food and product safety requirements. These standards shall be in
16 addition, and not limited, to any other state and local requirements.

17 (9) Develop procedures to ensure each licensee holds and
18 maintains a seller's permit required pursuant to Part 1 (commencing
19 with Section 6001) of Division 2 of the Revenue and Taxation
20 Code.

21 (b) Each state license application approved by the respective
22 licensing authority pursuant to this chapter is separate and distinct.

23 (c) A state license application approved by a licensing authority
24 pursuant to this chapter shall be valid for a period not to exceed
25 one year from the date of approval unless revoked or suspended
26 earlier than that date pursuant to this chapter or the rules or
27 regulations adopted pursuant to this chapter.

28 (d) Each licensing authority may adopt regulations for additional
29 licenses for cannabis activity within its statutory jurisdiction
30 pursuant to this chapter, as deemed necessary.

31 (e) Each state license application approved by a licensing
32 authority shall be reported to the office within 24 hours of its
33 approval.

34 (f) A licensing authority shall not issue a state license unless
35 the applicant has met all of the requirements of this chapter.

36 (g) The regulations shall not limit the authority of a city, county,
37 or city and county pursuant to Section 7 of Article XI of the
38 California Constitution or any other law. The regulations shall do
39 all of the following:

1 (1) Establish procedures for approval, renewal, or denial of
2 applications for state licensure for each and every aspect of
3 commercial cannabis activity, including, but not limited to,
4 cultivation, possession, manufacture, processing, storing, laboratory
5 testing, labeling, transporting, distribution, and sale of cannabis.

6 (2) Establish applicant qualifications.

7 (3) Establish state licensee employee qualifications, including,
8 but not limited to, training and screening requirements. All
9 screening processes shall adhere to guidance and best practices
10 established by the United States Equal Employment Opportunity
11 Commission, including, but not limited to, those relating to hiring
12 practices on the consideration of arrest and conviction records in
13 employment decisions under Title VII of the Civil Rights Act of
14 1964.

15 (4) Establish state licensee security requirements, including,
16 but not limited to, procedures to limit access to facilities and to
17 prevent diversion of product to nonmedical use.

18 (5) Establish procedures and protocols for identifying, managing,
19 and disposing of contaminated, adulterated, deteriorated, or excess
20 product.

21 (6) Establish advertising, marketing, signage, and labeling
22 requirements and restrictions.

23 (7) Establish procedures for the suspension, revocation, or
24 surrender of a state license, and establishing related fines and
25 penalties to be assessed against licensees for violations of this
26 chapter.

27 19320. (a) An applicant for a state license shall do all of the
28 following:

29 (1) Pay the fee or fees required by this chapter for each state
30 license for which an application is submitted.

31 (2) Register with the licensing authority on forms prescribed
32 by the licensing authority. The forms shall contain sufficient
33 information to identify the licensee, including all of the following:

34 (A) Name of the owner or owners of a proposed facility,
35 including all persons or entities having an ownership interest other
36 than a security interest, lien, or encumbrance on property that will
37 be used by the applicant.

38 (B) The name, address, and date of birth of each principal officer
39 and board member.

40 (C) The address and telephone number of the proposed facility.

1 (3) Provide a description, in writing, of the scope of business
2 of the proposed facility.

3 (4) Provide evidence that the applicant and owner have been
4 legal full-time residents of the state for not less than ~~four~~ *three*
5 years. For purposes of this paragraph, “applicant” means the owner
6 or owners of a proposed facility, including all persons or entities
7 having an ownership interest other than a security interest, lien,
8 or encumbrance on property that will be used by the facility.

9 (5) Provide detailed operating procedures, in writing, for the
10 proposed facility, which shall include, but not be limited to,
11 procedures for facility and operational security, prevention of
12 diversion, employee screening, storage of medical cannabis,
13 personnel policies, and recordkeeping procedures. All screening
14 processes shall adhere to guidance and best practices established
15 by the United States Equal Employment Opportunity Commission,
16 including, but not limited to, those relating to hiring practices on
17 the consideration of arrest and conviction records in employment
18 decisions under Title VII of the Civil Rights Act of 1964.

19 (6) Submit the applicant’s fingerprint images as follows:

20 (A) For purposes of this paragraph, “applicant” means the owner
21 or owners of a proposed facility, including all persons or entities
22 having an ownership interest other than a security interest, lien,
23 or encumbrance on property that will be used by the facility. If the
24 owner is an entity, fingerprints shall be submitted for each person
25 participating in the direction, control, or management of, or having
26 a financial interest in, the proposed facility.

27 (B) The applicant shall electronically submit to the Department
28 of Justice fingerprint images and related information required by
29 the Department of Justice for the purpose of obtaining information
30 as to the existence and content of a record of state or federal
31 convictions and arrests, and information as to the existence and
32 content of a record of state or federal convictions and arrests for
33 which the Department of Justice establishes that the person is free
34 on bail or on his or her own recognizance, pending trial or appeal.

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

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

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

4 (7) Provide documentation issued by the local jurisdiction in
5 which the proposed business is operating or will operate certifying
6 that the applicant is or will be in compliance with all local
7 ordinances and regulations.

8 (8) Provide evidence of the legal right to occupy and use an
9 established location.

10 (9) If the proposed facility is a cultivator or a dispensary, provide
11 evidence that the proposed facility is located beyond at least a 600
12 foot radius from a school, as required by Section 11362.768 of the
13 Health and Safety Code.

14 (10) Provide a statement, signed by the applicant under penalty
15 of perjury, that the information provided is true.

16 (11) (A) For an applicant with 20 or more employees, provide
17 a statement that the applicant will enter into, or demonstrate that
18 it has already entered into, and abide by the terms of a labor peace
19 agreement.

20 (B) For the purposes of this paragraph, “employee” does not
21 include a supervisor.

22 (C) For purposes of this paragraph, “supervisor” means an
23 individual having authority, in the interest of the licensee, to hire,
24 transfer, suspend, lay off, recall, promote, discharge, assign,
25 reward, or discipline other employees, or responsibility to direct
26 them or to adjust their grievances, or effectively to recommend
27 such action, if, in connection with the foregoing, the exercise of
28 that authority is not of a merely routine or clerical nature, but
29 requires the use of independent judgment.

30 (D) Provide the applicant’s seller’s permit number issued
31 pursuant to Part 1 (commencing with Section 6001) of Division 2
32 of the Revenue and Taxation Code, or indicate that the applicant
33 is currently applying for a seller’s permit.

34 (12) Provide any other information required by the licensing
35 authority.

36 (13) For an applicant seeking a cultivation license, provide a
37 statement declaring the applicant is an “agricultural employer,” as
38 defined in the Alatorre-Zenovich-Dunlap-Berman Agricultural
39 Labor Relations Act of 1975 (Part 3.5 (commencing with Section

1 1140) of Division 2 of the Labor Code), to the extent not prohibited
2 by law.

3 (14) For an applicant seeking a cultivator, distributor, or
4 dispensary license, provide a notarized statement from the owner
5 of real property or their agent where the cultivation, distribution,
6 manufacturing, or dispensing commercial medical cannabis
7 activities will occur, as proof to demonstrate the landowner has
8 acknowledged and consented to permit cultivation, distribution,
9 or dispensary activities to be conducted on the property by the
10 tenant applicant.

11 (b) Each location and each discrete use of a single location shall
12 require a separate state license. Each application for a state license
13 is separate and distinct, and the licensing authority may charge a
14 separate fee for each.

15 (c) For applicants seeking a state license to cultivate, distribute,
16 or manufacture, the application shall also include a detailed
17 description of the operating procedures for all of the following, as
18 applicable:

19 (1) Cultivation.

20 (2) Extraction and infusion methods.

21 (3) The transportation process.

22 (4) Inventory procedures.

23 (5) Quality control procedures.

24 19321. (a) Upon receipt of an application for licensure and
25 the applicable fee, each licensing authority shall make a thorough
26 investigation to determine whether the applicant and the premises
27 for which a state license is applied qualify for the state license and
28 whether this chapter has been complied with, and shall investigate
29 all matters connected therewith that may affect the public welfare
30 and morals.

31 (b) A licensing authority shall deny an application if either the
32 applicant or the premises for which a state license is applied do
33 not qualify for licensure under this chapter.

34 (c) A licensing authority may place reasonable conditions upon
35 licensure if grounds exist for denial of the state license, and the
36 licensing authority finds those grounds may be removed by the
37 imposition of those conditions. However, the limitations set forth
38 in paragraphs ~~(15)~~ (6), (15), and (18) of subdivision (d) shall not
39 be waived.

1 (d) Each licensing authority ~~may~~ *shall* deny the application for
2 licensure or renewal, or suspend or revoke a state license, if any
3 of the following conditions apply:

4 (1) An entity making or authorizing in any manner or by any
5 means a written or oral statement that is untrue or misleading and
6 that is known, or that by exercise of reasonable care should be
7 known, to be untrue or misleading.

8 (2) Conduct that constitutes fraud.

9 (3) Conduct constituting gross negligence.

10 (4) Failure to comply with the provisions of this chapter or any
11 rule or regulation adopted pursuant to this chapter.

12 (5) Conduct that constitutes grounds for denial of licensure
13 pursuant to Chapter 2 (commencing with Section 480) of Division
14 1.5.

15 (6) Local agencies have notified the licensing authority or the
16 office and provided evidence that a licensee or applicant within
17 its jurisdiction is in violation of local ordinances relating to medical
18 cannabis activities.

19 (7) The applicant fails to meet the requirements of this chapter
20 or any regulation adopted pursuant to this chapter or any applicable
21 city, county, or city and county ordinance or regulation. If a local
22 government adopts an ordinance or resolution authorizing medical
23 cannabis to be cultivated, manufactured, stored, distributed, or
24 sold within its jurisdiction, it may submit to the office
25 documentation detailing their renewal requirements. Failure to
26 submit an ordinance or resolution to the office shall not impair the
27 enforceability of the ordinance or resolution. Ordinances or
28 resolutions that are not submitted pursuant to this subdivision shall
29 not be considered in denial of licensure pursuant to this chapter.

30 (8) Granting or continuation of a state license would be contrary
31 to the public's safety.

32 (9) The applicant holding or seeking a state license has been
33 convicted of a misdemeanor involving moral turpitude, excluding
34 misdemeanors involving marijuana.

35 (10) The application has failed to state with sufficient specificity
36 the jurisdiction and location at which the applicant proposes to
37 establish operations.

38 (11) The applicant, or any of its officers, directors, or owners,
39 is under 21 years of age.

1 (12) The applicant fails to provide notarized written proof that
2 the owner of real property or landlord has acknowledged and
3 consented to its tenant's proposed cultivation or dispensing of
4 medical cannabis or medical cannabis products.

5 (13) The applicant has failed to provide information requested.

6 (14) The applicant, or any of its officers, directors, or owners,
7 has been convicted of a felony criminal conviction for the
8 possession for sale, sale, manufacture, transportation, or cultivation
9 of a controlled substance, including a narcotic drug classified in
10 Schedule II, III, IV, or V, but excluding marijuana, for drug
11 trafficking involving a minor, felonies subject to enhancements
12 Section 11370.4 or 11379.8 of the Health and Safety Code, a
13 violent felony, as specified in subdivision (c) of Section 667.5 of
14 the Penal Code, a serious felony as specified in subdivision (c) of
15 Section 1192.7 of the Penal Code, a felony offense involving fraud
16 or deceit, or any other felony that, in the licensing authority's
17 determination, would impair the applicant's ability to appropriately
18 operate as a state licensee. The licensing authority may, at its
19 discretion, issue a state license to an applicant that has obtained a
20 certificate of rehabilitation pursuant to Section 4852.13 of the
21 Penal Code. *It is the intent of the Legislature to further determine*
22 *the suitability of applicants for licensure with prior felonies specific*
23 *to cannabis.*

24 (15) The applicant, or any of its officers, directors, or owners,
25 is a licensed physician making patient recommendations for
26 medical cannabis.

27 (16) The applicant, or any of its officers, directors, or owners,
28 has been sanctioned by a licensing authority, the office, or a city,
29 county, or a city and county for unlicensed commercial medical
30 cannabis activities or has had a license revoked under this chapter
31 in the previous three years.

32 (17) The applicant, or any of its officers, directors, or owners,
33 has been subject to fines or penalty for cultivation or production
34 of a controlled substance on public or private lands pursuant to
35 Section 12025 of the Fish and Game Code.

36 (18) The proposed commercial medical cannabis activity will
37 violate any applicable local law or ordinance.

38 (19) The applicant has had 20 employees or more in the past
39 year and failed to enter into a labor peace agreement.

1 (20) The applicant or the owner is unable to establish that he
2 or she has been a resident of the state for not less than ~~four~~ *three*
3 years.

4 (21) Failure to obtain and maintain a valid seller's permit
5 requires pursuant to Part 1 (commencing with Section 6001) of
6 the Revenue and Taxation Code.

7 (e) Applicants shall be notified of a denied application in writing
8 via personal service or mail addressed to the address of the
9 applicant or licensee set forth in the application. The denial letter
10 shall contain the detailed reasons for which the application was
11 denied. The applicant shall have the right to appeal the denial and
12 be given a hearing within 30 days of the appeal. On appeal, the
13 decision shall be upheld unless the applicant demonstrates that the
14 applicant is in fact eligible for licensure and the application is in
15 compliance with this chapter.

16 19322. (a) A licensing authority may refuse to issue, reinstate,
17 or renew a state license, or may suspend a state license for failure
18 of a licensee to resolve all outstanding final liabilities, including,
19 but not limited to, taxes, additions to tax, penalties, interest, and
20 fees that have been assessed by the State Board of Equalization.

21 (1) Until the final liabilities covered by this section are satisfied,
22 a person named on a state license that has been suspended pursuant
23 to this section shall be prohibited from serving in any capacity that
24 is subject to licensure pursuant to this chapter, but may act as a
25 nonsupervising employee.

26 (2) All state licenses issued with the same personnel of record
27 that have been assessed an outstanding liability covered by this
28 section shall be suspended until the debt has been satisfied or until
29 the indebted personnel of record disassociate themselves from the
30 licensee.

31 (b) The refusal to issue a state license or the suspension of a
32 state license as provided by this section shall occur only if the
33 licensing authority has mailed a notice, prior to the refusal or
34 suspension, that indicates that the state license will be refused or
35 suspended by a date certain. This preliminary notice shall be mailed
36 to the licensee at least 60 days before the date certain.

37 (c) This section shall not apply to any outstanding final liability
38 if the licensee has entered into an installment payment agreement
39 for that liability with the State Board of Equalization and is in
40 compliance with the terms of that agreement.

1 19323. (a) Provided the applicant has not committed an act or
2 crime constituting grounds for the denial of licensure under Section
3 19321, a licensing authority may issue a state license and send a
4 proof of issuance to the applicant.

5 (b) A licensing authority shall, by regulation, prescribe
6 conditions upon which a person whose state license has previously
7 been denied, suspended, or revoked, may be issued a state license.

8 19324. The office may adopt regulations to limit the number
9 of state licenses issued pursuant to this chapter upon a finding that
10 the otherwise unrestricted issuance of state licenses is dangerous
11 to the public's health and safety.
12

13 Article 5. Regulation of Medical Cannabis 14

15 19325. (a) Except as provided in Section 11362.5 of the Health
16 and Safety Code and Section 19316, a person shall not sell,
17 distribute, provide, or donate medical cannabis or medical cannabis
18 products to a patient or caregiver other than at a licensed dispensing
19 facility or through delivery from a licensed dispensing facility.

20 (b) Except as provided in Section 11362.5 of, and Article 2.5
21 (commencing with Section 11362.7) of Chapter 6 of Division 10
22 of, the Health and Safety Code and Section 19316, a person shall
23 not cultivate medical cannabis other than at a licensed cultivation
24 site.

25 (c) Except as provided in Section 11362.5 of, and Article 2.5
26 (commencing with Section 11362.7) of Chapter 6 of Division 10
27 of, the Health and Safety Code and Section 19316, a person other
28 than a licensed manufacturer shall not manufacture or process
29 medical cannabis or medical cannabis products.

30 (d) A person other than a licensed transporter shall not transport
31 medical cannabis from one facility issued a state license to another,
32 unless otherwise specified in this chapter.

33 (e) All licensees holding cultivation or manufacturing licenses
34 shall send all medical cannabis and medical cannabis products
35 cultivated or manufactured to a licensed processor for processing
36 and testing prior to retail or sale of medical cannabis or medical
37 cannabis products or to a dispensary, qualified patient, or caregiver,
38 according to the allowances by their license. Those licensees
39 holding a Type 10A license in addition to a cultivation license
40 shall send all medical cannabis to a licensed processor prior to

1 dispensing any product. Medical cannabis and medical cannabis
2 products shall not be returned to a cultivation or manufacturing
3 licensee unless that licensee is also a licensed dispensary. The
4 licensing authority shall fine a licensee who violates this
5 subdivision in an amount determined by the licensing authority to
6 be reasonable.

7 (f) (1) Upon receipt of medical cannabis or medical cannabis
8 products by a holder of a cultivation or manufacturing license, the
9 Type 11 licensee shall first inspect the product to ensure the
10 identity and quantity of the product and then send the medical
11 cannabis or medical cannabis product to be tested by a Type 8
12 licensee.

13 (2) Upon certification by the Type 8 licensee that the product
14 is fit for manufacturing or retail, all medical cannabis and medical
15 cannabis products shall be processed by a certified processor prior
16 to retail or dispensing to ensure the quantity and content of the
17 medical cannabis or medical cannabis product, and for tracking
18 and taxation purposes by the state. Licensed processors shall
19 package or seal all medical cannabis and medical cannabis products
20 in tamper-evident packaging and use a unique identifier, such as
21 a batch and lot number or bar code, to identify and track the
22 medical cannabis or medical cannabis products. All packaging and
23 sealing shall be completed prior to any medical cannabis or medical
24 cannabis products being transported or delivered to a licensee,
25 qualified patient, or caregiver.

26 (g) Medical cannabis and medical cannabis products shall be
27 tested by a certified testing laboratory, prior to retail sale or
28 dispensing, as follows:

29 (1) Medical cannabis from dried flower shall, at a minimum,
30 be tested for potency, pesticides, mold, *rodenticide*, and other
31 contaminants.

32 (2) Medical cannabis extracts shall, at a minimum, be tested for
33 potency and purity of the product.

34 (3) This chapter shall not prohibit a licensee from performing
35 on-site testing for the purposes of quality assurance of the product
36 in conjunction with reasonable business operations. On-site testing
37 by the licensee shall not be certified by the Division of Medical
38 Cannabis Manufacturing and Testing.

39 (h) For purposes of this section, “license” includes a provisional
40 license issued pursuant to Section 19330.

1 (i) This section shall become operative on July 1, 2017.

2 19326. (a) A licensee shall not cultivate, process, store,
3 manufacture, transport, or sell medical cannabis in the state unless
4 accurate records are kept at the licensed premises of the growing,
5 processing, storing, manufacturing, transporting, or selling by the
6 licensee.

7 (b) A licensee shall keep, at the licensed premises, accurate
8 records of the specific commercial cannabis activity conducted by
9 the licensee. The records shall include, at a minimum, all of the
10 following for each batch of product:

11 (1) The name and address of the supplier.

12 (2) The dates on which the product was received.

13 (3) The amounts, form, and batch and lot number.

14 (4) The location of the cultivation site.

15 (5) The name of the employee who received the product.

16 (6) Records demonstrating compliance by the licensee with state
17 and federal rules and regulations regarding reporting and taxation
18 of income received.

19 (7) Receipts for all expenditures incurred by the licensee and
20 banking records, if any, for all funds obtained or expended in the
21 performance of any activity under the authority of the state license.

22 (c) Records shall be kept for a minimum of seven years
23 following approval of a state license.

24 (d) The office, the local enforcement agency designated in
25 accordance with Section 19309, and any other appropriate state
26 or local agency may examine the books and records of a state
27 licensee and may visit and inspect the premises of a state licensee,
28 as the office or state or local agency deems necessary to perform
29 its duties under this chapter. All inspections shall be conducted
30 during standard business hours of the licensed facility. *Licensees*
31 *or employees or representatives of licensees are prohibited from*
32 *refusing, impeding, or interfering with an inspection pursuant to*
33 *this chapter or local ordinance. A violation shall be a misdemeanor*
34 *punishable by up to one year in county jail and a fine up to five*
35 *thousand dollars (\$5,000) or by civil penalties of up to five*
36 *thousand dollars (\$5,000).*

37 (e) Books or records requested by the office or an appropriate
38 state or local agency shall be provided by the licensee no later than
39 five business days after the request is made.

1 (f) The office, the local enforcement agency designated pursuant
2 to Section 19309, or any other state or local agency may enter and
3 inspect the premises of a facility issued a state license between the
4 hours of 8 a.m. and 8 p.m. on any day that the facility is open, or
5 at any reasonable time, to ensure compliance and enforcement of
6 the provisions of this chapter or a local ordinance.

7 (g) If a licensee or an employee of a licensee refuses, impedes,
8 obstructs, or interferes with an inspection pursuant to this section,
9 the state license may be summarily suspended and the licensing
10 authority shall directly commence proceedings for the revocation
11 of the state license.

12 (h) If a licensee or an employee of a licensee fails to maintain
13 or provide the books and records required pursuant to this section,
14 the licensee shall be subject to a civil fine of fifteen thousand
15 dollars (\$15,000) per individual violation.

16 (i) All cultivator, distributor, and dispensing licensees shall be
17 subject to inspection, as specified by the licensing authority, in
18 order to ensure compliance with this chapter, including, but not
19 limited to, maintaining proper documentation at each site or
20 facility.

21 19327. (a) A licensee may only hold a state license in up to
22 two separate license categories, as follows:

23 (1) Type 1, 1A, 2, and 2A licensees, or a combination thereof,
24 may apply for a Type 6 or 7 state license, or a combination thereof.

25 (2) Type 6 and 7 licensees, or a combination thereof, may apply
26 for a Type 1, 1A, 2, 2A state license, or a combination thereof.

27 (3) Type 6 and 7 licensees, or a combination thereof, may apply
28 for a Type 10A state license.

29 (4) Type 10A licensees may apply for a Type 6 and 7 state
30 license, or a combination thereof.

31 (5) Type 1, 1A, 2, 2A licensees, or a combination thereof, may
32 apply for a Type 10A state license.

33 (6) Type 10A licensees, may apply for Type 1, 1A, 2, 2A state
34 license, or a combination thereof.

35 (b) Except as provided in subdivision (a), a person or entity that
36 holds a state license is prohibited from licensure for any other
37 activity authorized under this chapter, and is prohibited from
38 holding an ownership interest in real property, personal property,
39 or other assets associated or used in any other license category.

(c) A licensee conducting commercial cannabis activity in a jurisdiction that, prior to January 1, 2016, imposed a local ordinance requiring a qualified businesses or individuals to cultivate, manufacture, and dispense medical cannabis or medical cannabis products, with all commercial cannabis activity being conducted by a single licensee, may maintain their current categories of licensure.

~~19327.2. A licensee with a Type 10 or Type 10A state license shall not also be licensed as a retailer of alcoholic beverages pursuant to Division 9 (commencing with Section 23000).~~

19328. Each licensing authority shall make recommendations to the Legislature pertaining to the establishment of an appeals and judicial review process for persons aggrieved by a final decision of the licensing authority.

19329. This chapter and Article 2 (commencing with Section 11357) and Article 2.5 (commencing with Section 11362.7) of Chapter 6 of Division 10 of the Health and Safety Code shall not interfere with an employer's rights and obligations to maintain a drug and alcohol free workplace or require an employer to permit or accommodate the use, consumption, possession, transfer, display, transportation, sale, or growth of cannabis in the workplace or affect the ability of employers to have policies prohibiting the use of cannabis by employees and prospective employees, or prevent employers from complying with state or federal law.

Article 6. Provisional Licensing

19330. (a) Each licensing authority shall, as soon as practicable following January 1, 2016, allow a qualified applicant for licensure to apply for, receive, and renew a provisional license to engage in commercial cannabis activity so as to ensure an adequate supply of medical cannabis upon full implementation of this chapter. The provisional license shall have a scheduled expiration date, as determined by the licensing authority.

(b) Each licensing authority shall establish appropriate fees not to exceed the reasonable regulatory costs to the licensing authority for the issuance and renewal of a provisional license under its jurisdiction.

(c) Each licensing authority shall, if the applicant meets all the requirements in this section, issue a provisional license to

1 individuals and entities that the licensing authority determines
2 were, during the three months prior to March 1, 2016, regularly
3 cultivating, processing, manufacturing, transporting, or distributing
4 medical cannabis collectively or cooperatively in full compliance
5 with any applicable local ordinance, and to continue to do so until
6 the licensee's application for a state license has been approved or
7 denied under this chapter, but no later than 90 days after the
8 licensing authority begins accepting applications for regular state
9 licenses. The licensing authority may consult with relevant local
10 agencies in making a determination on whether a provisional
11 license applicant is in compliance with applicable ordinances.
12 Priority for provisional licensure shall be given to those businesses
13 in compliance with local ordinances prior to September 1, 2015.

14 (d) To qualify for a provisional license, an applicant shall
15 disclose to the appropriate licensing authority all of the following
16 information in writing:

17 (1) The names, addresses, and dates of birth of each principal
18 officer, owner, or board member.

19 (2) The common street address and assessor's parcel number
20 of the property at which the licensee conducts activity under the
21 authority of the license.

22 (3) The common street address and assessor's parcel number
23 of the property at which cultivation activity was or is to be
24 conducted.

25 (4) For the three months prior to March 1, 2016, the quantity
26 of cannabis cultivated, processed, manufactured, tested, transported,
27 or sold at a location, and the quantity expected to be cultivated,
28 processed, manufactured, tested, transported, or sold from March
29 1, 2016, to September 1, 2016, inclusive. The licensee shall make
30 its records of current activity, and activity for the three months
31 prior to March 1, 2016, available to the licensing authority upon
32 request.

33 (5) For an applicant seeking a license to cultivate, distribute, or
34 dispense medical cannabis, a notarized statement from the owner
35 of real property or landlord where the licensed activities will occur,
36 as proof to demonstrate the landowner has acknowledged and
37 consented to permit the proposed activities to be conducted on the
38 property by the tenant applicant.

39 (e) Upon receipt of the application materials and fee, if the
40 applicant meets all the requirements of this section and if the

1 applicant has not committed any act or crime constituting grounds
2 for the denial of licensure, the licensing authority shall issue or
3 renew a provisional license and send a proof of issuance or renewal
4 to the applicant.

5 (f) Notwithstanding any other provision of this section, a
6 licensing authority shall not issue or renew a provisional license
7 to an individual or entity, or for a premises, against whom there
8 are pending state or local administrative or judicial proceedings
9 or actions initiated by a city, county, or city and county under an
10 applicable local ordinance, or who has been determined through
11 those proceedings to have violated a local ordinance related to
12 cannabis activity, or that knowingly provides false or fraudulent
13 information on an application for licensure.

14 (g) A provisional licensee shall comply with all standards and
15 requirements applicable to a licensee under this chapter, including,
16 but not limited to, the production, recordkeeping, security, and
17 transportation requirements and standards.

18 (h) Beginning July 1, 2017, all commercial cannabis activity
19 shall be conducted between licensees of commercial cannabis
20 activity. If the licensing authority has not promulgated its respective
21 regulations by that date, the licensing authority shall provide an
22 extension for all provisional licenses for applicants abiding by the
23 provisions of this chapter.

24 (i) A provisional license issued pursuant to this section shall
25 automatically terminate upon a licensing agency's issuance of a
26 regular state license.

27 Article 7. Licensed Cultivation Sites

28
29
30 19332. (a) The Division of Medical Cannabis Cultivation in
31 the Department of Food and Agriculture shall promulgate
32 regulations governing the licensing of cultivation sites. For
33 purposes of this chapter, the Secretary of the Department of Food
34 and Agriculture shall declare medical cannabis to be an agricultural
35 product. ~~The department shall~~ *division shall, in consultation with*
36 *the State Department of Public Health and the Department of*
37 *Pesticide Regulation,* develop standards for the production and
38 labeling of all edible medical cannabis products, standards for the
39 use of pesticides and rodenticides in cultivation, ~~and, in~~
40 ~~consultation with the State Department of Public Health, and~~

1 maximum tolerances for pesticides, rodenticides, and other foreign
2 object residue in harvested cannabis.

3 (b) The Department of Food and Agriculture shall have the
4 authority necessary for the implementation of this chapter.
5 Department regulations shall do all of the following:

6 (1) Provide that weighing or measuring devices used in
7 connection with the sale or distribution of medical cannabis are
8 required to meet standards equivalent to Division 5 (commencing
9 with Section 12001).

10 ~~(2) Require that the application of pesticides or other pest control~~
11 ~~in connection with the indoor or outdoor cultivation of medical~~
12 ~~cannabis shall meet standards equivalent to Division 6~~
13 ~~(commencing with Section 11401) of the Food and Agricultural~~
14 ~~Code and its implementing regulations.~~

15 ~~(3)~~

16 (2) Require that indoor and outdoor cannabis cultivation by
17 licensees is conducted in accordance with state and local laws and
18 best practices related to land conversion, grading, electricity usage,
19 water usage, agricultural discharges, and similar matters.

20 *(c) The Department of Pesticide Regulation shall promulgate*
21 *regulations that require that the application of pesticides or other*
22 *pest control in connection with the indoor or outdoor cultivation*
23 *of medical cannabis meets standards equivalent to Division 6*
24 *(commencing with Section 11401) of the Food and Agricultural*
25 *Code and its implementing regulations.*

26 ~~(e)~~

27 (d) State licenses to be issued by the Division of Medical
28 Cannabis Cultivation are as follows:

29 (1) Type 1, or “specialty outdoor,” for outdoor cultivation of
30 less than 5,000 square feet of total canopy size on one premises.

31 (2) Type 1A, or “specialty indoor,” for indoor cultivation of
32 less than 5,000 square feet of total canopy size on one premises.

33 (3) Type 2, or “small outdoor,” for outdoor cultivation between
34 5,001 and 10,000 square feet of total canopy size on one premises.

35 (4) Type 2A, or “small indoor,” for indoor cultivation between
36 5,001 and 10,000 square feet of total canopy size on one premises.

37 (5) Type 3, or “outdoor,” for outdoor cultivation between 10,001
38 and 44,000 square feet of total canopy size on one premises. The
39 Division of Medical Cannabis Cultivation shall limit the number
40 of licenses allowed of this type.

(6) Type 4, or “nursery,” for cultivation of medical cannabis solely as a nursery. Type 4 licensees may transport live plants.

~~(d)~~

(e) All license fees collected by the division pursuant to this chapter shall be deposited into the Medical Cannabis Cultivation Fees Account, which is hereby established within the fund. All moneys within this account are available upon appropriation by the Legislature to the division solely for the purposes of fully funding and administering this chapter, including, but not limited to, the costs incurred by the division for its administrative expenses and costs and the costs of regulation.

~~(e)~~

(f) It is the intent of the Legislature to establish appropriate protocols for the collection of the specific location of cultivation sites.

19333. An employee engaged in commercial cannabis cultivation activity shall be subject to Wage Order 4-2001 of the Industrial Welfare Commission.

Article 8. Licensed Distributors, Dispensaries, and Transporters

19334. (a) The State Board of Equalization shall promulgate regulations governing the licensing and regulation of distributors, dispensing facilities, and transporters. State enforcement shall be conducted in coordination with local authorities.

(b) By March 1, 2016, the State Board of Equalization shall submit a request for proposal to the public regarding a tracking program for medical cannabis and medical cannabis products as part of the anti-diversion effort. The State Board of Equalization shall choose a supplier and begin full implementation of the program prior to the issuance of state licenses pursuant to this chapter.

~~(b)~~

(c) State licenses to be issued by the State Board of Equalization are as follows:

(1) Type 10, or “dispensary,” for the retail of medical cannabis or medical cannabis products. This license shall allow for delivery ~~upon local approval~~ *where expressly authorized by local ordinance, pursuant to subdivision (b) of Section 19340.*

1 (2) Type 10A or “special dispensary status,” for dispensers who
2 have no more than three licensed dispensary facilities. This license
3 shall allow for delivery ~~with local approval~~. *where expressly*
4 *authorized by local ordinance, pursuant to subdivision (b) of*
5 *Section 19340.*

6 (3) Type 11, or “distributor,” for the processing and certification
7 of the content of all medical cannabis or medical cannabis products
8 that are transported or delivered by licensees. A Type 11 licensee
9 shall not hold a license in any other license category and shall not
10 own, or have an ownership interest in, a facility licensed pursuant
11 to this chapter other than a security interest, lien, or encumbrance
12 on property that is used by a licensee.

13 (4) Type 12, or “transport,” for transporters of medical cannabis
14 or medical cannabis products.

15 19334.5. (a) The State Board of Equalization shall adopt a
16 medical cannabis and medical cannabis products track and trace
17 process for reporting the movement of cannabis items throughout
18 the distribution chain that also employs secure packaging and that
19 is capable of providing information that captures, at a minimum,
20 all of the following:

21 (1) The licensee receiving the product.

22 (2) The transaction date.

23 (3) Any other information deemed necessary by the State Board
24 of Equalization for the taxation and regulation of medical cannabis
25 and medical cannabis products.

26 ~~(b) It is the intent of the Legislature, in subsequent legislation,~~
27 ~~to adequately fund the medical cannabis and medical cannabis~~
28 ~~products track and trace process.~~

29 *(b) The State Board of Equalization shall receive initial funding*
30 *for subdivision (b) of Section 19334 and this section pursuant to*
31 *subdivision (d) of Section 19361.*

32 19335. (a) The provisions of Chapter 4 (commencing with
33 Section 55121) of Part 30 of Division 2 of the Revenue and
34 Taxation Code shall apply with respect to the State Board of
35 Equalization’s collection of the fees, civil fines, and penalties
36 imposed pursuant to this chapter.

37 (b) The provisions of Chapter 8 (commencing with Section
38 55381) of Part 30 of Division 2 of the Revenue and Taxation Code
39 shall apply with respect to the disclosure of information under this
40 chapter.

Article 9. Licensed Transporters

19336. (a) A licensee authorized to transport, or transport and deliver, medical cannabis and medical cannabis products shall do so only as set forth in this chapter.

(b) Prior to transporting or delivering medical cannabis or medical cannabis products, a licensee authorized to transport or deliver medical cannabis or medical cannabis products shall do both of the following:

(1) Complete an electronic shipping manifest as prescribed by the licensing authority. All delivery shipping manifests shall not identify the qualified patient or primary caregiver by name or address.

(2) Securely transmit the manifest to the licensing authority and the licensee that will receive the medical cannabis product, as applicable.

(c) During transportation or delivery, the licensed transporter shall maintain a physical copy of the shipping manifest and make it available upon request to agents of the licensing authority, local law enforcement officers, or any other designated enforcement agency.

(d) The licensee receiving the shipment shall maintain each electronic shipping manifest and shall make it available upon request to agents of the licensing authority, local law enforcement officers, or any other designated enforcement agency.

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

19336.5. An entity licensed pursuant to Section 19332, 19334, or 19342 may transport between licensees medical cannabis or medical cannabis products with a total retail value less than the value, weight of medical cannabis, and weight of medical cannabis products, below the statewide monetary threshold, which shall be adopted by regulation by the licensing authority after review by the task force and the office.

19337. (a) Transported and delivered medical cannabis or medical cannabis products shall be transported only in a storage compartment that is securely affixed to the interior of the transporting vehicle and that is not visible from outside the vehicle. This requirement shall only apply to licensees transporting medical

1 cannabis or medical cannabis products with a total retail value of
2 at least an amount equal to a statewide monetary threshold, which
3 shall be adopted by regulation by the licensing authority after
4 review by the task force and the office.

5 (b) Except as provided in Section 19340, a vehicle transporting
6 medical cannabis or medical cannabis products shall travel only
7 directly between licensed facilities, unless otherwise authorized
8 under its license. All transport and deliveries shall be conducted
9 between 8:00 a.m. and 8:00 p.m. Transportation and delivery of
10 shipments do not have to be completed in a single day.

11 (c) All transport or delivery vehicles shall be staffed with a
12 minimum of two direct employees of the licensee. At least one
13 employee shall remain with the vehicle at all times when the
14 vehicle contains medical cannabis. This requirement shall only
15 apply to licensees transporting medical cannabis or medical
16 cannabis products with a total retail value of at least an amount
17 equal to a statewide monetary threshold, which shall be adopted
18 by regulation by the licensing authority after review by the task
19 force and the office.

20 (d) Each transport or delivery team member shall possess
21 documentation of licensing and a government-issued identification
22 card at all times when transporting or delivering medical cannabis
23 and shall produce it upon the request of agents of any licensing
24 authority or a law enforcement official.

25 (e) This section shall be enforced by the Department of the
26 California Highway Patrol in collaboration with local agencies.

27 19337.1. Notwithstanding Section 19337, a licensed transporter
28 may transport medical cannabis products to an unlicensed
29 dispensing facility within the City of Los Angeles, provided the
30 following requirements are met:

31 (a) The licensed transporter shall comply with subdivisions (b)
32 and (c) of Section 19336, except that, in complying with paragraph
33 (2) of subdivision (b), the licensed transporter shall securely
34 transmit the manifest to the licensing authority and the unlicensed
35 dispensing facility that will receive the medical cannabis products.

36 (b) The licensed transporter shall record and maintain, in both
37 physical and electronic format, the following information with
38 respect to the delivery of medical cannabis products to the
39 unlicensed dispensing facility:

40 (1) The date of delivery.

- 1 (2) The address of delivery.
- 2 (3) The name of the individual who completed the delivery.
- 3 (4) The name of the individual at the facility who received the
- 4 delivery.
- 5 (5) The name of the owner or operator of the facility.
- 6 (6) The name of the facility, as reflected on any signage.
- 7 (7) The quantity, or weight, and variety of all medical cannabis
- 8 products delivered.
- 9 (8) The source of all medical cannabis delivered.
- 10 (9) The monetary amount charged and received for all medical
- 11 cannabis products delivered.
- 12 (c) The recorded information specified in subdivision (b) shall
- 13 be transmitted within five days to the City of Los Angeles, in a
- 14 manner to be determined and specified by the City of Los Angeles.
- 15 (d) The records required by this section shall be maintained and
- 16 made available in accordance with the provisions of Section 19326.
- 17 19338. (a) The licensing authority shall develop a database
- 18 containing the electronic shipping manifests, which shall include,
- 19 but not be limited to, the following information:
- 20 (1) The quantity, or weight, and variety of products shipped.
- 21 (2) The estimated times of departure and arrival.
- 22 (3) The quantity, or weight, and variety of products received.
- 23 (4) The actual time of arrival.
- 24 (5) A categorization of the product.
- 25 (b) The database shall be designed to flag irregularities for a
- 26 licensing authority to investigate. An authorized enforcement
- 27 authority may, at any time, inspect shipments and request
- 28 documentation for current inventory.
- 29 19339. (a) This chapter shall not be construed to authorize or
- 30 permit a licensee to transport or deliver, or cause to be transported
- 31 or delivered, cannabis or cannabis products outside the state, unless
- 32 authorized by federal law.
- 33 (b) A local jurisdiction shall not prevent transportation of
- 34 medical cannabis or medical cannabis products on public roads
- 35 by a licensee transporting medical cannabis or medical cannabis
- 36 products that acts in compliance with this chapter.
- 37 (c) A local jurisdiction shall not prevent delivery of medical
- 38 cannabis or medical cannabis products on public roads by a licensee
- 39 that acts in compliance with this chapter and applicable local
- 40 ordinances.

1 19340. (a) All mobile, vehicular, and technology platforms
2 that enable qualified patients or primary caregivers to arrange for
3 any of the above-described functions with a third party are
4 prohibited, except as authorized by this ~~chapter~~. *chapter and local*
5 *ordinance*.

6 (b) Upon approval of the licensing authority, a licensee
7 authorized to provide delivery services shall ~~abide by~~ *comply with*
8 the following:

9 (1) The city, county, or city and county in which the premises
10 of the licensee is located, and in which each delivery is made, must
11 specifically permit delivery service by ordinance referring to this
12 section.

13 (2) All employees delivering medical cannabis or medical
14 cannabis products must carry a current license authorizing those
15 services with them during deliveries, and must present that license
16 upon request to state and local law enforcement, employees of
17 regulatory authorities, and other state and local agencies enforcing
18 this chapter.

19 (3) Delivery of medical cannabis or medical cannabis products
20 pursuant to this section shall comply with ~~subdivision (e)~~
21 *subdivisions (c) and (d)* of Section 19336 and subdivisions (a),
22 (c), and (d) of Section 19337.

23 (c) A county shall have the authority to impose a tax, pursuant
24 to Section 19355, on each delivery transaction completed by a
25 licensee.

26 (d) Whenever a licensing authority has knowledge that a licensee
27 has transported or delivered, or arranged or facilitated the transport
28 or delivery of, medical cannabis or medical cannabis products in
29 violation of this chapter, the licensing authority shall summarily
30 suspend that facility's license and shall without delay commence
31 proceedings for the revocation of the license in accordance with
32 this chapter.

33 (e) All license fees collected by the licensing authority pursuant
34 to this chapter shall be deposited into the Medical Cannabis Retail
35 Fees Account, which is hereby established within the fund. All
36 moneys within the Medical Cannabis Retail Fees Account are
37 available upon appropriation to the State Board of Equalization,
38 solely for the purposes of fully funding and administering this
39 chapter, including, but not limited to, the costs incurred by the

1 board for its administrative expenses and costs and the costs of
2 regulation.

3 19341. Notwithstanding any other law or the wage orders of
4 the Industrial Welfare Commission, a driver employed to transport
5 medical cannabis or medical cannabis products shall be entitled
6 to overtime pay pursuant to Section 510 of the Labor Code.

7
8 Article 10. Licensed Manufacturers and Certified Laboratories
9

10 19342. (a) The Division of Medical Cannabis Manufacturing
11 and Testing within the State Department of Public Health shall
12 promulgate regulations governing the licensing of cannabis
13 manufacturers.

14 (b) Licenses to be issued by the division are as follows:

15 (1) Type 6, or “manufacturing level 1,” for manufacturing sites
16 that produce medical cannabis products using nonvolatile solvents.

17 (2) Type 7, or “manufacturing level 2,” for manufacturing sites
18 that produce medical cannabis products using volatile solvents.
19 The division shall limit the number of licenses of this type.

20 (3) Type 8, or “testing,” for testing of medical cannabis and
21 medical cannabis products. Type 8 licensees shall have their
22 facilities certified according to regulations set forth by the division.
23 A Type 8 licensee shall not hold a license in another license
24 category of this chapter and shall not own or have ownership
25 interest in a facility licensed pursuant to this chapter, ~~other than a~~
26 ~~security interest, lien, or encumbrance on property that will be~~
27 ~~used by the licensee.~~ *chapter.*

28 (c) All license fees collected by the division pursuant to this
29 chapter shall be deposited into the Medical Cannabis
30 Manufacturing Fees Account, which is hereby established within
31 the fund. All moneys within the Medical Cannabis Manufacturing
32 Fees Account are available upon appropriation by the Legislature
33 to the division, solely for the purposes of fully funding and
34 administering this chapter, including, but not limited to, the costs
35 incurred by the division for its administrative expenses and costs
36 and the costs of regulation.

37 19343. (a) The State Department of Public Health shall
38 promulgate standards for certification of testing laboratories to
39 perform random sample testing of all medical cannabis and medical
40 cannabis products, including standards for onsite testing.

1 (b) Certification of testing laboratories shall be consistent with
2 general requirements for the competence of testing and calibration
3 activities, including sampling, using standard methods established
4 by the International Organization for Standardization, specifically
5 ISO/IEC 17020 and ISO/IEC 17025.

6 (c) These requirements shall apply to all entities, including
7 third-party laboratories, engaged in the testing of medical cannabis
8 pursuant to this chapter.

9 19344. (a) A laboratory certified by the department to perform
10 random sample testing of medical cannabis or medical cannabis
11 products shall not acquire or receive medical cannabis or medical
12 cannabis products except from a licensed facility in accordance
13 with this chapter, and shall not distribute, sell, deliver, transfer,
14 transport, or dispense medical cannabis or medical cannabis
15 products except to the licensed facility from which the medical
16 cannabis or medical cannabis products were acquired or received.
17 All transfer or transportation shall be performed pursuant to a
18 specified chain of custody protocol.

19 (b) The department shall develop procedures to ensure that
20 testing of cannabis occurs prior to delivery to dispensaries or any
21 other business, and specify how often licensees shall test cannabis,
22 that the cost of testing shall be borne by the licensed cultivators,
23 and requiring destruction of harvested batches whose testing
24 samples indicate noncompliance with health and safety standards
25 promulgated by the department, unless remedial measures can
26 bring the cannabis into compliance with quality assurance standards
27 as promulgated by the department.

28 (c) The department shall establish a certification fee, and
29 laboratories shall pay a fee to be certified. Certification fees shall
30 not exceed the reasonable regulatory cost of the certification
31 activities.

32 (d) All certification fees collected by the department pursuant
33 to this chapter shall be deposited into the Medical Cannabis Testing
34 Fees Account, which is hereby established within the fund. All
35 moneys in the Medical Cannabis Testing Fees Account shall be
36 available to the division upon appropriation of the Legislature
37 solely for the purpose of fully funding administration of this
38 chapter, including, but not limited to, the costs incurred by the
39 division for the administrative expenses and costs and the costs of
40 regulation.

19345. (a) The Division of Medical Cannabis Manufacturing and Testing within the State Department of Public Health shall promulgate the following standards:

(1) Health and safety standards applicable to all medical cannabis, and medical cannabis products, including maximum potency standards for medical cannabis products.

(2) Standards for licensed manufacturers of medical cannabis and medical cannabis products, including, but not limited to, edible products.

(b) At a minimum, the standards required by this section shall do all of the following:

(1) Prescribe sanitation standards equivalent to the California Retail Food Code (Part 7 (commencing with Section 113700) of Division 104 of the Health and Safety Code) for food preparation, storage, handling, and sale of edible medical cannabis products. For purposes of this chapter, edible medical cannabis products are deemed to be unadulterated food products.

(2) Require that edible medical cannabis products produced, distributed, provided, donated, or sold by licensees shall be limited to nonpotentially hazardous food, as established by the State Department of Public Health pursuant to Section 114365.5 of the Health and Safety Code.

(3) Require that facilities in which edible medical cannabis products are prepared shall be constructed in accordance with applicable building standards, health and safety standards, and other state laws.

(4) Require that all edible medical cannabis products shall be packaged at the original point of preparation.

(c) No person shall engage in the manufacture, packing, or holding of processed food containing edible cannabis unless the person has a valid registration from the department pursuant to Section 110460 of the Health and Safety Code. Health and safety standards prescribed by this section or promulgated through regulation may be enforced by local environmental health departments.

19346. (a) Prior to sale or distribution at a licensed dispensing facility or an unlicensed dispensing facility in the City of Los Angeles, medical cannabis products shall be labeled and in a tamper-evident package. Labels and packages of medical cannabis products shall meet the following requirements:

1 (1) Medical cannabis packages and labels shall not be made to
2 be attractive to children.

3 (2) All medical cannabis product labels shall include the
4 following information, prominently displayed and in a clear and
5 legible font:

6 (A) Manufacture date and source.

7 (B) The statement “KEEP OUT OF REACH OF CHILDREN
8 AND ANIMALS” in bold print.

9 (C) The statement “FOR MEDICAL USE ONLY.”

10 (D) The statement “THE INTOXICATING EFFECTS OF THIS
11 PRODUCT MAY BE DELAYED BY UP TO TWO HOURS.”

12 (E) For packages containing only dried cannabis, the net weight
13 of medical cannabis in the package.

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

15 (G) List of pharmacologically active ingredients, including, but
16 not limited to, *tetrahydrocannabinol (THC)*, *cannabidiol (CBD)*,
17 *and other* cannabinoid content, the *THC and other* cannabinoid
18 amount in milligrams per serving, servings per package, and the
19 *THC and other* cannabinoid amount in milligrams for the package
20 total.

21 (H) Clear indication, in bold type, that the product contains
22 medical cannabis.

23 (I) Identification of the source and date of cultivation and
24 manufacture.

25 (J) The date of sale.

26 (K) Any other requirement set by the department.

27 (b) Only generic food names may be used to describe edible
28 medical cannabis products.

29
30 Article 11. Cannabis Employee Certification and Apprenticeship

31
32 19350. This article applies only to cultivation sites and
33 dispensaries.

34 19351. The Division of Labor Standards Enforcement shall do
35 all of the following:

36 (a) Maintain minimum standards for the competency and training
37 of employees of a licensed cultivator or dispensary through a
38 system of testing and certification.

1 (b) Maintain an advisory committee and panels as necessary to
2 carry out its functions under this article. There shall be employer
3 representation on the committee and panels.

4 (c) Adopt regulations as determined to be necessary to
5 implement this article.

6 (d) Issue certification cards to employees certified pursuant to
7 this article.

8 (e) Establish registration fees in an amount reasonably necessary
9 to implement this article, not to exceed twenty-five dollars (\$25)
10 for the initial registration. There shall be no fee for annual renewal
11 of registration. Fees collected for cultivation sites and dispensaries
12 shall be placed into the Medical Cannabis Cultivation Fee Account
13 and the Medical Cannabis Retail Fee Account, respectively.

14 19352. (a) By January 1, 2017, the Division of Labor Standards
15 Enforcement shall develop a certification program for cannabis
16 employees. Commencing January 1, 2019, except as provided in
17 subdivision (c), certification shall be required of all persons who
18 perform work as cannabis employees.

19 (b) Individuals desiring to be certified shall submit an
20 application for certification and examination.

21 (c) (1) Certification is not required for registered apprentices
22 working as cannabis employees as part of a state-approved
23 apprenticeship program. An apprentice who is within one year of
24 completion of his or her term of apprenticeship shall be permitted
25 to take the certification examination and, upon passing the
26 examination, shall be certified immediately upon completion of
27 the term of apprenticeship.

28 (2) Commencing January 1, 2019, an uncertified person may
29 perform work for which certification is otherwise required in order
30 to acquire the necessary on-the-job experience for certification
31 provided that the person shall be under the direct supervision of a
32 cannabis employee certified pursuant to this section who is
33 responsible for supervising no more than one uncertified person.

34 (3) The Division of Labor Standards Enforcement may develop
35 additional criteria governing this subdivision.

36 19353. (a) The following shall constitute additional grounds
37 for disciplinary proceedings, including suspension or revocation
38 of the license issued pursuant to this chapter:

1 (1) The licensee willfully employs one or more uncertified
2 persons to perform work as cannabis employees in violation of
3 this article.

4 (2) The licensee willfully fails to provide adequate supervision
5 of uncertified workers.

6 (3) The licensee willfully fails to provide adequate supervision
7 of apprentices.

8 (b) The Labor Commissioner shall maintain a process for
9 referring cases to the appropriate licensing authority when it has
10 been determined that a violation of this section has likely occurred.
11 The Labor Commissioner shall have a memorandum of
12 understanding with the regulatory authorities in furtherance of this
13 section.

14 (c) Upon receipt of a referral by the Labor Commissioner
15 alleging a violation under this section, the appropriate licensing
16 authority shall open an investigation. Disciplinary action against
17 the licensee shall be initiated within 60 days of the receipt of the
18 referral. The licensing authority may initiate disciplinary action
19 against a licensee upon his or her own investigation, the filing of
20 a complaint, or a finding that results from a referral from the Labor
21 Commissioner alleging a violation under this section. Failure of
22 the employer or employee to provide evidence of certification or
23 apprentice status shall create a rebuttable presumption of violation
24 of this section.

25 (d) This section shall become operative on January 1, 2019.

26 Article 12. Taxation

27
28
29 19355. The office and other state agencies may assist state
30 taxation authorities in the development of uniform policies for the
31 state taxation of state licensees.

32 19356. It is the intent of the Legislature to grant authority to
33 the board of supervisors of a county to impose appropriate taxes
34 on facilities licensed pursuant to this chapter.

35 Article 13. Funding

36
37
38 19360. Each licensing authority shall establish a scale of
39 application, licensing, and renewal fees, based upon the cost of
40 enforcing this chapter, as follows:

(a) Each licensing authority shall charge each licensee a licensure or renewal fee. The licensure or renewal fee shall be calculated to cover the costs of administering this chapter. The licensure fee may vary depending upon the varying costs associated with administering the various regulatory requirements of this chapter as they relate to the nature and scope of the different licensure activities, *including, but not limited to, the track and trace program required pursuant to Section 19334.5*, but shall not exceed the reasonable regulatory costs to the licensing authority.

(b) The total fees assessed pursuant to this chapter, including, but not limited to, provisional license fees set forth in Section 19330, shall be set at an amount that will fairly and proportionately generate sufficient total revenue to fully cover the total costs of administering this chapter.

(c) All license fees shall be set on a scaled basis by the licensing authority, dependant on the size of the business.

19361. (a) The Medical Cannabis Regulation Fund is hereby established within the State Treasury. Notwithstanding Section 16305.7 of the Government Code, the fund shall include any interest and dividends earned on the moneys in the fund.

(b) Except as otherwise provided, all moneys collected pursuant to this chapter as a result of fines or penalties imposed under this chapter shall be deposited directly into the Medical Cannabis Fines and Penalties Account, which is hereby established within the fund, and shall be available, upon appropriation by the Legislature to the office, for the purposes of funding the enforcement grant program pursuant to subdivision (c).

(c) (1) The office shall establish a grant program to allocate moneys from the Medical Cannabis Fines and Penalties Account to state and local entities for the following purposes:

(A) To assist with medical cannabis regulation and the enforcement of this chapter and other state and local laws applicable to cannabis activities.

(B) For allocation to state and local agencies and law enforcement to remedy the environmental impacts of cannabis cultivation.

(2) The costs of the grant program under this subdivision shall, upon appropriation by the Legislature, be paid for with moneys in the Medical Cannabis Fines and Penalties Account.

1 (d) (1) Funds for the establishment and support of the regulatory
2 activities pursuant to this chapter may be advanced as a General
3 Fund or special fund loan, and shall be repaid by the initial
4 proceeds from fees collected pursuant to this chapter or any rule
5 or regulation adopted pursuant to this chapter, by January 1, 2022.

6 (2) Funds advanced pursuant to this subdivision shall be
7 appropriated to the office, which shall distribute the moneys to the
8 appropriate licensing authorities, as necessary to implement the
9 provisions of this chapter.

10
11 Article 14. Reporting
12

13 19363. On or before March 1 of each year, the director shall
14 prepare and submit to the Legislature an annual report on the
15 office's activities and post the report on the office's Internet Web
16 site. The report shall include, but not be limited to, the following
17 information for the previous fiscal year:

18 (a) The amount of funds allocated and spent by the office and
19 licensing authorities for medical cannabis licensing, enforcement,
20 and administration.

21 (b) The number of state licenses issued, renewed, denied,
22 suspended, and revoked, by state license category.

23 (c) The average time for processing state license applications,
24 by state license category.

25 (d) The number and type of enforcement activities conducted
26 by the licensing authorities and by local law enforcement agencies
27 in conjunction with the licensing authorities or the office.

28 (e) The number, type, and amount of penalties, fines, and other
29 disciplinary actions taken by the licensing authorities.

30
31 Article 15. Privacy
32

33 19365. (a) Information identifying the names of patients, their
34 medical conditions, or the names of their primary caregivers
35 received and contained in records kept by the office or licensing
36 authorities for the purposes of administering this chapter are
37 confidential and shall not be disclosed pursuant to the California
38 Public Records Act (Chapter 3.5 (commencing with Section 6250)
39 of Division 7 of Title 1 of the Government Code), except as
40 necessary for authorized employees of the State of California or

1 any city, county, or city and county to perform official duties
2 pursuant to this chapter, or a local ordinance.

3 (b) Nothing in this section precludes the following:

4 (1) Employees of any of the office or licensing authorities
5 notifying state or local agencies about information submitted to
6 the agency that the employee suspects is falsified or fraudulent.

7 (2) Notifications from any of the office or licensing authorities
8 to state or local agencies about apparent violations of this chapter
9 or applicable local ordinance.

10 (3) Verification of requests by state or local agencies to confirm
11 licenses and certificates issued by the regulatory authorities or
12 other state agency.

13 (4) Provision of information requested pursuant to a court order
14 or subpoena issued by a court or an administrative agency or local
15 governing body authorized by law to issue subpoenas.

16 (c) Information shall not be disclosed by any state or local
17 agency beyond what is necessary to achieve the goals of a specific
18 investigation, notification, or the parameters of a specific court
19 order or subpoena.

20 SEC. 7. Section 11362.775 of the Health and Safety Code is
21 amended to read:

22 11362.775. (a) Subject to subdivision (b), qualified patients,
23 persons with valid identification cards, and the designated primary
24 caregivers of qualified patients and persons with identification
25 cards, who associate within the State of California in order to
26 collectively or cooperatively cultivate cannabis for medical
27 purposes, shall not solely on the basis of that fact be subject to
28 state criminal sanctions under Section 11357, 11358, 11359, 11360,
29 11366, 11366.5, or 11570.

30 (b) This section shall remain in effect only until 180 days after
31 the Governor's Office of Medical Cannabis Regulation posts a
32 notice on its Internet Web site that the licensing authorities have
33 commenced issuing provisional licenses pursuant to the Medical
34 Cannabis Regulation and Control Act (Chapter 3.5 (commencing
35 with Section 19300) of Division 8 of the Business and Professions
36 Code), and as of that date is repealed.

37 SEC. 8. Section 147.5 is added to the Labor Code, to read:

38 147.5. (a) By January 1, 2017, the Division of Occupational
39 Safety and Health shall convene an advisory committee to evaluate
40 whether there is a need to develop industry-specific regulations

1 related to the activities of facilities issued a license pursuant to
2 Chapter 3.5 (commencing with Section 19300) of Division 8 of
3 the Business and Professions Code.

4 (b) By July 1, 2017, the advisory committee shall present to the
5 board its findings and recommendations for consideration by the
6 board. By July 1, 2017, the board shall render a decision regarding
7 the adoption of industry-specific regulations pursuant to this
8 section.

9 SEC. 9. Section 3094 is added to the Labor Code, to read:

10 3094. The Division of Apprenticeship Standards shall
11 investigate, approve, or reject applications for apprenticeship
12 programs for employees of a licensee subject to Article 11
13 (commencing with Section 19350) of Chapter 3.5 of Division 8
14 of the Business and Professions Code. The Division of
15 Apprenticeship Standards shall adopt regulations necessary to
16 implement and regulate the establishment of the apprenticeship
17 programs described in this section.

18 SEC. 10. Section 2402.5 is added to the Vehicle Code, to read:

19 2402.5. The Department of the California Highway Patrol shall
20 establish protocols to determine whether a driver is operating a
21 vehicle under the influence of cannabis, and shall develop protocols
22 setting forth best practices to assist law enforcement agencies. The
23 costs to the Department of the California Highway Patrol of
24 implementing this subdivision shall, upon appropriation by the
25 Legislature, be paid for with appropriations from moneys in the
26 Fines and Penalties Account of the Medical Cannabis Regulation
27 Fund.

28 SEC. 11. The provisions of this act are severable. If any
29 provision of this act or its application is held invalid, that invalidity
30 shall not affect other provisions or applications that can be given
31 effect without the invalid provision or application.

32 SEC. 12. The Legislature finds and declares that Section 6 of
33 this act, which adds Chapter 3.5 (commencing with Section 19300)
34 to Division 8 of the Business and Professions Code, imposes a
35 limitation on the public's right of access to the meetings of public
36 bodies or the writings of public officials and agencies within the
37 meaning of Section 3 of Article I of the California Constitution.
38 Pursuant to that constitutional provision, the Legislature makes
39 the following findings to demonstrate the interest protected by this
40 limitation and the need for protecting that interest:

1 It is necessary to maintain the confidentiality of patient and
2 physician information provided to the regulatory authorities in
3 order to protect the private medical information of patients who
4 use medical cannabis and to preserve the essential confidentiality
5 of the physician and patient relationship.

6 SEC. 13. No reimbursement is required by this act pursuant to
7 Section 6 of Article XIII B of the California Constitution for certain
8 costs that may be incurred by a local agency or school district
9 because, in that regard, this act creates a new crime or infraction,
10 eliminates a crime or infraction, or changes the penalty for a crime
11 or infraction, within the meaning of Section 17556 of the
12 Government Code, or changes the definition of a crime within the
13 meaning of Section 6 of Article XIII B of the California
14 Constitution.

15 However, if the Commission on State Mandates determines that
16 this act contains other costs mandated by the state, reimbursement
17 to local agencies and school districts for those costs shall be made
18 pursuant to Part 7 (commencing with Section 17500) of Division
19 4 of Title 2 of the Government Code.