

AMENDED IN SENATE JUNE 22, 2016

AMENDED IN SENATE JUNE 13, 2016

AMENDED IN ASSEMBLY APRIL 25, 2016

AMENDED IN ASSEMBLY APRIL 13, 2016

AMENDED IN ASSEMBLY APRIL 4, 2016

AMENDED IN ASSEMBLY MARCH 18, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1575

**Introduced by Assembly Members Bonta, Cooley, Jones-Sawyer,
Lackey, and Wood**

January 4, 2016

An act to amend Sections 19300, 19300.5, 19302, 19302.1, 19306, 19310, 19316, 19320, 19321, 19322, 19326, 19332, 19332.5, 19334, 19335, 19340, 19342, 19344, 19345, 19347, 19350, 19351, and 19360 of, to amend the heading of Article 5 (commencing with Section 19326) of Chapter 3.5 of Division 8 of, to amend the heading of Chapter 3.5 (commencing with Section 19300) of Division 8 of, to amend and add Section 19328 of, to add Sections 19310.5, 19319.5, and 19322.5 to, and to repeal Section 19318 of, the Business and Professions Code, to amend Sections 12025 and 12029 of the Fish and Game Code, to amend Section 52334 of the Food and Agricultural Code, and to amend Sections 11362.765, 11362.775, and ~~11362.777~~, 11362.777 of the Health and Safety Code, relating to medical cannabis.

LEGISLATIVE COUNSEL'S DIGEST

AB 1575, as amended, Bonta. Medical cannabis.

(1) Existing law, the Medical Marijuana Regulation and Safety Act, establishes the licensing and regulation of medical marijuana by the Bureau of Medical Marijuana Regulation. The act requires the Board of Equalization, in consultation with the Department of Food and Agriculture, to adopt a system for reporting the movement of commercial cannabis and cannabis products.

This bill would rename the act as the Medical Cannabis Regulation and Safety Act and would rename the licensing authority the Bureau of Medical Cannabis Regulation and would make the bureau, commencing January 1, 2023, subject to review by the appropriate policy committees of the Legislature. The bill would also require the Board of Equalization, in conjunction with the Department of Business Oversight, to form an advisory group made up of representatives from financial institutions, nonbank financial service providers, the medical cannabis industry, law enforcement, and state and federal banking regulators to examine strategies such as integrated point-of-sale systems with state track and trace systems and other measures that will improve financial monitoring of medical cannabis businesses. The bill would require the board, in conjunction with the department, by July 1, 2017, to submit a report to the Legislature with recommendations that will improve financial monitoring of medical cannabis businesses. After the Bureau of Medical Cannabis Regulation posts a notice on its Internet Web site that the licensing authorities have commenced issuing licenses pursuant to the act, the bill would provide that a financial institution that provides financial services customarily provided by financial institutions to other entities to a current licensee under the act is exempt from any criminal law of the state, provided that the financial institution has verified the licensee has a valid license in good standing. The bill would authorize the bureau to provide information to a financial institution to verify the status of a licensee.

(2) Under the act, a city, county, or city and county is authorized to adopt an ordinance that establishes standards, requirements, and regulations for local licenses and permits for commercial marijuana activity that exceed statewide standards. The act, with certain exceptions, provides a city full power and authority to enforce the provisions of the act for facilities issued a state license that are located within the incorporated area of a city, if delegated by the state.

The bill would generally prohibit a city, county, or city and county from adopting an ordinance for packaging safety standards that exceeds statewide standards and would require the State Department of Public

Health to establish uniform statewide packaging safety standards. The bill would authorize a city to contract in writing with the county in which it is located to arrange for the county to fulfill any regulatory functions relating to licensees within the city limits if the county agrees to assume such responsibility.

(3) Existing law requires a cultivator or manufacturer to send all medical marijuana and medical marijuana products cultivated and manufactured to a distributor for quality assurance and inspection. Under the act, all packaging and sealing of medical marijuana or medical marijuana products is required to be completed prior to their being transported or delivered to a licensee, qualified patient, or caregiver.

This bill would exempt a cultivator from the requirement of sending medical cannabis to a distributor for quality assurance and inspection if the medical cannabis is to be used, sold, or otherwise provided to a manufacturer for further manufacturing. The bill also would require the Bureau of Medical Cannabis Regulation to specify the manner in which medical cannabis and medical cannabis products meant for wholesale purposes are required to be packaged and sealed prior to transport, testing, quality assurance, quality control testing, or distribution.

(4) The act generally establishes categories of licenses that may be issued and limits a licensee to holding a state license in up to 2 separate license categories. The act provides that, upon licensure, a business shall not be subject to that limitation in a jurisdiction that adopted a local ordinance, prior to July 1, 2015, allowing or requiring qualified businesses to cultivate, manufacture, and dispense medical marijuana or medical marijuana products, with all commercial marijuana activity being conducted by a single qualified business. The act repeals these provisions on January 1, 2026.

This bill would, instead, repeal only the latter provision effective January 1, 2026.

(5) The act specifically establishes a “nursery license,” to be issued by the Department of Food and Agriculture, for the cultivation of medical marijuana solely as a nursery, and authorizes a licensee with a nursery license to transport live plants.

This bill would specify that a licensee with a nursery license may transport live immature plants to a licensed facility, subject to specified tracking, security, and related requirements.

(6) The act specifically establishes a “dispensary license,” to be issued by the bureau, and requires a licensed dispensary to implement sufficient security measures, including, at a minimum, certain specified

security measures, such as establishing limited access areas accessible only to authorized dispensary personnel. The act authorizes a dispensary to deliver in a city, county, or city and county that does not explicitly prohibit delivery by local ordinance.

This bill would require dispensaries to implement the additional security measure of requiring all medical cannabis and medical cannabis products used for display purposes, samples, or immediate sale to be stored out of reach of any individual who is not employed by the dispensary. The bill would require the bureau to establish specified regulations regarding delivery of medical cannabis and medical cannabis products by a dispensary and specified requirements for all dispensary employees who deliver medical cannabis or medical cannabis products.

(7) The act prohibits a licensed testing laboratory from acquiring or receiving medical cannabis products except from a licensed facility and prohibits a licensed testing laboratory from distributing, delivering, transferring, transporting, or dispensing medical cannabis or medical cannabis products, as specified.

This bill would instead prohibit a licensed testing laboratory from transferring or transporting medical cannabis or medical cannabis products except to the licensed facility from which the medical cannabis or medical cannabis products were acquired or received.

(8) Under the act, each licensing authority is required to establish a scale of application, licensing, and renewal fees based on the cost of enforcing the act.

This bill would specify that these fees shall be in addition to, and shall not limit, any fees or taxes imposed by any city, county, or city and county in which the licensee operates.

(9) The act requires a licensed testing laboratory to analyze samples of medical marijuana or medical marijuana products according to either the most current version of the cannabis inflorescence monograph published by the American Herbal Pharmacopoeia or a scientifically valid methodology that, in the opinion of the accrediting body, is demonstrably equal or superior.

This bill would, instead, require a licensed testing laboratory to analyze samples in the final form in which the patient will consume the medical cannabis or medical cannabis product using a scientifically valid methodology approved by the accrediting body.

(10) Existing law authorizes the University of California to create the California Marijuana Research Program, the purpose of which is to develop and conduct studies intended to ascertain the general medical

safety and efficacy of marijuana, and if found valuable, to develop medical guidelines for the appropriate administration and use of marijuana.

This bill would provide that it is not a violation of state law or any local ordinance or regulation for a business or research institution that has state authorization to engage in the research of medical cannabis, medical cannabis products, or devices used for the medical use of cannabis or cannabis products, to possess, transport, purchase, or otherwise obtain from a licensee who is authorized to provide or deliver medical cannabis small amounts of medical cannabis or medical cannabis products to conduct research and development related to medical cannabis or medical cannabis products. The bill would require a business or research institution engaged in the research of medical cannabis to obtain written authorization from its local jurisdiction that it has met all requirements of the local ordinance to conduct research on medical cannabis, medical cannabis products, or devices used for the medical use of cannabis or cannabis products. The bill would provide that it is not a violation of state law for certain licensees to sell medical cannabis or medical cannabis products in an amount not to exceed 8 ounces per month to a business or research institution engaged in the research of medical cannabis if the business or research institution provides to the licensee a copy of the written authorization to conduct research within their jurisdiction and a copy of the local ordinance, and would require the licensee to keep on file that written authorization for at least 3 years and make it available upon request to local authorities for auditing purposes.

(11) Existing law imposes various civil penalties for a violation of specified provisions of law in connection with the production or cultivation of a controlled substance, including marijuana, on land under the management of specified state and federal agencies or within the ownership of a timberland production zone, as prescribed. Existing law also imposes various civil penalties for a violation of those specified provisions of law in connection with the production or cultivation of a controlled substance, including marijuana, on land that the person owns, leases, or otherwise uses or occupies with the consent of the landowner.

The bill would provide that activities that are in full compliance with the Medical Cannabis Regulation and Safety Act are not subject to the above-described civil penalties.

(12) The California Seed Law regulates seed sold in California, and prohibits a city, county, or district from adopting or enforcing an

ordinance that regulates plants, crops, or seeds without the consent of the Secretary of Food and Agriculture.

This bill would provide that an ordinance that regulates cannabis or marijuana, or medical cannabis or medical marijuana, as defined, shall not require the consent of the secretary.

(13) Under existing law, collectives and cooperatives that cultivate cannabis are not, solely on that basis, subject to certain criminal penalties, including unauthorized possession, cultivation, and transportation of marijuana. This exception for collectives and cooperatives expires one year after the Bureau of Medical Marijuana Regulation posts a notice on its Internet Web site that the bureau has commenced issuing licenses pursuant to the act and existing law is repealed on the date the bureau issues a license.

This bill would, instead, provide that the above exception is repealed one year after the bureau posts its notice on its Internet Web site. The bill would also specify that a collective or cooperative subject to this exception may operate on a for-profit basis, a not-for-profit basis, or any combination thereof, but would provide the protections of the exception to for-profit collectives and cooperatives only if they have a valid Board of Equalization seller's permit and a valid local license, permit, or other authorization. The bill would also specify that a licensee under the act may operate on a for-profit basis, a not-for-profit basis, or any combination thereof. The bill would additionally provide that a collective or cooperative that cultivates cannabis and manufactures medical cannabis products is not, solely on that basis, subject to certain criminal penalties if specified requirements are met, including that the collective or cooperative is in possession of a valid sellers permit issued by the State Board of Equalization.

The bill would provide that it is unlawful to display an advertisement, as defined, for qualified patients, persons with valid identification cards, and the designated primary caregivers of qualified patients and persons with identification cards, who associate within the state in order collectively or cooperatively to cultivate cannabis for medical purposes, without first verifying a valid Board of Equalization issued seller's permit. The bill would make a violation of that provision an infraction, punishable by a fine of \$500. By creating a new crime, the bill would impose a state-mandated local program. One year after the bureau posts the above-described notice on its Internet Web site, the bill would require all advertisements for licensees to include the valid state license number of the licensee, and would authorize the bureau to provide

information to verify that a state license is active and in good standing for purposes of complying with this provision.

(14) Existing law provides that a qualified patient or a person with an identification card, a designated primary caregiver, and any individual who provides assistance to a qualified patient or a person with an identification card, or his or her designated primary caregiver, are not, solely on that basis, subject to certain criminal penalties, including unauthorized possession, cultivation, and transportation of marijuana. Existing law specifies that this provision does not authorize any individual or group to cultivate or distribute marijuana.

This bill would instead specify that this provision does not authorize any individual or group to cultivate or distribute cannabis in any manner other than set forth in the Medical Cannabis Regulation and Safety Act or in the Compassionate Use Act of 1996.

(15) This bill would also make technical, nonsubstantive changes to the provisions of the act, including changing the term marijuana to cannabis throughout.

(16) 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 no reimbursement is required by this act for a specified reason.

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 heading of Chapter 3.5 (commencing with
2 Section 19300) of Division 8 of the Business and Professions Code
3 is amended to read:

4
5 CHAPTER 3.5. MEDICAL CANNABIS REGULATION AND SAFETY
6 ACT
7

8 SEC. 2. Section 19300 of the Business and Professions Code
9 is amended to read:

10 19300. This act shall be known and may be cited as the Medical
11 Cannabis Regulation and Safety Act.

12 SEC. 3. Section 19300.5 of the Business and Professions Code
13 is amended to read:

1 19300.5. For purposes of this chapter, the following definitions
2 shall apply:

3 (a) “Accrediting body” means a nonprofit organization that
4 requires conformance to ISO/IEC 17025 requirements and is a
5 signatory to the International Laboratory Accreditation Cooperation
6 Mutual Recognition Arrangement for Testing.

7 (b) “Applicant,” for purposes of Article 4 (commencing with
8 Section 19319), means the following:

9 (1) (A) Owner or owners of a proposed facility.

10 (B) An “owner” means a person having an aggregate ownership
11 interest, other than a security interest, lien, or encumbrance, of 5
12 percent or more in the licensee or who has the power to direct, or
13 cause to be directed, the management or control of the licensee.

14 (2) If the applicant is a publicly traded company, “owner” means
15 the chief executive officer, a member of the board of directors, or
16 a person or entity with an aggregate ownership interest of 5 percent
17 or more. If the applicant is a nonprofit entity, “owner” means both
18 the chief executive officer and any member of the board of
19 directors.

20 (c) “Batch” means a specific quantity of medical cannabis or
21 medical cannabis product that is intended to have uniform character
22 and quality, within specified limits, and is produced according to
23 a single manufacturing order during the same cycle of manufacture.

24 (d) “Bureau” means the Bureau of Medical Cannabis Regulation
25 within the Department of Consumer Affairs.

26 (e) “Cannabinoid” or “phytocannabinoid” means a chemical
27 compound that is unique to and derived from cannabis.

28 (f) “Cannabis” or “marijuana” means all parts of the plant
29 *Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis*,
30 whether growing or not; the seeds thereof; the resin, whether crude
31 or purified, extracted from any part of the plant; and every
32 compound, manufacture, salt, derivative, mixture, or preparation
33 of the plant, its seeds, or resin. “Cannabis” or “marijuana” also
34 means the separated resin, whether crude or purified, obtained
35 from marijuana. “Cannabis” or “marijuana” also means marijuana
36 as defined by Section 11018 of the Health and Safety Code as
37 enacted by Chapter 1407 of the Statutes of 1972. “Cannabis” or
38 “marijuana” 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 that is incapable of germination. For the purposes of this chapter,
4 “cannabis” or “marijuana” does not mean “industrial hemp” as
5 defined by Section 11018.5 of the Health and Safety Code.

6 (g) “Cannabis concentrate” or “marijuana concentrate” means
7 manufactured cannabis that has undergone a process to concentrate
8 the cannabinoid active ingredient, thereby increasing the product’s
9 potency. An edible medical cannabis product is not considered
10 food, as defined by Section 109935 of the Health and Safety Code,
11 or a drug, as defined by Section 109925 of the Health and Safety
12 Code.

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

16 (i) “Certificate of accreditation” means a certificate issued by
17 an accrediting body to a licensed testing laboratory, entity, or site
18 to be registered in the state.

19 (j) “Chief” means Chief of the Bureau of Medical Cannabis
20 Regulation within the Department of Consumer Affairs.

21 (k) “Commercial cannabis activity” or “commercial marijuana
22 activity” includes cultivation, possession, manufacture, processing,
23 storing, laboratory testing, labeling, transporting, distribution,
24 provision, donation, or sale of medical cannabis or a medical
25 cannabis product, regardless of whether the activity is undertaken
26 on a for-profit or nonprofit basis, or any combination thereof, and
27 regardless of whether the activity is for compensation or is
28 gratuitous, except as set forth in Section 19319, related to
29 qualifying patients and primary caregivers.

30 (l) “Cultivation” means any activity involving the planting,
31 growing, harvesting, drying, curing, grading, or trimming of
32 cannabis.

33 (m) “Cultivation site” means a facility where medical cannabis
34 is planted, grown, harvested, dried, cured, graded, or trimmed, or
35 that does all or any combination of those activities, that is owned
36 and operated by a person who holds a valid state license and a
37 valid local license, permit, or other authorization.

38 (n) “Cultivator” means a person that conducts the planting,
39 growing, harvesting, drying, curing, grading, or trimming of

1 medical cannabis and that holds both a valid state license and a
2 valid local license, permit, or other authorization.

3 (o) “Delivery” means the commercial transfer of medical
4 cannabis or medical cannabis products from a dispensary, up to
5 an amount determined by the bureau, to a primary caregiver or
6 qualified patient as defined in Section 11362.7 of the Health and
7 Safety Code, or a testing laboratory. “Delivery” also includes the
8 use by a dispensary of any technology platform owned and
9 controlled by the dispensary, or independently licensed under this
10 chapter, that enables qualified patients or primary caregivers to
11 arrange for or facilitate the commercial transfer by a licensed
12 dispensary of medical cannabis or medical cannabis products.

13 (p) “Dispensary” means a commercial facility with a fixed
14 location, whether or not there is direct access by customers, where
15 medical cannabis or medical cannabis products are offered, either
16 individually or in any combination, for retail sale, including an
17 establishment that delivers, unless delivery is expressly prohibited
18 by local ordinance, medical cannabis and medical cannabis
19 products as part of a retail sale.

20 (q) “Dispensing” means any activity involving the retail sale of
21 medical cannabis or medical cannabis products from a dispensary.

22 (r) “Distribution” means the procurement, sale, and transport
23 of medical cannabis and medical cannabis products between entities
24 licensed pursuant to this chapter.

25 (s) “Distributor” means a person licensed under this chapter to
26 engage in the business of purchasing or taking custody of medical
27 cannabis from a licensed cultivator, or medical cannabis products
28 from a licensed manufacturer, for sale or transfer to a licensed
29 dispensary and who holds a valid state license pursuant to this
30 chapter and a valid local license, permit, or other authorization at
31 the physical location of the distributor.

32 (t) “Dried flower” means all dead medical cannabis that has
33 been harvested, dried, cured, or otherwise processed, excluding
34 leaves and stems.

35 (u) “Edible cannabis product” or “edible marijuana product”
36 means manufactured cannabis that is intended to be used, in whole
37 or in part, for human consumption, including, but not limited to,
38 chewing gum. An edible medical cannabis product is not
39 considered food as defined by Section 109935 of the Health and

1 Safety Code or a drug as defined by Section 109925 of the Health
2 and Safety Code.

3 (v) “Fund” means the Medical Cannabis Regulation and Safety
4 Act Fund established pursuant to Section 19351.

5 (w) “Identification program” means the universal identification
6 certificate program for commercial medical cannabis activity
7 authorized by this chapter.

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

23 (y) “Licensee” means a person issued a state license under this
24 chapter to engage in commercial cannabis activity.

25 (z) “Licensing authority” means the state agency responsible
26 for the issuance, renewal, or reinstatement of the license, or the
27 state agency authorized to take disciplinary action against the
28 licensee.

29 (aa) “Live plants” means living medical cannabis flowers and
30 plants, including seeds, immature plants, and vegetative stage
31 plants.

32 (ab) “Lot” means a batch, or a specifically identified portion of
33 a batch, having uniform character and quality within specified
34 limits. In the case of medical cannabis or a medical cannabis
35 product produced by a continuous process, “lot” means a
36 specifically identified amount produced in a unit of time or a
37 quantity in a manner that ensures its having uniform character and
38 quality within specified limits.

39 (ac) “Manufactured medical cannabis” or “manufactured medical
40 marijuana” means raw cannabis that has undergone a process

1 whereby the raw agricultural product has been transformed into a
2 concentrate, an edible cannabis product, or a topical product.

3 (ad) “Manufacturer” means a person that conducts the
4 production, preparation, propagation, or compounding of
5 manufactured medical cannabis, as described in subdivision (ac),
6 or medical cannabis products either directly or indirectly or by
7 extraction methods, or independently by means of chemical
8 synthesis or by a combination of extraction and chemical synthesis
9 at a fixed location that packages or repackages medical cannabis
10 or medical cannabis products or labels or relabels its container,
11 that holds a valid state license pursuant to this chapter, and that
12 holds a valid local license, permit, or other authorization.

13 (ae) “Manufacturing site” means a location that produces,
14 prepares, propagates, or compounds manufactured medical
15 cannabis or medical cannabis products, directly or indirectly, by
16 extraction methods, independently by means of chemical synthesis,
17 or by a combination of extraction and chemical synthesis, and is
18 owned and operated by a person that holds a valid state license
19 pursuant to this chapter and a valid local license, permit, or other
20 authorization.

21 (af) “Medical cannabis,” “medical cannabis product,” “cannabis
22 product,” “medical marijuana,” “medical marijuana product,” or
23 “marijuana product” means a product containing cannabis,
24 including, but not limited to, concentrates and extractions, intended
25 to be sold for use by medical cannabis patients in California
26 pursuant to the Compassionate Use Act of 1996 (Proposition 215),
27 found at Section 11362.5 of the Health and Safety Code. For the
28 purposes of this chapter, “medical cannabis” or “medical
29 marijuana” does not include “industrial hemp” as defined by
30 Section 81000 of the Food and Agricultural Code or Section
31 11018.5 of the Health and Safety Code.

32 (ag) “Nursery” means a licensee that produces only clones,
33 immature plants, seeds, and other agricultural products used
34 specifically for the planting, propagation, and cultivation of medical
35 cannabis.

36 (ah) “Permit,” “local license,” or “local permit” means an
37 official document granted by a local jurisdiction that specifically
38 authorizes a person to conduct commercial cannabis activity in
39 the local jurisdiction.

1 (ai) “Person” means an individual, firm, partnership, joint
2 venture, association, corporation, limited liability company, estate,
3 trust, business trust, receiver, syndicate, or any other group or
4 combination acting as a unit and includes the plural as well as the
5 singular number.

6 (aj) “State license” or “license” means a state license issued
7 pursuant to this chapter.

8 (ak) “Topical product” means a product manufactured such that
9 its final stage is in the form of a topical drug, as defined by the
10 Center for Drug Evaluation and Research under the federal Food
11 and Drug Administration. A topical product is not considered a
12 drug as defined by Section 109925 of the Health and Safety Code.

13 (al) “Testing laboratory” means a facility, entity, or site in the
14 state that offers or performs tests of medical cannabis or medical
15 cannabis products and that is both of the following:

16 (1) Accredited by an accrediting body that is independent from
17 all other persons involved in the medical cannabis industry in the
18 state.

19 (2) Licensed pursuant to this chapter.

20 (am) “Transport” means the transfer of medical cannabis or
21 medical cannabis products from the permitted business location
22 of one licensee to the permitted business location of another
23 licensee, for the purposes of conducting commercial cannabis
24 activity authorized pursuant to this chapter.

25 (an) “Transporter” means a person issued a state license by the
26 bureau to transport medical cannabis or medical cannabis products
27 in an amount above a threshold determined by the bureau between
28 facilities that have been issued a state license pursuant to this
29 chapter.

30 SEC. 4. Section 19302 of the Business and Professions Code
31 is amended to read:

32 19302. (a) There is in the Department of Consumer Affairs
33 the Bureau of Medical Cannabis Regulation, under the supervision
34 and control of the director. The director shall administer and
35 enforce the provisions of this chapter.

36 (b) Commencing January 1, 2023, the bureau shall be subject
37 to review by the appropriate policy committees of the Legislature.

38 SEC. 5. Section 19302.1 of the Business and Professions Code
39 is amended to read:

1 19302.1. (a) The Governor shall appoint a chief of the bureau,
2 subject to confirmation by the Senate, at a salary to be fixed and
3 determined by the Director of Consumer Affairs with the approval
4 of the Director of Finance. The chief shall serve under the direction
5 and supervision of the Director of Consumer Affairs and at the
6 pleasure of the Governor.

7 (b) Every power granted to or duty imposed upon the director
8 under this chapter may be exercised or performed in the name of
9 the director by a deputy or assistant director or by the chief, subject
10 to conditions and limitations that the director may prescribe. In
11 addition to every power granted or duty imposed with this chapter,
12 the director shall have all other powers and duties generally
13 applicable in relation to bureaus that are part of the Department
14 of Consumer Affairs.

15 (c) The director may employ and appoint all employees
16 necessary to properly administer the work of the bureau, in
17 accordance with civil service laws and regulations.

18 (d) The Department of Consumer Affairs shall have the sole
19 authority to create, issue, renew, discipline, suspend, or revoke
20 licenses for the transportation, storage unrelated to manufacturing
21 activities, distribution, and sale of medical cannabis within the
22 state and to collect fees in connection with activities the bureau
23 regulates. The bureau may create licenses in addition to those
24 identified in this chapter that the bureau deems necessary to
25 effectuate its duties under this chapter.

26 (e) The Department of Food and Agriculture shall administer
27 the provisions of this chapter related to and associated with the
28 cultivation of medical cannabis. The Department of Food and
29 Agriculture may create, issue, and suspend or revoke cultivation
30 licenses for violations of this chapter.

31 (f) The State Department of Public Health shall administer the
32 provisions of this chapter related to and associated with the
33 manufacturing and testing of medical cannabis. The State
34 Department of Public Health may create, issue, and suspend or
35 revoke manufacturing and testing licenses for a violation of this
36 chapter. The State Department of Public Health shall seek and
37 include feedback from the scientific community and cannabis
38 testing industry when promulgating testing regulations. The State
39 Department of Public Health shall review and update medical

1 cannabis testing standards on an annual basis, incorporating new
2 testing technology, such as DNA testing for contaminants.

3 SEC. 6. Section 19306 of the Business and Professions Code
4 is amended to read:

5 19306. (a) The bureau may convene an advisory committee
6 to advise the bureau and licensing authorities on the development
7 of standards and regulations pursuant to this chapter, including
8 best practices and guidelines to ensure qualified patients have
9 adequate access to medical cannabis and medical cannabis
10 products. The advisory committee members shall be determined
11 by the chief.

12 (b) The advisory committee members may include, but are not
13 limited to, representatives of the medical cannabis industry,
14 representatives of medical cannabis cultivators, appropriate local
15 and state agencies, appropriate local and state law enforcement,
16 physicians, environmental and public health experts, and medical
17 cannabis patient advocates.

18 SEC. 7. Section 19310 of the Business and Professions Code
19 is amended to read:

20 19310. The licensing authority may, on its own motion at any
21 time before a penalty assessment is placed into effect and without
22 any further proceedings, review the penalty, but that review shall
23 be limited to its reduction.

24 SEC. 8. Section 19310.5 is added to the Business and
25 Professions Code, to read:

26 19310.5. (a) It is the intent of the Legislature to enact a statute
27 that improves the medical cannabis industry's ability to comply
28 with federal law and regulations that would allow improved access
29 to banking services.

30 (b) (1) The State Board of Equalization, in conjunction with
31 the Department of Business Oversight, shall form an advisory
32 group made up of representatives from financial institutions,
33 nonbank financial service providers, the medical cannabis industry,
34 law enforcement, and federal banking regulators. By July 1, 2017,
35 the board, in conjunction with the department, shall submit a report
36 to the Legislature with recommendations from the advisory group
37 that will improve financial monitoring of medical cannabis
38 businesses.

39 (2) A report submitted pursuant to paragraph (1) shall be
40 submitted in compliance with Section 9795 of the Government

1 Code. The requirement for submitting a report imposed in
2 paragraph (1) is inoperative on July 1, 2021, pursuant to Section
3 10231.5 of the Government Code.

4 (c) The advisory group shall examine strategies, such as the use
5 of integrated point-of-sale systems with state track and trace
6 systems and other measures that will improve financial monitoring
7 of medical cannabis businesses.

8 SEC. 9. Section 19316 of the Business and Professions Code
9 is amended to read:

10 19316. (a) (1) Pursuant to Section 7 of Article XI of the
11 California Constitution, a city, county, or city and county may,
12 except as described in paragraph (2), adopt ordinances that establish
13 additional standards, requirements, and regulations for local
14 licenses and permits for commercial cannabis activity. Standards,
15 requirements, and regulations regarding health and safety, testing,
16 security, and worker protections established by the state shall be
17 the minimum standards for all licensees statewide.

18 (2) Packaging safety standards shall be uniform across the state
19 and shall be established by the State Department of Public Health,
20 in accordance with Section 19347.

21 (3) For purposes of this subdivision, packaging safety standards
22 do not include packaging requirements related to appellations of
23 origin or other branding or marketing materials.

24 (b) For facilities issued a state license that are located within
25 the incorporated area of a city, the city shall have full power and
26 authority to enforce this chapter and the regulations promulgated
27 by the bureau or any licensing authority, if delegated by the state.
28 Notwithstanding Sections 101375, 101400, and 101405 of the
29 Health and Safety Code or any contract entered into pursuant
30 thereto, or any other law, the city shall further assume complete
31 responsibility for any regulatory function relating to those licensees
32 within the city limits that would otherwise be performed by the
33 county or any county officer or employee, including a county
34 health officer, without liability, cost, or expense to the county. A
35 city may contract in writing with the county in which it is located
36 to arrange for the county to fulfill any regulatory functions relating
37 to those licensees within the city limits if the county has agreed to
38 assume such responsibility.

39 (c) 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 SEC. 10. Section 19318 of the Business and Professions Code
5 is repealed.

6 SEC. 11. Section 19319.5 is added to the Business and
7 Professions Code, to read:

8 19319.5. (a) It is not a violation of this chapter or any other
9 state law, for a business or research institution engaged in the
10 research of medical cannabis, medical cannabis products, or devices
11 used for the medical use of cannabis or cannabis products, to
12 possess, transport, purchase, or otherwise legally obtain from a
13 licensee who is permitted to provide or deliver medical cannabis
14 pursuant to subdivisions (n) and (o) of Section 19300.7, small
15 amounts of medical cannabis or medical cannabis products, not to
16 exceed eight ounces per month, as necessary to conduct research
17 and development related to medical cannabis or medical cannabis
18 products in a city, county, or city and county that expressly
19 authorizes that activity by local ordinance. A business or research
20 institution engaged in the research of medical cannabis shall obtain
21 written authorization from its local jurisdiction that the business
22 or institution has met all requirements of the local ordinance to
23 conduct research on medical cannabis, medical cannabis products,
24 or devices used for the medical use of cannabis or cannabis
25 products.

26 (b) It is not a violation of this chapter or any other state law for
27 a licensee, pursuant to subdivisions (n) and (o) of Section 19300.7,
28 to sell medical cannabis or medical cannabis products in an amount
29 not to exceed eight ounces per month to a business or research
30 institution engaged in the research of medical cannabis, if the
31 business or research institution provides to the licensee a copy of
32 the written authorization to conduct research within the business's
33 or institution's jurisdiction and a copy of the local ordinance. The
34 licensee shall keep on file that written authorization for at least
35 three years and make it available upon request to local authorities
36 for auditing purposes.

37 SEC. 12. Section 19320 of the Business and Professions Code,
38 as added by Section 4 of Chapter 689 of the Statutes of 2015, is
39 amended to read:

1 19320. (a) Licensing authorities administering this chapter
2 may issue state licenses only to qualified applicants engaging in
3 commercial cannabis activity pursuant to this chapter. One year
4 after the Bureau of Medical Cannabis Regulation posts a notice
5 on its Internet Web site that the licensing authorities have
6 commenced issuing licenses, no person shall engage in commercial
7 cannabis activity without possessing both a state license and a
8 local permit, license, or other authorization. An entity seeking
9 licensure pursuant to this chapter shall obtain a local license,
10 permit, or other authorization prior to applying for state licensure.
11 State licensing entities shall not issue a license to any applicant
12 that is unable to provide documentation confirming authorization
13 to operate from the local government in which the applicant
14 proposes to operate. A licensee shall not commence activity under
15 the authority of a state license until the applicant has obtained, in
16 addition to the state license, a license or permit from the local
17 jurisdiction in which he or she proposes to operate, following the
18 requirements of the applicable local ordinance.

19 (b) Revocation of a local license, permit, or other authorization
20 shall terminate the ability of a medical cannabis business to operate
21 within that local jurisdiction until the local jurisdiction reinstates
22 or reissues the local license, permit, or other required authorization.
23 Local authorities shall notify the bureau upon revocation of a local
24 license. The bureau shall inform relevant licensing authorities.

25 (c) Revocation of a state license shall terminate the ability of a
26 medical cannabis licensee to operate within California until the
27 licensing authority reinstates or reissues the state license. Each
28 licensee shall obtain a separate license for each location where it
29 engages in commercial medical cannabis activity. However,
30 transporters only need to obtain licenses for each physical location
31 where the licensee conducts business while not in transport, or any
32 equipment that is not currently transporting medical cannabis or
33 medical cannabis products, permanently resides.

34 (d) In addition to the provisions of this chapter, local
35 jurisdictions retain the power to assess fees and taxes, as applicable,
36 on facilities that are licensed pursuant to this chapter and the
37 business activities of those licensees.

38 (e) Nothing in this chapter shall be construed to supersede or
39 limit state agencies, including the State Water Resources Control

1 Board and Department of Fish and Wildlife, from establishing fees
2 to support their medical cannabis regulatory programs.

3 SEC. 13. Section 19320 of the Business and Professions Code,
4 as added by Section 8 of Chapter 719 of the Statutes of 2015, is
5 amended to read:

6 19320. (a) Licensing authorities administering this chapter
7 may issue state licenses only to qualified applicants engaging in
8 commercial cannabis activity pursuant to this chapter. One year
9 after the Bureau of Medical Cannabis Regulation posts a notice
10 on its Internet Web site that the licensing authorities have
11 commenced issuing licenses, no person shall engage in commercial
12 cannabis activity without possessing both a state license and a
13 local permit, license, or other authorization. An entity seeking
14 licensure pursuant to this chapter shall obtain a local license,
15 permit, or other authorization prior to applying for state licensure.
16 State licensing entities shall not issue a license to any applicant
17 that is unable to provide documentation confirming authorization
18 to operate from the local government in which the applicant
19 proposes to operate. A licensee shall not commence activity under
20 the authority of a state license until the applicant has obtained, in
21 addition to the state license, a license or permit from the local
22 jurisdiction in which he or she proposes to operate, following the
23 requirements of the applicable local ordinance.

24 (b) Revocation of a local license, permit, or other authorization
25 shall terminate the ability of a medical cannabis business to operate
26 within that local jurisdiction until the local jurisdiction reinstates
27 or reissues the local license, permit, or other required authorization.
28 Local authorities shall notify the bureau upon revocation of a local
29 license. The bureau shall inform relevant licensing authorities.

30 (c) Revocation of a state license shall terminate the ability of a
31 medical cannabis licensee to operate within California until the
32 licensing authority reinstates or reissues the state license. Each
33 licensee shall obtain a separate license for each location where it
34 engages in commercial medical cannabis activity. However,
35 transporters only need to obtain licenses for each physical location
36 where the licensee conducts business while not in transport, or any
37 equipment that is not currently transporting medical cannabis or
38 medical cannabis products, permanently resides.

39 (d) In addition to the provisions of this chapter, local
40 jurisdictions retain the power to assess fees and taxes, as applicable,

1 on facilities that are licensed pursuant to this chapter and the
2 business activities of those licensees.

3 (e) Nothing in this chapter shall be construed to supersede or
4 limit state agencies, including the State Water Resources Control
5 Board and Department of Fish and Wildlife, from establishing fees
6 to support their medical cannabis regulatory programs.

7 SEC. 14. Section 19321 of the Business and Professions Code
8 is amended to read:

9 19321. (a) The Department of Consumer Affairs, the
10 Department of Food and Agriculture, and the State Department of
11 Public Health shall promulgate regulations for implementation of
12 their respective responsibilities in the administration of this chapter.
13 The secretary or director of each licensing authority may prescribe,
14 adopt, and enforce emergency regulations necessary to implement
15 this chapter.

16 (b) ~~Except as described in subdivision (e), a~~ A state license
17 issued pursuant to this section shall be valid for 12 months from
18 the date of issuance. The state license shall be renewed annually.
19 Each licensing authority shall establish procedures for the renewal
20 of a state license.

21 (c) Notwithstanding subdivision (a) of Section 19320, a facility
22 or entity that is operating in compliance with local zoning
23 ordinances and other state and local requirements on or before
24 January 1, 2018, may continue its operations until its application
25 for licensure is approved or denied pursuant to this chapter. In
26 issuing licenses, the licensing authority shall prioritize a facility
27 or entity that can demonstrate to the licensing authority's
28 satisfaction that it was in operation and in good standing with the
29 local jurisdiction by January 1, 2016.

30 (d) Issuance of a state license or a determination of compliance
31 with local law by the licensing authority shall in no way limit the
32 ability of the City of Los Angeles to prosecute any person or entity
33 for a violation of, or otherwise enforce, Proposition D, approved
34 by the voters of the City of Los Angeles on the May 21, 2013,
35 ballot for the city, or the city's zoning laws. Nor may issuance of
36 a state license or determination of compliance with local law by
37 the licensing authority be deemed to establish, or be relied upon,
38 in determining satisfaction with the immunity requirements of
39 Proposition D or local zoning law, in court or in any other context
40 or forum.

1 SEC. 15. Section 19322 of the Business and Professions Code
2 is amended to read:

3 19322. (a) A person or entity shall not submit an application
4 for a state license pursuant to this chapter unless that person or
5 entity first receives a license, permit, or authorization specific to
6 commercial cannabis activity from a local jurisdiction. An applicant
7 for any type of state license issued pursuant to this chapter shall
8 do all of the following:

9 (1) Electronically submit to the Department of Justice fingerprint
10 images and related information required by the Department of
11 Justice for the purpose of obtaining information as to the existence
12 and content of a record of state or federal convictions and arrests,
13 and information as to the existence and content of a record of state
14 or federal convictions and arrests for which the Department of
15 Justice establishes that the person is free on bail or on his or her
16 own recognizance, pending trial or appeal.

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

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

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

26 (2) Provide documentation issued by the local jurisdiction in
27 which the proposed business is operating certifying that the
28 applicant is or will be in compliance with all local ordinances and
29 regulations.

30 (3) Provide evidence of the legal right to occupy and use the
31 proposed location. For an applicant seeking a cultivator, distributor,
32 manufacturing, or dispensary license, provide a statement from
33 the owner of real property or their agent where the cultivation,
34 distribution, manufacturing, or dispensing commercial medical
35 cannabis activities will occur, as proof to demonstrate the
36 landowner has acknowledged and consented to permit cultivation,
37 distribution, manufacturing, or dispensary activities to be conducted
38 on the property by the tenant applicant.

39 (4) If the application is for a cultivator or dispensary license,
40 provide evidence that the proposed location is located beyond at

1 least a 600-foot radius from a school, as required by Section
2 11362.768 of the Health and Safety Code.

3 (5) Provide a statement, signed by the applicant under penalty
4 of perjury, that the information provided is complete, true, and
5 accurate.

6 (6) (A) For an applicant with 20 or more employees, provide
7 a statement that the applicant will enter into, or demonstrate that
8 it has already entered into, and abide by the terms of a labor peace
9 agreement.

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

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

20 (7) Provide the applicant’s valid seller’s permit number issued
21 pursuant to Part 1 (commencing with Section 6001) of Division 2
22 of the Revenue and Taxation Code or indicate that the applicant
23 is currently applying for a seller’s permit.

24 (8) Provide any other information required by the licensing
25 authority.

26 (9) For an applicant seeking a cultivation license, provide a
27 statement declaring the applicant is an “agricultural employer,” as
28 defined in the Alatorre-Zenovich-Dunlap-Berman Agricultural
29 Labor Relations Act of 1975 (Part 3.5 (commencing with Section
30 1140) of Division 2 of the Labor Code), to the extent not prohibited
31 by law.

32 (10) For an applicant seeking licensure as a testing laboratory,
33 register with the State Department of Public Health and provide
34 any information required by the State Department of Public Health.

35 (11) Pay all applicable fees required for licensure by the
36 licensing authority.

37 (b) For applicants seeking licensure to cultivate, distribute, or
38 manufacture medical cannabis or medical cannabis products, the
39 application shall also include a detailed description of the

1 applicant's operating procedures for all of the following, as
2 required by the licensing authority:

- 3 (1) Cultivation.
- 4 (2) Extraction and infusion methods.
- 5 (3) The transportation process.
- 6 (4) Inventory procedures.
- 7 (5) Quality control procedures.

8 SEC. 16. Section 19322.5 is added to the Business and
9 Professions Code, to read:

10 19322.5. A licensee may operate as a for-profit business, as a
11 not-for-profit entity, or as a combination of both.

12 SEC. 17. The heading of Article 5 (commencing with Section
13 19326) of Chapter 3.5 of Division 8 of the Business and Professions
14 Code is amended to read:

15
16 Article 5. Medical Cannabis Regulation

17
18 SEC. 18. Section 19326 of the Business and Professions Code
19 is amended to read:

20 19326. (a) A person other than a transporter shall not transport
21 medical cannabis or medical cannabis products from one licensee
22 to another licensee, unless otherwise specified in this chapter.

23 (b) (1) A cultivator or a manufacturer shall send medical
24 cannabis and medical cannabis products cultivated or manufactured
25 to a distributor, as defined in Section 19300.5, for quality assurance
26 and inspection by the distributor and for a batch testing by a testing
27 laboratory prior to distribution to a dispensary, except as provided
28 in paragraph (2). Those licensees holding a Type 10A license in
29 addition to a cultivation license or a manufacturing license shall
30 send medical cannabis and medical cannabis products to a
31 distributor for presale inspection and for a batch testing by a testing
32 laboratory prior to dispensing any product. The licensing authority
33 shall fine a licensee who violates this subdivision in an amount
34 determined by the licensing authority to be reasonable.

35 (2) A cultivator is not required to send medical cannabis to a
36 distributor if the medical cannabis is to be used, sold, or otherwise
37 distributed by methods approved pursuant to this chapter to a
38 manufacturer for further manufacturing.

39 (c) (1) Upon receipt of medical cannabis or medical cannabis
40 products from a cultivator or a manufacturer, the distributor shall

1 first ensure a random sample of the medical cannabis or medical
2 cannabis product is tested by a testing laboratory.

3 (2) Upon issuance of a certificate of analysis by the testing
4 laboratory that the product is fit for manufacturing or retail, the
5 cultivator or manufacturer shall send medical cannabis and medical
6 cannabis products from the approved associated batch to the
7 distributor. All medical cannabis and medical cannabis products
8 shall then undergo a quality assurance review by the distributor
9 prior to distribution to ensure the identity, quality, and content of
10 the medical cannabis or medical cannabis product, and for tracking
11 and taxation purposes by the state. Cultivators and manufacturers
12 shall package or seal all medical cannabis and medical cannabis
13 products in tamper-evident packaging and use a unique identifier,
14 as prescribed by the Department of Food and Agriculture, for the
15 purpose of identifying and tracking medical cannabis or medical
16 cannabis products. Medical cannabis and medical cannabis products
17 shall be labeled as required by Section 19347, except as otherwise
18 specified in this chapter. All packaging and sealing shall be
19 completed prior to medical cannabis or medical cannabis products
20 being transported or delivered to a licensee, qualified patient, or
21 caregiver, except as otherwise specified in this chapter. The bureau
22 shall specify the manner in which medical cannabis and medical
23 cannabis products meant for wholesale purposes shall be packaged
24 and sealed prior to transport, testing, quality assurance, quality
25 control testing, or distribution.

26 (3) This section does not limit the ability of a cultivator,
27 manufacturer, or dispensary to directly enter into contracts with
28 one another indicating the price and quantity of medical cannabis
29 or medical cannabis products to be distributed. However, a
30 distributor responsible for executing the contract is authorized to
31 collect a fee for the services rendered, including, but not limited
32 to, costs incurred by a testing laboratory, as well as applicable state
33 or local taxes and fees.

34 (d) Medical cannabis and medical cannabis products shall be
35 tested by a testing laboratory, prior to retail sale or dispensing, as
36 follows:

37 (1) Medical cannabis from dried flower shall, at a minimum,
38 be tested for concentration, pesticides, mold, and other
39 contaminants.

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

3 (3) This chapter shall not prohibit a licensee from performing
4 on-site testing for the purposes of quality assurance of the product
5 in conjunction with reasonable business operations. On-site testing
6 by the licensee shall not be certified by the State Department of
7 Public Health.

8 (e) All commercial cannabis activity shall be conducted between
9 licensees.

10 (f) The bureau shall promulgate regulations relating to the
11 amounts of each batch of medical cannabis or medical cannabis
12 product that a cultivator or manufacturer is required to send to a
13 distributor for inspection and a testing laboratory for testing. The
14 regulations shall focus on reducing diversion, ensuring the quality
15 of the product for the health and safety of patients, and allowing
16 for efficiency in enforcement.

17 SEC. 19. Section 19328 of the Business and Professions Code
18 is amended to read:

19 19328. (a) Except as specified in paragraph (9), a licensee may
20 only hold a state license in up to two separate license categories,
21 as follows:

22 (1) Type 1, 1A, 1B, 2, 2A, or 2B licensees may also hold either
23 a Type 6 or 7 state license.

24 (2) Type 6 or 7 licensees, or a combination thereof, may also
25 hold either a Type 1, 1A, 1B, 2, 2A, or 2B state license.

26 (3) Type 6 or 7 licensees, or a combination thereof, may also
27 hold a Type 10A state license.

28 (4) Type 10A licensees may also hold either a Type 6 or 7 state
29 license, or a combination thereof.

30 (5) Type 1, 1A, 1B, 2, 2A, or 2B licensees, or a combination
31 thereof, may also hold a Type 10A state license.

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

34 (7) Type 11 licensees shall apply for a Type 12 state license,
35 but shall not apply for any other type of state license.

36 (8) Type 12 licensees may apply for a Type 11 state license.

37 (9) A Type 10A licensee may apply for a Type 6 or 7 state
38 license and hold a 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B, 4 or
39 combination thereof if, under the 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B,
40 4 or combination of licenses thereof, no more than four acres of

1 total canopy size of cultivation by the licensee is occurring
2 throughout the state during the period that the respective licenses
3 are valid. All cultivation pursuant to this section shall comply with
4 local ordinances. By January 1, 2025, the bureau shall review the
5 appropriateness of continuing licensure under this paragraph and
6 shall report its recommendation for elimination or extension of
7 these provisions to the Legislature.

8 (b) Except as provided in subdivision (a), a person or entity that
9 holds a state license is prohibited from licensure for any other
10 activity authorized under this chapter, and is prohibited from
11 holding an ownership interest in real property, personal property,
12 or other assets associated with or used in any other license category.

13 (c) (1) In a jurisdiction that adopted a local ordinance, prior to
14 July 1, 2015, allowing or requiring qualified businesses to cultivate,
15 manufacture, and dispense medical cannabis or medical cannabis
16 products, with all commercial cannabis activity being conducted
17 by a single qualified business, upon licensure that business shall
18 not be subject to subdivision (a) if it meets all of the following
19 conditions:

20 (A) The business was cultivating, manufacturing, and dispensing
21 medical cannabis or medical cannabis products on July 1, 2015,
22 and has continuously done so since that date.

23 (B) The business has been in full compliance with all applicable
24 local ordinances at all times prior to licensure.

25 (C) The business is registered with the State Board of
26 Equalization for tax purposes.

27 (2) A business licensed pursuant to paragraph (1) is not required
28 to conduct all cultivation or manufacturing within the bounds of
29 a single local jurisdiction, but all cultivation and manufacturing
30 shall have commenced prior to July 1, 2015, and have been in full
31 compliance with applicable local ordinances.

32 (d) This section shall remain in effect only until January 1, 2026,
33 and as of that date is repealed.

34 SEC. 20. Section 19328 is added to the Business and
35 Professions Code, to read:

36 19328. (a) A licensee may only hold a state license in up to
37 two separate license categories, as follows:

38 (1) Type 1, 1A, 1B, 2, 2A, or 2B licensees may also hold either
39 a Type 6 or 7 state license.

1 (2) Type 6 or 7 licensees, or a combination thereof, may also
2 hold either a Type 1, 1A, 1B, 2, 2A, or 2B state license.

3 (3) Type 6 or 7 licensees, or a combination thereof, may also
4 hold a Type 10A state license.

5 (4) Type 10A licensees may also hold either a Type 6 or 7 state
6 license, or a combination thereof.

7 (5) Type 1, 1A, 1B, 2, 2A, or 2B licensees, or a combination
8 thereof, may also hold a Type 10A state license.

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

11 (7) Type 11 licensees shall apply for a Type 12 state license,
12 but shall not apply for any other type of state license.

13 (8) Type 12 licensees may apply for a Type 11 state license.

14 (9) A Type 10A licensee may apply for a Type 6 or 7 state
15 license and hold a 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B, 4 or
16 combination thereof if, under the 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B,
17 4 or combination of licenses thereof, no more than four acres of
18 total canopy size of cultivation by the licensee is occurring
19 throughout the state during the period that the respective licenses
20 are valid. All cultivation pursuant to this section shall comply with
21 local ordinances.

22 (b) Except as provided in subdivision (a), a person or entity that
23 holds a state license is prohibited from licensure for any other
24 activity authorized under this chapter, and is prohibited from
25 holding an ownership interest in real property, personal property,
26 or other assets associated with or used in any other license category.

27 (c) This section shall become operative on January 1, 2026.

28 SEC. 21. Section 19332 of the Business and Professions Code,
29 as added by Section 1 of Chapter 688 of the Statutes of 2015, is
30 amended to read:

31 19332. (a) The Department of Food and Agriculture shall
32 promulgate regulations governing the licensing of indoor and
33 outdoor cultivation sites.

34 (b) The Department of Pesticide Regulation, in consultation
35 with the Department of Food and Agriculture, shall develop
36 standards for the use of pesticides in cultivation, and maximum
37 tolerances for pesticides and other foreign object residue in
38 harvested cannabis.

1 (c) The State Department of Public Health shall develop
2 standards for the production and labeling of all edible medical
3 cannabis products.

4 (d) The Department of Food and Agriculture, in consultation
5 with the Department of Fish and Wildlife and the State Water
6 Resources Control Board, shall ensure that individual and
7 cumulative effects of water diversion and discharge associated
8 with cultivation do not affect the instream flows needed for fish
9 spawning, migration, and rearing, and the flows needed to maintain
10 natural flow variability.

11 (e) The Department of Food and Agriculture shall have the
12 authority necessary to implement the regulations it adopts pursuant
13 to this chapter. The regulations shall do all of the following:

14 (1) Provide that weighing or measuring devices used in
15 connection with the sale or distribution of medical cannabis are
16 required to meet standards equivalent to Division 5 (commencing
17 with Section 12001).

18 (2) Require that medical cannabis cultivation by licensees is
19 conducted in accordance with state and local laws related to land
20 conversion, grading, electricity usage, water usage, agricultural
21 discharges, and similar matters. Nothing in this chapter, and no
22 regulation adopted by the department, shall be construed to
23 supersede or limit the authority of the State Water Resources
24 Control Board, regional water quality control boards, or the
25 Department of Fish and Wildlife to implement and enforce their
26 statutory obligations or to adopt regulations to protect water quality,
27 water supply, and natural resources.

28 (3) Establish procedures for the issuance and revocation of
29 unique identifiers for activities associated with a medical cannabis
30 cultivation license, pursuant to Article 8 (commencing with Section
31 19337). All medical cannabis shall be labeled with the unique
32 identifier issued by the Department of Food and Agriculture.

33 (4) Prescribe standards, in consultation with the bureau, for the
34 reporting of information as necessary related to unique identifiers,
35 pursuant to Article 8 (commencing with Section 19337).

36 (f) The Department of Pesticide Regulation, in consultation with
37 the State Water Resources Control Board, shall promulgate
38 regulations that require that the application of pesticides or other
39 pest control in connection with the indoor or outdoor cultivation
40 of medical cannabis meets standards equivalent to Division 6

1 (commencing with Section 11401) of the Food and Agricultural
2 Code and its implementing regulations.

3 (g) State cultivator license types issued by the Department of
4 Food and Agriculture include:

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

9 (2) Type 1A, or “specialty indoor,” for indoor cultivation using
10 exclusively artificial lighting of less than or equal to 5,000 square
11 feet of total canopy size on one premises.

12 (3) Type 1B, or “specialty mixed-light,” for cultivation using a
13 combination of natural and supplemental artificial lighting at a
14 maximum threshold to be determined by the licensing authority,
15 of less than or equal to 5,000 square feet of total canopy size on
16 one premises.

17 (4) Type 2, or “small outdoor,” for outdoor cultivation using
18 no artificial lighting between 5,001 and 10,000 square feet,
19 inclusive, of total canopy size on one premises.

20 (5) Type 2A, or “small indoor,” for indoor cultivation using
21 exclusively artificial lighting between 5,001 and 10,000 square
22 feet, inclusive, of total canopy size on one premises.

23 (6) Type 2B, or “small mixed-light,” for cultivation using a
24 combination of natural and supplemental artificial lighting at a
25 maximum threshold to be determined by the licensing authority,
26 between 5,001 and 10,000 square feet, inclusive, of total canopy
27 size on one premises.

28 (7) Type 3, or “outdoor,” for outdoor cultivation using no
29 artificial lighting from 10,001 square feet to one acre, inclusive,
30 of total canopy size on one premises. The Department of Food and
31 Agriculture shall limit the number of licenses allowed of this type.

32 (8) Type 3A, or “indoor,” for indoor cultivation using
33 exclusively artificial lighting between 10,001 and 22,000 square
34 feet, inclusive, of total canopy size on one premises. The
35 Department of Food and Agriculture shall limit the number of
36 licenses allowed of this type.

37 (9) Type 3B, or “mixed-light,” for cultivation using a
38 combination of natural and supplemental artificial lighting at a
39 maximum threshold to be determined by the licensing authority,
40 between 10,001 and 22,000 square feet, inclusive, of total canopy

1 size on one premises. The Department of Food and Agriculture
2 shall limit the number of licenses allowed of this type.

3 (10) Type 4, or “nursery,” for cultivation of medical cannabis
4 solely as a nursery. A Type 4 licensee may transport live immature
5 plants to a licensed facility, subject to the tracking, security, and
6 related requirements in accordance with Article 7 (commencing
7 with Section 19334), Article 7.5 (commencing with Section 19335),
8 and Article 8 (commencing with Section 19337).

9 SEC. 22. Section 19332 of the Business and Professions Code,
10 as added by Section 13 of Chapter 719 of the Statutes of 2015, is
11 amended to read:

12 19332. (a) The Department of Food and Agriculture shall
13 promulgate regulations governing the licensing of indoor and
14 outdoor cultivation sites.

15 (b) The Department of Pesticide Regulation, in consultation
16 with the Department of Food and Agriculture, shall develop
17 standards for the use of pesticides in cultivation, and maximum
18 tolerances for pesticides and other foreign object residue in
19 harvested cannabis.

20 (c) The State Department of Public Health shall develop
21 standards for the production and labeling of all edible medical
22 cannabis products.

23 (d) The Department of Food and Agriculture, in consultation
24 with the Department of Fish and Wildlife and the State Water
25 Resources Control Board, shall ensure that individual and
26 cumulative effects of water diversion and discharge associated
27 with cultivation do not affect the instream flows needed for fish
28 spawning, migration, and rearing, and the flows needed to maintain
29 natural flow variability.

30 (e) The Department of Food and Agriculture shall have the
31 authority necessary to implement the regulations it adopts pursuant
32 to this chapter. The regulations shall do all of the following:

33 (1) Provide that weighing or measuring devices used in
34 connection with the sale or distribution of medical cannabis are
35 required to meet standards equivalent to Division 5 (commencing
36 with Section 12001).

37 (2) Require that medical cannabis cultivation by licensees is
38 conducted in accordance with state and local laws related to land
39 conversion, grading, electricity usage, water usage, agricultural
40 discharges, and similar matters. Nothing in this chapter, and no

1 regulation adopted by the department, shall be construed to
2 supersede or limit the authority of the State Water Resources
3 Control Board, regional water quality control boards, or the
4 Department of Fish and Wildlife to implement and enforce their
5 statutory obligations or to adopt regulations to protect water quality,
6 water supply, and natural resources.

7 (3) Establish procedures for the issuance and revocation of
8 unique identifiers for activities associated with a medical cannabis
9 cultivation license, pursuant to Article 8 (commencing with Section
10 19337). All medical cannabis shall be labeled with the unique
11 identifier issued by the Department of Food and Agriculture.

12 (4) Prescribe standards, in consultation with the bureau, for the
13 reporting of information as necessary related to unique identifiers,
14 pursuant to Article 8 (commencing with Section 19337).

15 (f) The Department of Pesticide Regulation, in consultation with
16 the State Water Resources Control Board, shall promulgate
17 regulations that require that the application of pesticides or other
18 pest control in connection with the indoor or outdoor cultivation
19 of medical cannabis meets standards equivalent to Division 6
20 (commencing with Section 11401) of the Food and Agricultural
21 Code and its implementing regulations.

22 (g) State cultivator license types issued by the Department of
23 Food and Agriculture include:

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

28 (2) Type 1A, or “specialty indoor,” for indoor cultivation using
29 exclusively artificial lighting of less than or equal to 5,000 square
30 feet of total canopy size on one premises.

31 (3) Type 1B, or “specialty mixed-light,” for cultivation using a
32 combination of natural and supplemental artificial lighting at a
33 maximum threshold to be determined by the licensing authority,
34 of less than or equal to 5,000 square feet of total canopy size on
35 one premises.

36 (4) Type 2, or “small outdoor,” for outdoor cultivation using
37 no artificial lighting between 5,001 and 10,000 square feet,
38 inclusive, of total canopy size on one premises.

1 (5) Type 2A, or “small indoor,” for indoor cultivation using
2 exclusively artificial lighting between 5,001 and 10,000 square
3 feet, inclusive, of total canopy size on one premises.

4 (6) Type 2B, or “small mixed-light,” for cultivation using a
5 combination of natural and supplemental artificial lighting at a
6 maximum threshold to be determined by the licensing authority,
7 between 5,001 and 10,000 square feet, inclusive, of total canopy
8 size on one premises.

9 (7) Type 3, or “outdoor,” for outdoor cultivation using no
10 artificial lighting from 10,001 square feet to one acre, inclusive,
11 of total canopy size on one premises. The Department of Food and
12 Agriculture shall limit the number of licenses allowed of this type.

13 (8) Type 3A, or “indoor,” for indoor cultivation using
14 exclusively artificial lighting between 10,001 and 22,000 square
15 feet, inclusive, of total canopy size on one premises. The
16 Department of Food and Agriculture shall limit the number of
17 licenses allowed of this type.

18 (9) Type 3B, or “mixed-light,” for cultivation using a
19 combination of natural and supplemental artificial lighting at a
20 maximum threshold to be determined by the licensing authority,
21 between 10,001 and 22,000 square feet, inclusive, of total canopy
22 size on one premises. The Department of Food and Agriculture
23 shall limit the number of licenses allowed of this type.

24 (10) Type 4, or “nursery,” for cultivation of medical cannabis
25 solely as a nursery. A Type 4 licensee may transport live immature
26 plants to a licensed facility, subject to the tracking, security, and
27 related requirements in accordance with Article 7 (commencing
28 with Section 19334), Article 7.5 (commencing with Section 19335),
29 and Article 8 (commencing with Section 19337).

30 SEC. 23. Section 19332.5 of the Business and Professions
31 Code is amended to read:

32 19332.5. (a) Not later than January 1, 2020, the Department
33 of Food and Agriculture in conjunction with the bureau, shall make
34 available a certified organic designation and organic certification
35 program for medical cannabis, if permitted under federal law and
36 the National Organic Program (Section 6517 of the federal Organic
37 Foods Production Act of 1990 (7 U.S.C. Sec. 6501 et seq.)), and
38 Article 7 (commencing with Section 110810) of Chapter 5 of Part
39 5 of Division 104 of the Health and Safety Code.

1 (b) The bureau may establish appellations of origin for medical
2 cannabis grown in California.

3 (c) It is unlawful for medical cannabis to be marketed, labeled,
4 or sold as grown in a California county when the medical cannabis
5 was not grown in that county.

6 (d) It is unlawful to use the name of a California county in the
7 labeling, marketing, or packaging of medical cannabis products
8 unless the product was grown in that county.

9 SEC. 24. Section 19334 of the Business and Professions Code
10 is amended to read:

11 19334. (a) State licenses to be issued by the Department of
12 Consumer Affairs are as follows:

13 (1) (A) “Dispensary,” as defined in this chapter.

14 (B) A dispensary may be one of the following:

15 (i) “Storefront dispensary” for licensees who have a brick and
16 mortar dispensary with direct physical access for the public.

17 (ii) “Nonstorefront dispensary” for licensees who have a brick
18 and mortar dispensary that does not have a storefront with direct
19 physical access for the public.

20 (C) Any of the dispensaries listed in subparagraph (B) may
21 deliver in a city, county, or city and county that does not expressly
22 prohibit delivery by local ordinance.

23 (2) “Distributor,” or “Type 11 licensee,” for the distribution of
24 medical cannabis and medical cannabis products from manufacturer
25 to dispensary. A distributor shall hold a Type 12, or transporter,
26 license and register each location where product is stored for the
27 purposes of distribution. A distributor shall not hold a license in
28 a cultivation, manufacturing, dispensing, or testing license category
29 and shall not own, or have an ownership interest in, a facility
30 licensed in those categories other than a security interest, lien, or
31 encumbrance on property that is used by a licensee. A distributor
32 shall be bonded and insured at a minimum level established by the
33 licensing authority.

34 (3) “Transporter” or “Type 12 licensee” for transporters of
35 medical cannabis or medical cannabis products between licensees.
36 A transporter shall be bonded and insured at a minimum level
37 established by the licensing authority.

38 (b) The bureau shall establish both of the following:

1 (1) Minimum security requirements for the commercial
2 transportation and delivery of medical cannabis and medical
3 cannabis products.

4 (2) Advertising, marketing, signage, and other labeling
5 requirements and restrictions, including a prohibition on
6 advertising, marketing, and other promotion of the medical
7 cannabis or medical cannabis products provided by a person
8 engaging in commercial cannabis activity but not in full compliance
9 with this chapter.

10 (A) The bureau may provide information to verify a state license
11 is active and in good standing for purposes of complying with this
12 paragraph.

13 (B) One year after the bureau posts a notice on its Internet Web
14 site that the licensing authorities have commenced issuing licenses
15 pursuant to the Medical Cannabis Regulation and Safety Act, all
16 advertisements for licensees under this chapter shall include the
17 valid state license number of the licensee.

18 (c) A dispensary shall implement sufficient security measures
19 to both deter and prevent unauthorized entrance into areas
20 containing medical cannabis or medical cannabis products and
21 theft of medical cannabis or medical cannabis products at the
22 dispensary. These security measures shall include, but not be
23 limited to, all of the following:

24 (1) Preventing individuals from remaining on the premises of
25 the dispensary if they are not engaging in activity expressly related
26 to the operations of the dispensary.

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

29 (3) Storing all finished medical cannabis and medical cannabis
30 products in a secured and locked room, safe, or vault, and in a
31 manner as to prevent diversion, theft, and loss, except for limited
32 amounts of cannabis used for display purposes, samples, or
33 immediate sale.

34 (4) Requiring all medical cannabis and medical cannabis
35 products used for display purposes, samples, or immediate sale to
36 be stored out of reach of any individual who is not employed by
37 the dispensary.

38 (d) A dispensary shall notify the licensing authority and the
39 appropriate law enforcement authorities within 24 hours after
40 discovering any of the following:

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

3 (2) Diversion, theft, loss, or any criminal activity involving the
4 dispensary or any agent or employee of the dispensary.

5 (3) The loss or unauthorized alteration of records related to
6 cannabis, registered qualifying patients, primary caregivers, or
7 dispensary employees or agents.

8 (4) Any other breach of security.

9 SEC. 25. Section 19335 of the Business and Professions Code
10 is amended to read:

11 19335. (a) The Department of Food and Agriculture, in
12 consultation with the bureau, shall establish a track and trace
13 program for reporting the movement of medical cannabis items
14 throughout the distribution chain that utilizes a unique identifier
15 pursuant to Section 11362.777 of the Health and Safety Code and
16 secure packaging and is capable of providing information that
17 captures, at a minimum, all of the following:

18 (1) The licensee receiving the product.

19 (2) The transaction date.

20 (3) The cultivator from which the product originates, including
21 the associated unique identifier, pursuant to Section 11362.777 of
22 the Health and Safety Code.

23 (b) (1) The Department of Food and Agriculture shall create
24 an electronic database containing the electronic shipping manifests,
25 which shall include, but not be limited to, the following
26 information:

27 (A) The quantity, or weight, and variety of products shipped.

28 (B) The estimated times of departure and arrival.

29 (C) The quantity, or weight, and variety of products received.

30 (D) The actual time of departure and arrival.

31 (E) A categorization of the product.

32 (F) The license number and the unique identifier pursuant to
33 Section 11362.777 of the Health and Safety Code issued by the
34 licensing authority for all licensees involved in the shipping
35 process, including cultivators, transporters, distributors, and
36 dispensaries.

37 (2) (A) The database shall be designed to flag irregularities for
38 all licensing authorities in this chapter to investigate.
39 Notwithstanding Section 30, all licensing authorities pursuant to
40 this chapter may access the database and share information related

1 to licensees under this chapter, including social security and
 2 individual taxpayer identifications.

3 (B) The Department of Food and Agriculture shall immediately
 4 inform the bureau upon the finding of an irregularity or suspicious
 5 finding related to a licensee, applicant, or commercial cannabis
 6 activity for investigatory purposes.

7 (3) Licensing authorities and state and local agencies may, at
 8 any time, inspect shipments and request documentation for current
 9 inventory.

10 (4) The bureau shall have 24-hour access to the electronic
 11 database administered by the Department of Food and Agriculture.

12 (5) The Department of Food and Agriculture ~~shall be authorized~~
 13 ~~to may enter into memoranda of understandings~~ *a memorandum*
 14 *of understanding* with a licensing ~~authorities~~ *authority* for data
 15 sharing purposes, as deemed necessary by the Department of Food
 16 and Agriculture.

17 (6) Information received and contained in records kept by the
 18 Department of Food and Agriculture or licensing authorities for
 19 the purposes of administering this section are confidential and
 20 shall not be disclosed pursuant to the California Public Records
 21 Act (Chapter 3.5 (commencing with Section 6250) of Division 7
 22 of Title 1 of the Government Code), except as necessary for
 23 authorized employees of the State of California or any city, county,
 24 or city and county to perform official duties pursuant to this chapter
 25 or a local ordinance.

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

30 SEC. 26. Section 19340 of the Business and Professions Code
 31 is amended to read:

32 19340. (a) Deliveries, as defined in this chapter, can only be
 33 made by a dispensary and in a city, county, or city and county that
 34 does not explicitly prohibit it by local ordinance.

35 (b) Upon approval of the licensing authority, a licensed
 36 dispensary that delivers medical cannabis or medical cannabis
 37 products shall comply with both of the following:

38 (1) The city, county, or city and county in which the licensed
 39 dispensary is located, and in which each delivery is made, do not,
 40 by ordinance, explicitly prohibit delivery.

1 (2) All employees of a dispensary delivering medical cannabis
2 or medical cannabis products shall carry a copy of the dispensary's
3 current license authorizing those services with them during
4 deliveries and the employee's government-issued identification,
5 and shall present that license and identification upon request to
6 state and local law enforcement, employees of regulatory
7 authorities, and other state and local agencies enforcing this
8 chapter.

9 (c) A county shall have the authority to impose a tax, pursuant
10 to Article 11 (commencing with Section 19348), on each delivery
11 transaction completed by a licensee.

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

17 (e) The qualified patient or primary caregiver requesting the
18 delivery shall maintain a copy of the delivery request and shall
19 make it available, upon request, to the licensing authority and law
20 enforcement officers.

21 (f) A local jurisdiction shall not prevent carriage of medical
22 cannabis or medical cannabis products on public roads by a licensee
23 acting in compliance with this chapter.

24 (g) The bureau shall establish the following regulations
25 regarding the delivery of medical cannabis and medical cannabis
26 products:

27 (1) Employee training standards that ensure qualified patients
28 and primary caregivers have adequate information regarding the
29 medical cannabis or medical cannabis products that a dispensary
30 delivers, and to provide employees with information regarding
31 state and federal laws and regulations.

32 (2) Protocols to provide qualified patients and primary caregivers
33 with information regarding laws, regulations, and local ordinances
34 relevant to providing medical cannabis or medical cannabis
35 products to qualified patients and primary caregivers in the local
36 jurisdiction in which the dispensary is located and the local
37 jurisdiction in which the qualified patients and primary caregivers
38 are located.

39 (3) A system for registering and maintaining the status of all
40 delivery personnel of dispensaries, including protocols for

1 suspending the registrations of individuals who move out of this
2 state, who discontinue employment at a dispensary, or who are
3 under suspension or inspection by a dispensary or local or state
4 agencies. This system shall be made available to local and state
5 law enforcement, qualified patients, primary caregivers, and any
6 other entity deemed appropriate by the bureau. Any fees associated
7 with registration of delivery personnel shall be set by the bureau
8 and shall not exceed the reasonable amount necessary to cover the
9 costs to regulate the delivery personnel and maintain the system.

10 (4) The operating hours for delivery.

11 (5) A requirement that any person who delivers medical cannabis
12 or medical cannabis products be employed by or contract with
13 only one dispensary at a time.

14 (6) Minimum requirements for patient information that is stored
15 by each delivery operation, including, but not limited to, the contact
16 information for the patient and, if applicable, his or her primary
17 caregiver, the physician's recommendation, and the identification
18 card issued pursuant to Article 2.5 (commencing with Section
19 11362.7) of Chapter 6 of Division 10 of the Health and Safety
20 Code. All identifying information obtained about a qualified patient
21 or primary caregiver shall be obtained and stored in compliance
22 with the Confidentiality of Medical Information Act (Part 2.6
23 (commencing with Section 56) of Division 1 of the Civil Code)
24 and all other privacy laws and regulations.

25 (h) The bureau shall establish requirements for all dispensary
26 employees who deliver medical cannabis or medical cannabis
27 products, including, but not limited to, the following:

28 (1) Possession of a valid driver's license issued by the
29 Department of Motor Vehicles.

30 (2) Provide the bureau with a current address.

31 (3) Provide the bureau with necessary automobile and insurance
32 information.

33 (4) Registration with the bureau.

34 SEC. 27. Section 19342 of the Business and Professions Code
35 is amended to read:

36 19342. (a) For the purposes of testing medical cannabis or
37 medical cannabis products, licensees shall use a licensed testing
38 laboratory that has adopted a standard operating procedure using
39 methods consistent with general requirements for the competence
40 of testing and calibration activities, including sampling, using

1 standard methods established by the International Organization
2 for Standardization, specifically ISO/IEC 17020 and ISO/IEC
3 17025 to test medical cannabis and medical cannabis products that
4 are approved by an accrediting body that is a signatory to the
5 International Laboratory Accreditation Cooperation Mutual
6 Recognition Arrangement.

7 (b) An agent of a testing laboratory shall obtain samples
8 according to a statistically valid sampling method for each lot.

9 (c) A testing laboratory shall analyze samples according to the
10 following:

11 (1) In the final form which the patient will consume the medical
12 cannabis or medical cannabis product, including moisture content
13 and other attributes.

14 (2) A scientifically valid methodology approved by the
15 accrediting body.

16 (d) If a test result falls outside the specifications authorized by
17 law or regulation, the testing laboratory shall follow a standard
18 operating procedure to confirm or refute the original result.

19 (e) A testing laboratory shall destroy the remains of the sample
20 of medical cannabis or medical cannabis product upon completion
21 of the analysis.

22 SEC. 28. Section 19344 of the Business and Professions Code
23 is amended to read:

24 19344. (a) A testing laboratory shall issue a certificate of
25 analysis for each lot, with supporting data, to report both of the
26 following:

27 (1) Whether the chemical profile of the lot conforms to the
28 specifications of the lot for compounds, including, but not limited
29 to, all of the following:

30 (A) Tetrahydrocannabinol (THC).

31 (B) Tetrahydrocannabinolic Acid (THCA).

32 (C) Cannabidiol (CBD).

33 (D) Cannabidiolic Acid (CBDA).

34 (E) The terpenes described in the most current version of the
35 cannabis inflorescence monograph published by the American
36 Herbal Pharmacopoeia.

37 (F) Cannabigerol (CBG).

38 (G) Cannabinol (CBN).

39 (H) Any other compounds required by the State Department of
40 Public Health.

1 (2) That the presence of contaminants does not exceed the levels
2 that are the lesser of either the most current version of the American
3 Herbal Pharmacopoeia monograph or the State Department of
4 Public Health. For purposes of this paragraph, contaminants
5 include, but are not limited to, all of the following:

6 (A) Residual solvent or processing chemicals.
7 (B) Foreign material, including, but not limited to, hair, insects,
8 or similar or related adulterant.

9 (C) Microbiological impurity, including total aerobic microbial
10 count, total yeast mold count, *P. aeruginosa*, *aspergillus spp.*, *s.*
11 *aureus*, aflatoxin B1, B2, G1, or G2, or ochratoxin A.

12 (D) Whether the batch is within specification for odor and
13 appearance.

14 (b) Residual levels of volatile organic compounds shall be below
15 those set by the State Department of Public Health. The State
16 Department of Public Health shall conduct periodic audits of the
17 results of testing laboratories to verify their accuracy.

18 SEC. 29. Section 19345 of the Business and Professions Code
19 is amended to read:

20 19345. (a) Except as provided in this chapter, a licensed testing
21 laboratory shall not acquire or receive medical cannabis or medical
22 cannabis products except from a licensed facility in accordance
23 with this chapter, and shall not transfer or transport medical
24 cannabis or medical cannabis products, except to the licensed
25 facility from which the medical cannabis or medical cannabis
26 products were acquired or received. All transfer or transportation
27 shall be performed pursuant to a specified chain of custody
28 protocol.

29 (b) A licensed testing laboratory may receive and test samples
30 of medical cannabis or medical cannabis products from a qualified
31 patient or primary caregiver only if he or she presents his or her
32 valid recommendation for cannabis for medical purposes from a
33 physician. A licensed testing laboratory shall not certify samples
34 from a qualified patient or caregiver for resale or transfer to another
35 party or licensee. All tests performed by a licensed testing
36 laboratory for a qualified patient or caregiver shall be recorded
37 with the name of the qualified patient or caregiver and the amount
38 of medical cannabis or medical cannabis product received.

39 (c) The State Department of Public Health shall develop
40 procedures to ensure that testing of cannabis occurs prior to

1 transport to dispensaries or any other business, specify how often
2 licensees shall test cannabis and that the cost of testing shall be
3 borne by the licensed cultivators, and require destruction of
4 harvested batches whose testing samples indicate noncompliance
5 with health and safety standards promulgated by the State
6 Department of Public Health, unless remedial measures can bring
7 the cannabis into compliance with quality assurance standards as
8 promulgated by the State Department of Public Health.

9 (d) The State Department of Public Health shall establish a
10 licensing fee, and laboratories shall pay a fee to be licensed.
11 Licensing fees shall not exceed the reasonable regulatory cost of
12 the licensing activities.

13 SEC. 30. Section 19347 of the Business and Professions Code
14 is amended to read:

15 19347. (a) Prior to delivery or sale at a dispensary, medical
16 cannabis products shall be labeled and in a tamper-evident package.
17 Labels and packages of medical cannabis products shall meet the
18 following requirements:

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

21 (2) All medical cannabis product labels shall include the
22 following information, prominently displayed and in a clear and
23 legible font:

24 (A) Manufacture date and source.

25 (B) The statement “SCHEDULE I CONTROLLED
26 SUBSTANCE.”

27 (C) The statement “KEEP OUT OF REACH OF CHILDREN
28 AND ANIMALS” in bold print.

29 (D) The statement “FOR MEDICAL USE ONLY.”

30 (E) The statement “THE INTOXICATING EFFECTS OF THIS
31 PRODUCT MAY BE DELAYED BY UP TO TWO HOURS.”

32 (F) The statement “THIS PRODUCT MAY IMPAIR THE
33 ABILITY TO DRIVE OR OPERATE MACHINERY. PLEASE
34 USE EXTREME CAUTION.”

35 (G) For packages containing only dried flower, the net weight
36 of medical cannabis in the package.

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

38 (I) List of pharmacologically active ingredients, including, but
39 not limited to, tetrahydrocannabinol (THC), cannabidiol (CBD),
40 and other cannabinoid content, the THC and other cannabinoid

1 amount in milligrams per serving, servings per package, and the
2 THC and other cannabinoid amount in milligrams for the package
3 total.

4 (J) Clear indication, in bold type, that the product contains
5 medical cannabis.

6 (K) Identification of the source and date of cultivation and
7 manufacture.

8 (L) Any other requirement set by the State Department of Public
9 Health.

10 (M) Information associated with the unique identifier issued by
11 the Department of Food and Agriculture pursuant to Section
12 11362.777 of the Health and Safety Code.

13 (b) Only generic food names may be used to describe edible
14 medical cannabis products, pursuant to regulations promulgated
15 by the State Department of Public Health.

16 SEC. 31. Section 19350 of the Business and Professions Code
17 is amended to read:

18 19350. Each licensing authority shall establish a scale of
19 application, licensing, and renewal fees, based upon the cost of
20 enforcing this chapter, as follows:

21 (a) Each licensing authority shall charge each licensee a
22 licensure and renewal fee, as applicable. The licensure and renewal
23 fee shall be calculated to cover the costs of administering this
24 chapter. The licensure fee may vary depending upon the varying
25 costs associated with administering the various regulatory
26 requirements of this chapter as they relate to the nature and scope
27 of the different licensure activities, including, but not limited to,
28 the track and trace program required pursuant to Section 19335,
29 but shall not exceed the reasonable regulatory costs to the licensing
30 authority.

31 (b) The total fees assessed pursuant to this chapter shall be set
32 at an amount that will fairly and proportionately generate sufficient
33 total revenue to fully cover the total costs of administering this
34 chapter.

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

37 (d) The licensing authority shall deposit all fees collected
38 pursuant to this chapter in a fee account specific to that licensing
39 authority, to be established in the Medical Cannabis Regulation
40 and Safety Act Fund. Moneys in the licensing authority fee

1 accounts shall be used, upon appropriation of the Legislature, by
2 the designated licensing authority for the administration of this
3 chapter.

4 (e) The fees established by licensing authorities pursuant to this
5 chapter shall be in addition to, and shall not limit, any fees or taxes
6 imposed by a city, county, or city and county in which the licensee
7 operates.

8 SEC. 32. Section 19351 of the Business and Professions Code
9 is amended to read:

10 19351. (a) The Medical Cannabis Regulation and Safety Act
11 Fund is hereby established within the State Treasury. Moneys in
12 the fund shall be available upon appropriation by the Legislature.
13 Notwithstanding Section 16305.7 of the Government Code, the
14 fund shall include any interest and dividends earned on the moneys
15 in the fund.

16 (b) (1) Funds for the establishment and support of the regulatory
17 activities pursuant to this chapter shall be advanced as a General
18 Fund or special fund loan, and shall be repaid by the initial
19 proceeds from fees collected pursuant to this chapter or any rule
20 or regulation adopted pursuant to this chapter, by January 1, 2022.
21 Should the initial proceeds from fees not be sufficient to repay the
22 loan, moneys from the Medical Cannabis Fines and Penalties
23 Account shall be made available to the bureau, by appropriation
24 of the Legislature, to repay the loan.

25 (2) Funds advanced pursuant to this subdivision shall be
26 appropriated to the bureau, which shall distribute the moneys to
27 the appropriate licensing authorities, as necessary to implement
28 the provisions of this chapter.

29 (3) The Director of Finance may provide an initial operating
30 loan from the General Fund to the Medical Cannabis Regulation
31 and Safety Act Fund that does not exceed ten million dollars
32 (\$10,000,000).

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

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

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

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

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

13 (3) The grant program established by this subdivision shall only
14 be implemented after the loan specified in subdivision (b) is repaid.

15 SEC. 33. Section 19360 of the Business and Professions Code
16 is amended to read:

17 19360. (a) A person engaging in commercial cannabis activity
18 without a license and associated unique identifiers required by this
19 chapter shall be subject to civil penalties of up to twice the amount
20 of the license fee for each violation, and the licensing authority,
21 state or local authority, or court may order the destruction of
22 medical cannabis associated with that violation. Each day of
23 operation shall constitute a separate violation of this section. All
24 civil penalties imposed and collected pursuant to this section shall
25 be deposited into the Medical Cannabis Fines and Penalties
26 Account, established pursuant to Section 19351, except as provided
27 in subdivision (b).

28 (b) If an action for civil penalties is brought against a licensee
29 pursuant to this chapter by the Attorney General, the penalty
30 collected shall be deposited into the Medical Cannabis Fines and
31 Penalties Account. If the action is brought by a district attorney
32 or county counsel, the penalty collected shall be paid to the
33 treasurer of the county in which the judgment was entered. If the
34 action is brought by a city attorney or city prosecutor, the penalty
35 collected shall be paid to the treasurer of the city or city and county
36 in which the judgment was entered. If the action is brought by a
37 city attorney and is adjudicated in a superior court located in the
38 unincorporated area or another city in the same county, the penalty
39 shall be paid one-half to the treasurer of the city in which the

1 complaining attorney has jurisdiction and one-half to the treasurer
2 of the county in which the judgment is entered.

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

8 SEC. 34. Section 12025 of the Fish and Game Code is amended
9 to read:

10 12025. (a) In addition to any penalties imposed by any other
11 law, a person found to have violated the code sections described
12 in paragraphs (1) to (11), inclusive, in connection with the
13 production or cultivation of a controlled substance on land under
14 the management of the Department of Parks and Recreation, the
15 Department of Fish and Wildlife, the Department of Forestry and
16 Fire Protection, the State Lands Commission, a regional park
17 district, the United States Forest Service, or the United States
18 Bureau of Land Management, or within the respective ownership
19 of a timberland production zone, as defined in Chapter 6.7
20 (commencing with Section 51100) of Part 1 of Division 1 of Title
21 5 of the Government Code, of more than 50,000 acres, or while
22 trespassing on other public or private land in connection with the
23 production or cultivation of a controlled substance, shall be liable
24 for a civil penalty as follows:

25 (1) A person who violates Section 1602 in connection with the
26 production or cultivation of a controlled substance is subject to a
27 civil penalty of not more than ten thousand dollars (\$10,000) for
28 each violation.

29 (2) A person who violates Section 5650 in connection with the
30 production or cultivation of a controlled substance is subject to a
31 civil penalty of not more than forty thousand dollars (\$40,000) for
32 each violation.

33 (3) A person who violates Section 5652 in connection with the
34 production or cultivation of a controlled substance is subject to a
35 civil penalty of not more than forty thousand dollars (\$40,000) for
36 each violation.

37 (4) A person who violates subdivision (a) of Section 374.3 of
38 the Penal Code in connection with the production or cultivation
39 of a controlled substance is subject to a civil penalty of not more
40 than forty thousand dollars (\$40,000) for each violation.

1 (5) A person who violates paragraph (1) of subdivision (h) of
2 Section 374.3 of the Penal Code in connection with the production
3 or cultivation of a controlled substance is subject to a civil penalty
4 of not more than forty thousand dollars (\$40,000) for each
5 violation.

6 (6) A person who violates subdivision (b) of Section 374.8 of
7 the Penal Code in connection with the production or cultivation
8 of a controlled substance is subject to a civil penalty of not more
9 than forty thousand dollars (\$40,000) for each violation.

10 (7) A person who violates Section 384a of the Penal Code in
11 connection with the production or cultivation of a controlled
12 substance is subject to a civil penalty of not more than ten thousand
13 dollars (\$10,000) for each violation.

14 (8) A person who violates subdivision (a) of Section 4571 of
15 the Public Resources Code in connection with the production or
16 cultivation of a controlled substance is subject to a civil penalty
17 of not more than ten thousand dollars (\$10,000) for each violation.

18 (9) A person who violates Section 4581 of the Public Resources
19 Code in connection with the production or cultivation of a
20 controlled substance is subject to a civil penalty of not more than
21 ten thousand dollars (\$10,000) for each violation.

22 (10) A person who violates Section 2000 in connection with
23 the production or cultivation of a controlled substance is subject
24 to a civil penalty of not more than ten thousand dollars (\$10,000)
25 for each violation.

26 (11) A person who violates Section 2002 in connection with
27 the production or cultivation of a controlled substance is subject
28 to a civil penalty of not more than ten thousand dollars (\$10,000)
29 for each violation.

30 (b) (1) In addition to any penalties imposed by any other law,
31 a person found to have violated the code sections described in this
32 subdivision in connection with the production or cultivation of a
33 controlled substance on land that the person owns, leases, or
34 otherwise uses or occupies with the consent of the landowner shall
35 be liable for a civil penalty as follows:

36 (A) A person who violates Section 1602 in connection with the
37 production or cultivation of a controlled substance is subject to a
38 civil penalty of not more than eight thousand dollars (\$8,000) for
39 each violation.

1 (B) A person who violates Section 5650 in connection with the
2 production or cultivation of a controlled substance is subject to a
3 civil penalty of not more than twenty thousand dollars (\$20,000)
4 for each violation.

5 (C) A person who violates Section 5652 in connection with the
6 production or cultivation of a controlled substance is subject to a
7 civil penalty of not more than twenty thousand dollars (\$20,000)
8 for each violation.

9 (D) A person who violates subdivision (a) of Section 374.3 of
10 the Penal Code in connection with the production or cultivation
11 of a controlled substance is subject to a civil penalty of not more
12 than twenty thousand dollars (\$20,000) for each violation.

13 (E) A person who violates paragraph (1) of subdivision (h) of
14 Section 374.3 of the Penal Code in connection with the production
15 or cultivation of a controlled substance is subject to a civil penalty
16 of not more than twenty thousand dollars (\$20,000) for each
17 violation.

18 (F) A person who violates subdivision (b) of Section 374.8 of
19 the Penal Code in connection with the production or cultivation
20 of a controlled substance is subject to a civil penalty of not more
21 than twenty thousand dollars (\$20,000) for each violation.

22 (G) A person who violates Section 384a of the Penal Code in
23 connection with the production or cultivation of a controlled
24 substance is subject to a civil penalty of not more than ten thousand
25 dollars (\$10,000) for each violation.

26 (H) A person who violates subdivision (a) of Section 4571 of
27 the Public Resources Code in connection with the production or
28 cultivation of a controlled substance is subject to a civil penalty
29 of not more than eight thousand dollars (\$8,000) for each violation.

30 (I) A person who violates Section 4581 of the Public Resources
31 Code in connection with the production or cultivation of a
32 controlled substance is subject to a civil penalty of not more than
33 eight thousand dollars (\$8,000) for each violation.

34 (J) A person who violates Section 2000 in connection with the
35 production or cultivation of a controlled substance is subject to a
36 civil penalty of not more than eight thousand dollars (\$8,000) for
37 each violation.

38 (K) A person who violates Section 2002 in connection with the
39 production or cultivation of a controlled substance is subject to a

1 civil penalty of not more than eight thousand dollars (\$8,000) for
2 each violation.

3 (2) Each day that a violation of a code section described in this
4 subdivision occurs or continues to occur shall constitute a separate
5 violation.

6 (c) The civil penalty imposed for each separate violation
7 pursuant to this section is in addition to any other civil penalty
8 imposed for another violation of this section, or any violation of
9 any other law.

10 (d) All civil penalties imposed or collected by a court for a
11 separate violation pursuant to this section shall not be considered
12 to be fines or forfeitures, as described in Section 13003, and shall
13 be apportioned in the following manner:

14 (1) Thirty percent shall be distributed to the county in which
15 the violation was committed pursuant to Section 13003. The county
16 board of supervisors shall first use any revenues from those
17 penalties to reimburse the costs incurred by the district attorney
18 or city attorney in investigating and prosecuting the violation.

19 (2) (A) Thirty percent shall be distributed to the investigating
20 agency to be used to reimburse the cost of any investigation directly
21 related to the violations described in this section.

22 (B) If the department receives reimbursement pursuant to this
23 paragraph for activities funded pursuant to subdivision (f) of
24 Section 4629.6 of the Public Resources Code, the reimbursement
25 funds shall be deposited into the Timber Regulation and Forest
26 Restoration Fund, created by Section 4629.3 of the Public
27 Resources Code, if there is an unpaid balance for a loan authorized
28 by subdivision (f) of Section 4629.6 of the Public Resources Code.

29 (3) Forty percent shall be deposited into the Timber Regulation
30 and Forest Restoration Fund, created by Section 4629.3 of the
31 Public Resources Code, and used for grants authorized pursuant
32 to Section 4629.6 of the Public Resources Code that improve forest
33 health by remediating former cannabis growing operations.

34 (e) Civil penalties authorized pursuant to this section may be
35 imposed administratively by the department if all of the following
36 occur:

37 (1) The chief deputy director or law enforcement division
38 assistant chief in charge of cannabis-related enforcement issues a
39 complaint to any person or entity on which an administrative civil
40 penalty may be imposed pursuant to this section. The complaint

1 shall allege the act or failure to act that constitutes a violation, any
2 facts related to natural resources impacts, the provision of law
3 authorizing the civil penalty to be imposed, and the proposed
4 penalty amount.

5 (2) The complaint and order is served by personal notice or
6 certified mail and informs the party served that the party may
7 request a hearing not later than 20 days from the date of service.
8 If a hearing is requested, it shall be scheduled before the director
9 or his or her designee, which designee shall not be the chief deputy
10 or assistant chief issuing the complaint and order. A request for a
11 hearing shall contain a brief statement of the material facts the
12 party claims support his or her contention that no administrative
13 penalty should be imposed or that an administrative penalty of a
14 lesser amount is warranted. A party served with a complaint
15 pursuant to this subdivision waives his or her right to a hearing if
16 a hearing is not requested within 20 days of service of the
17 complaint, in which case the order imposing the administrative
18 penalty shall become final.

19 (3) The director, or his or her designee, shall control the nature
20 and order of hearing proceedings. Hearings shall be informal in
21 nature, and need not be conducted according to the technical rules
22 relating to evidence. The director or his or her designee shall issue
23 a final order within 45 days of the close of the hearing. A copy of
24 the final order shall be served by certified mail upon the party
25 served with the complaint.

26 (4) A party may obtain review of the final order by filing a
27 petition for a writ of mandate with the superior court within 30
28 days of the date of service of the final order. The administrative
29 penalty shall be due and payable to the department within 60 days
30 after the time to seek judicial review has expired, or, where the
31 party did not request a hearing of the order, within 20 days after
32 the order imposing an administrative penalty becomes final.

33 (5) The department may adopt regulations to implement this
34 subdivision.

35 (f) All administrative penalties imposed or collected by the
36 department for a separate violation pursuant to this section shall
37 not be considered to be fines or forfeitures, as described in Section
38 13003, and shall be deposited into the Timber Regulation and
39 Forest Restoration Fund, created by Section 4629.3 of the Public
40 Resources Code, to repay any unpaid balance of a loan authorized

1 by subdivision (f) of Section 4629.6 of the Public Resources Code.
2 Any remaining funds from administrative penalties collected
3 pursuant to this section shall be apportioned in the following
4 manner:

5 (1) Fifty percent shall be deposited into the Timber Regulation
6 and Forest Restoration Fund for grants authorized pursuant to
7 subdivision (h) of Section 4629.6 of the Public Resources Code,
8 with priority given to grants that improve forest health by
9 remediating former cannabis growing operations.

10 (2) Fifty percent shall be deposited into the Fish and Game
11 Preservation Fund.

12 (g) Any civil penalty imposed pursuant to this section for the
13 violation of an offense described in paragraph (4), (5), or (6) of
14 subdivision (a) or subparagraph (D), (E), or (F) of paragraph (1)
15 of subdivision (b) for which the person was convicted shall be
16 offset by the amount of any restitution ordered by a criminal court.

17 (h) For purposes of this section, “controlled substance” has the
18 same meaning as defined in Section 11007 of the Health and Safety
19 Code.

20 (i) This section does not apply to any activity in full compliance
21 with the Medical Cannabis Regulation and Safety Act (Chapter
22 3.5 (commencing with Section 19300) of Division 8 of the Business
23 and Professions Code).

24 SEC. 35. Section 12029 of the Fish and Game Code is amended
25 to read:

26 12029. (a) The Legislature finds and declares all of the
27 following:

28 (1) The environmental impacts associated with cannabis
29 cultivation have increased, and unlawful water diversions for
30 cannabis irrigation have a detrimental effect on fish and wildlife
31 and their habitat, which are held in trust by the state for the benefit
32 of the people of the state.

33 (2) The remediation of existing cannabis cultivation sites is
34 often complex and the permitting of these sites requires greater
35 department staff time and personnel expenditures. The potential
36 for cannabis cultivation sites to significantly impact the state’s fish
37 and wildlife resources requires immediate action on the part of the
38 department’s lake and streambed alteration permitting staff.

39 (b) In order to address unlawful water diversions and other
40 violations of the Fish and Game Code associated with cannabis

1 cultivation, the department shall establish the watershed
2 enforcement program to facilitate the investigation, enforcement,
3 and prosecution of these offenses.

4 (c) The department, in coordination with the State Water
5 Resources Control Board, shall establish a permanent multiagency
6 task force to address the environmental impacts of cannabis
7 cultivation. The multiagency task force, to the extent feasible and
8 subject to available resources, shall expand its enforcement efforts
9 on a statewide level to ensure the reduction of adverse impacts of
10 cannabis cultivation on fish and wildlife and their habitats
11 throughout the state.

12 (d) In order to facilitate the remediation and permitting of
13 cannabis cultivation sites, the department shall adopt regulations
14 to enhance the fees on medical-cannabis-cultivation-related
15 activities subject to Section 1602 for cannabis cultivation sites that
16 require remediation. The fee schedule established pursuant to this
17 subdivision shall not exceed the fee limits in Section 1609.

18 SEC. 36. Section 52334 of the Food and Agricultural Code is
19 amended to read:

20 52334. (a) Notwithstanding any other law, on and after January
21 1, 2015, a city, county, or district, including a charter city or
22 county, shall not adopt or enforce an ordinance that regulates
23 plants, crops, or seeds without the consent of the secretary. An
24 ordinance enacted before January 1, 2015, shall be considered part
25 of the comprehensive program of the department and shall be
26 enforceable.

27 (b) An ordinance that regulates cannabis or marijuana as defined
28 in subdivision (f) of Section 19300.5 of the Business and
29 Professions Code, or medical cannabis or medical marijuana, as
30 defined in subdivision (ag) of Section 19300.5 of the Business and
31 Professions Code, shall not require the consent of the secretary.

32 SEC. 37. Section 11362.765 of the Health and Safety Code is
33 amended to read:

34 11362.765. (a) Subject to the requirements of this article, the
35 individuals specified in subdivision (b) shall not be subject, on
36 that sole basis, to criminal liability under Section 11357, 11358,
37 11359, 11360, 11366, 11366.5, or 11570. However, nothing in
38 this section shall authorize the individual to smoke or otherwise
39 consume cannabis unless otherwise authorized by this article, nor
40 shall anything in this section authorize any individual or group to

1 cultivate or distribute cannabis in any manner other than as set
2 forth in this article, the Medical Cannabis Regulation and Safety
3 Act (Chapter 3.5 (commencing with Section 19300) of Division
4 8 of the Business and Professions Code), or as described in the
5 Compassionate Use Act of 1996.

6 (b) Subdivision (a) shall apply to all of the following:

7 (1) A qualified patient or a person with an identification card
8 who transports or processes cannabis for his or her own personal
9 medical use.

10 (2) A designated primary caregiver who transports, processes,
11 administers, delivers, or gives away cannabis for medical purposes,
12 in amounts not exceeding those established in subdivision (a) of
13 Section 11362.77, only to the qualified patient of the primary
14 caregiver, or to the person with an identification card who has
15 designated the individual as a primary caregiver.

16 (3) An individual who provides assistance to a qualified patient
17 or a person with an identification card, or his or her designated
18 primary caregiver, in administering medical cannabis to the
19 qualified patient or person or acquiring the skills necessary to
20 cultivate or administer cannabis for medical purposes to the
21 qualified patient or person.

22 (c) A primary caregiver who receives compensation for actual
23 expenses, including reasonable compensation incurred for services
24 provided to an eligible qualified patient or person with an
25 identification card to enable that person to use cannabis under this
26 article, or for payment for out-of-pocket expenses incurred in
27 providing those services, or both, shall not, on the sole basis of
28 that fact, be subject to prosecution or punishment under Section
29 11359 or 11360.

30 SEC. 38. Section 11362.775 of the Health and Safety Code is
31 amended to read:

32 11362.775. (a) Subject to subdivision (d), qualified patients,
33 persons with valid identification cards, and the designated primary
34 caregivers of qualified patients and persons with identification
35 cards, who associate within the State of California in order
36 collectively or cooperatively to cultivate cannabis for medical
37 purposes, shall not solely on the basis of that fact be subject to
38 state criminal sanctions under Section 11357, 11358, 11359, 11360,
39 11366, 11366.5, or 11570. A collective or cooperative that operates
40 pursuant to this section may operate for profit, not for profit, or

1 any combination thereof. A collective or cooperative that operates
2 for profit shall only retain the protections of this section if it
3 possesses a valid, Board of Equalization-issued sellers permit and
4 a valid local license, permit, or other authorization.

5 (b) (1) It is unlawful for qualified patients, persons with valid
6 identification cards, and the designated primary caregivers of
7 qualified patients and persons with identification cards, who
8 associate within the state in order collectively or cooperatively to
9 cultivate cannabis for medical purposes, to submit for placement
10 an advertisement that fails to include in the text of the
11 advertisement the collective or cooperative's valid State Board of
12 Equalization issued seller's permit number.

13 (2) A violation of this subdivision is an infraction, punishable
14 by a fine of five hundred dollars (\$500).

15 (3) For purposes of this section, "advertisement" means a notice,
16 announcement, or information in a public medium, ~~including~~
17 *including*, but not limited to, television, Internet Web site,
18 billboard, or printed publication, that promotes a location where
19 medical cannabis is sold or dispensed or a service that is involved
20 in the delivery of medical cannabis.

21 (c) A collective or cooperative that operates pursuant to this
22 section and manufactures medical cannabis products shall not,
23 solely on the basis of that fact, be subject to state criminal sanctions
24 under Section 11379.6 if the collective or cooperative abides by
25 all of the following requirements:

26 (1) Utilizes only nonvolatile solvents, as provided in the Medical
27 Cannabis Regulation and Safety Act (Chapter 3.5 (commencing
28 with Section 19300) of Division 8 of the Business and Professions
29 Code) or any regulations adopted pursuant to that act.

30 (2) Is in possession of a valid sellers permit issued by the State
31 Board of Equalization.

32 (3) Is in possession of a valid local license, permit, or other
33 authorization specific to the manufacturing of medical cannabis
34 products.

35 (4) For purposes of this subdivision, "manufacturing" includes
36 compounding, converting, producing, deriving, processing, or
37 preparing, either directly or indirectly by chemical extraction or
38 independently by means of chemical synthesis, medical cannabis
39 products.

1 (d) This section shall remain in effect only until one year after
2 the Bureau of Medical Cannabis Regulation posts a notice on its
3 Internet Web site that the licensing authorities have commenced
4 issuing licenses pursuant to the Medical Cannabis Regulation and
5 Safety Act (Chapter 3.5 (commencing with Section 19300) of
6 Division 8 of the Business and Professions Code), and is repealed
7 upon that date.

8 SEC. 39. Section 11362.777 of the Health and Safety Code is
9 amended to read:

10 11362.777. (a) The Department of Food and Agriculture shall
11 establish a Medical Cannabis Cultivation Program to be
12 administered by the secretary and, except as specified in
13 subdivision (c), shall administer this section as it pertains to the
14 cultivation of medical cannabis. For purposes of this section and
15 Chapter 3.5 (commencing with Section 19300) of Division 8 of
16 the Business and Professions Code, medical cannabis is an
17 agricultural product.

18 (b) (1) A person or entity shall not cultivate medical cannabis
19 without first obtaining both of the following:

20 (A) A license, permit, or other entitlement, specifically
21 permitting cultivation pursuant to these provisions, from the city,
22 county, or city and county in which the cultivation will occur.

23 (B) A state license issued by the department pursuant to this
24 section.

25 (2) A person or entity shall not submit an application for a state
26 license pursuant to this section unless that person or entity has
27 received a license, permit, or other entitlement, specifically
28 permitting cultivation pursuant to these provisions, from the city,
29 county, or city and county in which the cultivation will occur.

30 (3) A person or entity shall not submit an application for a state
31 license pursuant to this section if the proposed cultivation of
32 cannabis will violate the provisions of a local ordinance or
33 regulation, or if medical cannabis is prohibited by the city, county,
34 or city and county in which the cultivation is proposed to occur,
35 either expressly or otherwise under principles of permissive zoning.

36 (c) (1) Except as otherwise specified in this subdivision, and
37 without limiting any other local regulation, a city, county, or city
38 and county, through its current or future land use regulations or
39 ordinance, may issue or deny a permit to cultivate medical cannabis
40 pursuant to this section. A city, county, or city and county may

1 inspect the intended cultivation site for suitability before issuing
2 a permit. After the city, county, or city and county has approved
3 a permit, the applicant shall apply for a state medical cannabis
4 cultivation license from the department. A locally issued cultivation
5 permit shall only become active upon licensing by the department
6 and receiving final local approval. A person shall not cultivate
7 medical cannabis before obtaining both a license or permit from
8 the city, county, or city and county and a state medical cannabis
9 cultivation license from the department.

10 (2) A city, county, or city and county that issues or denies
11 conditional licenses to cultivate medical cannabis pursuant to this
12 section shall notify the department in a manner prescribed by the
13 secretary.

14 (3) A city, county, or city and county's locally issued conditional
15 permit requirements must be at least as stringent as the
16 department's state licensing requirements.

17 (d) (1) The secretary may prescribe, adopt, and enforce
18 regulations relating to the implementation, administration, and
19 enforcement of this section, including, but not limited to, applicant
20 requirements, collections, reporting, refunds, and appeals.

21 (2) The secretary may prescribe, adopt, and enforce any
22 emergency regulations as necessary to implement this section. An
23 emergency regulation prescribed, adopted, or enforced pursuant
24 to this section shall be adopted in accordance with Chapter 3.5
25 (commencing with Section 11340) of Part 1 of Division 3 of Title
26 2 of the Government Code, and, for purposes of that chapter,
27 including Section 11349.6 of the Government Code, the adoption
28 of the regulation is an emergency and shall be considered by the
29 Office of Administrative Law as necessary for the immediate
30 preservation of the public peace, health and safety, and general
31 welfare.

32 (3) The secretary may enter into a cooperative agreement with
33 a county agricultural commissioner to carry out the provisions of
34 this section, including, but not limited to, administration,
35 investigations, inspections, licensing and assistance pertaining to
36 the cultivation of medical cannabis. Compensation under the
37 cooperative agreement shall be paid from assessments and fees
38 collected and deposited pursuant to this section and shall provide
39 reimbursement to the county agricultural commissioner for
40 associated costs.

1 (e) (1) The department, in consultation with, but not limited
2 to, the Bureau of Medical Cannabis Regulation, the State Water
3 Resources Control Board, and the Department of Fish and Wildlife,
4 shall implement a unique identification program for medical
5 cannabis. In implementing the program, the department shall
6 consider issues, including, but not limited to, water use and
7 environmental impacts. In implementing the program, the
8 department shall ensure that:

9 (A) Individual and cumulative effects of water diversion and
10 discharge associated with cultivation do not affect the instream
11 flows needed for fish spawning, migration, and rearing, and the
12 flows needed to maintain natural flow variability.

13 (B) Cultivation will not negatively impact springs, riparian
14 wetlands, and aquatic habitats.

15 (2) The department shall establish a program for the
16 identification of permitted medical cannabis plants at a cultivation
17 site during the cultivation period. The unique identifier shall be
18 attached at the base of each plant. A unique identifier, such as, but
19 not limited to, a zip tie, shall be issued for each medical cannabis
20 plant.

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

23 (B) Information associated with the assigned unique identifier
24 and licensee shall be included in the trace and track program
25 specified in Section 19335 of the Business and Professions Code.

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

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

32 (f) (1) A city, county, or city and county that issues or denies
33 licenses, permits, or other entitlements to cultivate medical
34 cannabis pursuant to this section shall notify the department in a
35 manner prescribed by the secretary.

36 (2) Unique identifiers and associated identifying information
37 administered by a city, county, or city and county shall adhere to
38 the requirements set by the department and be the equivalent to
39 those administered by the department.

1 (g) This section does not apply to a qualified patient cultivating
2 cannabis pursuant to Section 11362.5 if the area he or she uses to
3 cultivate cannabis does not exceed 100 square feet and he or she
4 cultivates cannabis for his or her personal medical use and does
5 not sell, distribute, donate, or provide cannabis to any other person
6 or entity. This section does not apply to a primary caregiver
7 cultivating cannabis pursuant to Section 11362.5 if the area he or
8 she uses to cultivate cannabis does not exceed 500 square feet and
9 he or she cultivates cannabis exclusively for the personal medical
10 use of no more than five specified qualified patients for whom he
11 or she is the primary caregiver within the meaning of Section
12 11362.7 and does not receive remuneration for these activities,
13 except for compensation provided in full compliance with
14 subdivision (c) of Section 11362.765. For purposes of this section,
15 the area used to cultivate cannabis shall be measured by the
16 aggregate area of vegetative growth of live cannabis plants on the
17 premises. Exemption from the requirements of this section does
18 not limit or prevent a city, county, or city and county from
19 exercising its police authority under Section 7 of Article XI of the
20 California Constitution.

21 SEC. 40. No reimbursement is required by this act pursuant to
22 Section 6 of Article XIII B of the California Constitution because
23 the only costs that may be incurred by a local agency or school
24 district will be incurred because this act creates a new crime or
25 infraction, eliminates a crime or infraction, or changes the penalty
26 for a crime or infraction, within the meaning of Section 17556 of
27 the Government Code, or changes the definition of a crime within
28 the meaning of Section 6 of Article XIII B of the California
29 Constitution.