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CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 34**

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**Introduced by Assembly Members Bonta and Jones-Sawyer**

December 1, 2014

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An act to amend Sections 2220.05, 2242, and 2264 of, and to add Chapter 18 (commencing with Section 26000) to Division 9 of, the Business and Professions Code, to add Section 23028 to the Government Code, to amend Section 11362.775 of the Health and Safety Code, and to add Sections 147.5 and 3094 to the Labor Code, relating to medical cannabis, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 34, as amended, Bonta. Medical cannabis regulation and enforcement.

(1) Existing law, the Compassionate Use Act of 1996, an initiative measure enacted by the approval of Proposition 215 at the November 5, 1996, statewide general election, authorizes the use of marijuana for medical purposes.

Existing law enacted by the Legislature, commonly referred to as the Medical Marijuana Program Act (MMPA), requires the establishment of a program for the issuance of identification cards to qualified patients so that they may use marijuana for medical purposes without arrest or prosecution under specified state law, and requires the establishment

of guidelines for the lawful cultivation of marijuana grown for medical use.

This bill would enact the Medical Cannabis Regulation and Control Act and would establish the Division of Medical Cannabis Regulation and Enforcement within the Department of Alcoholic Beverage Control, the Division of Medical Cannabis Manufacturing and Testing within the State Department of Public Health, and the Division of Medical Cannabis Cultivation within the Department of Food and Agriculture and would set forth the duties of the respective regulatory authorities.

The bill would, 180 days after the division posts a specified notice on its Internet Web site, make those provisions of the MMPA that prohibit prosecution of qualified patients, persons with valid identification cards, and designated primary caregivers who associate in California, collectively or cooperatively, to cultivate marijuana for medical purposes, inapplicable to licensees. The bill would, thereafter, permit a dispensary to provide patients with medical marijuana and medical marijuana products obtained only from persons licensed under this bill.

The bill would require the regulatory authorities to license persons to engage in the various aspects of commercial cannabis activity, as defined. The bill would designate as peace officers specified officers and employees of the regulatory authorities. The bill would prescribe requirements for the issuance, renewal, suspension, and revocation of a mandatory commercial license and would authorize the assessment of related fees.

The bill would not preclude a city or county from adopting a local ordinance, not consistent with this bill, that regulates the location, operation, or establishment of a licensee or prohibits commercial cannabis activity within its jurisdiction. The bill would require state agencies to collaborate with local agencies, and would require local agencies to, within the scope of their jurisdiction, assist state agencies in the enforcement of the bill. By imposing these enforcement duties on local agencies, the bill would impose a state-mandated local program.

The bill would establish the ~~Medical Marijuana Regulation~~ *Cannabis Control* Fund with separate accounts for fees and for penalties, and would require deposit of fees and penalties into their respective accounts within the fund. The bill would continuously appropriate moneys within the fees account to the ~~division~~ *appropriate regulating authorities* for the purposes of administering the program.

The bill would authorize the regulatory authorities to collaborate to establish a regulation and enforcement assistance grant program and would authorize the Department of Transportation to conduct research and develop protocols regarding determining whether a driver is operating a vehicle under the influence of marijuana to assist law enforcement agencies. The bill would make the fines and penalties deposited into the fund available, upon appropriation by the Legislature, for funding these programs.

The bill would require the regulatory authorities, as soon as practicable, to allow qualified applicants for licensure to apply for and receive a provisional license to engage in commercial cannabis activity and to adopt emergency regulations for that purpose.

The bill would require the regulatory authorities to adopt regulations necessary for the implementation and enforcement of this bill in consultation with prescribed state agencies relating to environmental, agricultural, consumer protection, worker safety, and food and product safety requirements. The bill would authorize the regulatory authorities to enter into interagency agreements to pay, from fees deposited into the fund, the associated costs incurred by these state agencies.

The bill would establish a cannabis employee certification, training, and apprenticeship program for cultivation sites and dispensaries, as defined. The bill would require the Division of Labor Standards Enforcement to maintain and enforce minimum standards for the competency and training of employees and to certify cannabis employees. The bill would require the Division of ~~Labor Standards Enforcement~~, *Occupational Safety and Health* by January 1, 2017, to convene an advisory committee to evaluate whether there is a need to develop industry-specific regulations related to the activities of licensed facilities. The bill would require the advisory committee to present to the Occupational Safety and Health Standards Board its findings and recommendations for consideration by the board, and would require the board, by July 1, 2017, to render a decision regarding the adoption of industry-specific regulations.

The bill would require a licensee to keep various records in connections with commercial cannabis activities and would prescribe requirements for making records available to the division and any state or local agency. The bill would prohibit the disclosure of certain patient and caregiver information pursuant to the California Public Records Act.

The bill would declare that it does not apply to, or diminish the protections granted to, a patient or primary caregiver acting pursuant to the Compassionate Use Act of 1996 and would exempt these parties from the application of the act.

The bill would declare that the actions of a licensee or provisional licensee, its employees, and its agents that are within the scope of a valid license are not unlawful under state law, as specified. The bill would provide similar state law immunity for a property owner who allows his or her property to be used by a licensee or provisional licensee.

The bill would require the regulatory authorities to work in conjunction with law enforcement entities throughout the state to implement and enforce the rules and regulations regarding medical cannabis and to take appropriate action against businesses and individuals that fail to comply with the law.

The bill would authorize the director of any regulatory authority, and prescribed local entities, to bring an action to enjoin violations. The bill would require the regulatory authority to establish a digital database and ~~to allow on its Internet Web site to~~ permit state and local law enforcement agencies to verify licenses.

(2) Existing law, the Medical Practice Act, establishes the Medical Board of California and sets forth its powers and duties, including, but not limited to the licensing and regulation of physicians and surgeons. Existing law sets forth the conduct that would constitute unprofessional conduct for a physician and surgeon, including, but not limited to, prescribing certain drugs without an appropriate examination or medical indication. Existing law generally makes a violation of these provisions a misdemeanor.

This bill would specify that recommending marijuana to patients without an appropriate prior examination and a medical indication is unprofessional conduct.

The bill would provide that specified acts of recommending marijuana without a good faith examination are among the types of cases that should be given priority for investigation and prosecution by the Medical Board of California, as described above. The bill would deem as unprofessional conduct a physician and surgeon being employed by, or entering into an agreement with, a medical cannabis licensee to provide recommendations for medical marijuana.

By broadening the definition of a crime, the bill would impose a state-mandated local program.

(3) Existing law authorizes the board of supervisors of a county and the governing body of a city to impose various taxes, including a transactions and use tax at a rate of 0.125%, or a multiple thereof, if approved by the required vote of the board or governing body and the required vote of qualified voters, and limits the combined rate of transactions and use taxes within a city or county to 2%.

This bill would authorize the board of supervisors of a county to impose, by ordinance, a tax on the privilege of cultivating, dispensing, producing, processing, preparing, storing, providing, donating, selling, or distributing cannabis or cannabis products, including a transactions and use tax at any rate specified by the board. The bill would authorize the tax to be imposed for either general or specific governmental purposes. The bill would require a tax imposed pursuant to this authority to be subject to any applicable voter approval requirement.

(4) This bill would specify that its provisions are severable.

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

This bill would make legislative findings to that effect.

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

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

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

Vote: majority. Appropriation: yes. Fiscal committee: yes.  
State-mandated local program: yes.

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

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The people of California enacted the Compassionate Use
- 4 Act of 1996 to ensure that seriously ill Californians have access
- 5 to marijuana for medical purposes. The Compassionate Use Act

1 of 1996 urged the state and federal governments to implement a  
2 plan to provide for the safe and affordable distribution of medical  
3 marijuana to all patients in medical need of the drug.

4 (b) Under federal law, marijuana is a Schedule 1 drug. Its  
5 placement in that schedule is based upon a finding that marijuana  
6 has no currently accepted medical use. That finding, if correct at  
7 the time it was made, is no longer accurate. California, exercising  
8 its traditional power to regulate the practice of medicine, has  
9 determined that marijuana has a significant role to play.

10 (c) California, acting alone, is powerless to change federal law  
11 and to correct this misunderstanding in federal law about the role  
12 that marijuana can and does play in the practice of medicine.  
13 However, federal enforcement authorities have recognized that in  
14 states that have authorized marijuana use and have enacted strong  
15 and effective regulatory and enforcement systems to control the  
16 cultivation, distribution, sale, and possession of marijuana, conduct  
17 in compliance with those regulatory and enforcement systems is  
18 less likely to threaten federal priorities and, thus, less likely to  
19 require federal enforcement intervention (See: Memorandum For  
20 All United States Attorneys—Guidance Regarding Marijuana  
21 Enforcement, by James M. Cole, Deputy Attorney General, August  
22 29, 2013).

23 (d) The purpose of this act is to establish for California a robust  
24 medical cannabis regulatory and enforcement system to ensure  
25 that conduct in compliance with California’s medical marijuana  
26 laws does not threaten the federal priorities as set forth in the James  
27 M. Cole memorandum, and, therefore, does not require federal  
28 enforcement intervention.

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

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

39 (1) Gross negligence, incompetence, or repeated negligent acts  
40 that involve death or serious bodily injury to one or more patients,

1 such that the physician and surgeon represents a danger to the  
2 public.

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

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

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

20 (5) Practicing medicine while under the influence of drugs or  
21 alcohol.

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

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

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

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

39 (b) No licensee shall be found to have committed unprofessional  
40 conduct within the meaning of this section if, at the time the drugs

1 were prescribed, dispensed, or furnished, any of the following  
2 applies:

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

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

12 (A) The practitioner had consulted with the registered nurse or  
13 licensed vocational nurse who had reviewed the patient’s records.

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

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

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

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

27 2264. The employing, directly or indirectly, the aiding, or the  
28 abetting of any unlicensed person or any suspended, revoked, or  
29 unlicensed practitioner to engage in the practice of medicine or  
30 any other mode of treating the sick or afflicted which requires a  
31 license to practice constitutes unprofessional conduct. Employment  
32 by, or other agreement with, a mandatory commercial licensee  
33 acting pursuant to the Medical Cannabis Regulation and Control  
34 Act or a dispensary to provide recommendations for medical  
35 marijuana constitutes unprofessional conduct.

36 SEC. 5. Chapter 18 (commencing with Section 26000) is added  
37 to Division 9 of the Business and Professions Code, to read:



1 CHAPTER 18. MEDICAL CANNABIS REGULATION AND CONTROL

2  
3 Article 1. General Provisions  
4

5 26000. (a) This chapter shall be known, and may be cited, as  
6 the Medical Cannabis Regulation and Control Act.

7 (b) It is the intent of the Legislature in enacting this chapter to  
8 provide for the statewide regulation of the commercial cannabis  
9 activity and the enforcement of laws relating to commercial  
10 cannabis activities without preempting city or county ordinances  
11 regulating or banning these activities. This chapter is an exercise  
12 of the police powers of the state for the protection of the safety,  
13 welfare, health, peace, and morals of the people of the state.

14 26001. Without limiting the authority of a city or county  
15 pursuant to Section 7 of Article XI of the California Constitution,  
16 or any other provision of law, and subject to that authority, the  
17 state shall have the ~~exclusive~~ *primary* right and power to regulate  
18 and license persons for the cultivation, manufacture, transportation,  
19 sale, and other related activities regarding medical cannabis within  
20 the state. In the exercise of these rights and powers, the state and  
21 each of its agencies are hereby deemed not to be engaged in  
22 activities requiring licensure under this chapter.

23 26002. For the purpose of this chapter:

24 (a) “Regulatory authority” means the Division of Medical  
25 Cannabis Regulation and Enforcement within the Department of  
26 Alcoholic Beverage Control, the Division of Medical Cannabis  
27 Manufacturing and Testing within the State Department of Public  
28 Health, or the Division of Medical Cannabis Cultivation within  
29 the Department of Food and Agriculture, as appropriate to the  
30 context.

31 (b) “Regulatory director” means the Director of the Department  
32 of Alcoholic Beverage Control, ~~the Director of Consumer Affairs,~~  
33 the Director of the Department of Public Health, or the Director  
34 of the Department of Food and Agriculture.

35 (c) “Division” means the Division of Medical Cannabis  
36 Regulation and Enforcement within the Department of Alcoholic  
37 Beverage Control, unless otherwise specified.

38 (d) “Cannabis” means all parts of the plant ~~Cannabis sativa,~~  
39 *sativa L.*, cannabis indica, or cannabis ruderalis, whether growing  
40 or not; the seeds thereof; the resin, whether crude or purified,

1 extracted from any part of the plant; and every compound,  
2 manufacture, salt, derivative, mixture, or preparation of the plant,  
3 its seeds, or resin. It does not include the mature stalks of the plant,  
4 fiber produced from the stalks, oil or cake made from the seeds of  
5 the plant, any other compound, manufacture, salt, derivative,  
6 mixture, or preparation of the mature stalks (except the resin  
7 extracted therefrom), fiber, oil, or cake, or the sterilized seed of  
8 the plant which is incapable of germination. “Cannabis” also means  
9 marijuana as defined by Section 11018 of the Health and Safety  
10 Code as enacted by Chapter 1407 of the Statutes of 1972.

11 (e) “Commercial cannabis activity” means any cultivation,  
12 possession, manufacture, processing, storing, laboratory testing,  
13 labeling, transporting, distribution, or sale of cannabis or cannabis  
14 product, except as set forth in subdivision (b) of Section 26052.

15 (f) “Medical cannabis product,” “medical marijuana product,”  
16 or “cannabis product” means any product containing cannabis,  
17 including, but not limited to, concentrates and extractions intended  
18 to be sold for use by medical marijuana patients in California  
19 pursuant to the Compassionate Use Act of 1996 (Proposition 215).

20 (g) “Manufactured cannabis” means raw marijuana that has  
21 undergone a process whereby the raw agricultural product has  
22 been transformed into a concentrate, an edible product, or a topical  
23 product.

24 (h) “Cannabis concentrate” means manufactured cannabis that  
25 has undergone a process to concentrate the tetrahydrocannabinol  
26 active ingredient, thereby increasing the product’s potency.

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

29 (j) “Edible cannabis product” means manufactured cannabis  
30 that is intended to be used, in whole or in part, for human  
31 consumption, including, but not limited to, chewing gum.

32 (k) “Topical cannabis” means manufactured product intended  
33 for external use.

34 (l) “Identification program” means the universal identification  
35 certificate program for licensees.

36 (m) “Mandatory commercial license” or “license” means a  
37 mandatory commercial license issued pursuant to Article 3  
38 (commencing with Section 26040).

1 (n) “Licensee” means any person licensed under this chapter to  
2 engage in commercial cannabis activity related to medical cannabis  
3 or medical cannabis products as set forth in this chapter.

4 (o) “Dispensary” means a retail location that distributes cannabis  
5 or medical cannabis products and is owned and operated by a  
6 licensee for these activities pursuant to this chapter.

7 (p) “Testing and labeling” means a labeling and quality  
8 assurance plan that addresses all of the following:

9 (1) Potency.

10 (2) Chemical residue.

11 (3) Microbiological contaminants.

12 (4) Handling, care, and storage.

13 (5) Date and location of cultivation, processing, and  
14 manufacturing.

15 (q) “Fund” means the Medical Cannabis Control Fund  
16 established pursuant to Section 26028.

17 (r) “Person” means any individual, firm, partnership, joint  
18 venture, association, corporation, limited liability company, estate,  
19 trust, business trust, receiver, syndicate, or any other group or  
20 combination acting as a unit and includes the plural as well as the  
21 singular number.

22 (s) “Cultivation site” means a location that grows cannabis or  
23 medical cannabis products and is owned and operated by a licensee  
24 for these activities pursuant to this chapter, including a nursery.

25 (t) “Nursery” means a licensee that produces only clones,  
26 immature plants, seeds, and other agricultural products used  
27 specifically for the planting, propagation, and cultivation of medical  
28 cannabis.

29 (u) “Cultivation” means any activity involving the planting,  
30 growing, harvesting, drying, processing, or trimming of cannabis.

31 (v) “Dispensing” means any activity involving the retail sale of  
32 medical cannabis or medical cannabis products.

33 26010. This chapter does not, nor does Article 2 (commencing  
34 with Section 11357) and Article 2.5 (commencing with Section  
35 11362.7) of Chapter 6 of Division 10 of the Health and Safety  
36 Code, prevent a city or county from doing any of the following:

37 (a) Adopting local ordinances inconsistent with this chapter that  
38 do the following:

39 (1) Regulate the location, operation, or establishment of a  
40 licensee or any person that cultivates, processes, possesses, stores,

1 manufactures, tests, transports, distributes, or sells medical  
2 cannabis.

3 (2) Prohibit commercial cannabis activity within their  
4 jurisdiction.

5 (b) The administrative, civil, or criminal enforcement of the  
6 ordinances described in subdivision (a).

7 (c) Establishing a fee or tax for the operation of a licensee within  
8 its jurisdiction.

9 (d) Enacting and enforcing other laws or ordinances pursuant  
10 to the authority granted by Section 7 of Article XI of the California  
11 Constitution.

12

13 Article 2. Administration

14

15 26020. (a) The Division of Medical Cannabis Regulation and  
16 Enforcement is hereby established within the Department of  
17 Alcoholic Beverage Control. The Division of Medical Cannabis  
18 Regulation and Enforcement shall do all of the following:

19 (1) Be administered by a person who is appointed by the  
20 Director of the Department of ~~Alcoholic~~ *Alcoholic* Beverage  
21 Control.

22 (2) Administer this chapter, as it pertains to commercial cannabis  
23 activity relating to dispensaries.

24 (3) Lead all state and local authorities regarding the tracking of  
25 medical cannabis, medical cannabis products, and licensees  
26 pursuant to this chapter.

27 (b) The Division of Medical Cannabis Manufacturing and  
28 Testing is hereby established within the Department of Public  
29 Health. The Division of Medical Cannabis Manufacturing and  
30 Testing shall do all the following:

31 (1) Be administered by a person who is appointed by the State  
32 Health Officer.

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

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

1 (1) Be administered by a person who is appointed by the  
2 Secretary of the Department of Food and Agriculture.

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

5 (d) The regulatory authorities shall issue licenses to applicants  
6 to engage in commercial cannabis activity pursuant to this chapter.  
7 No person shall engage in commercial cannabis activity unless the  
8 person obtains permission pursuant to section 26045.

9 (e) The division shall maintain a registry of all permit holders  
10 and shall maintain a record of all licenses and commercial cannabis  
11 activity of the permit holder throughout the length of licensure and  
12 for a minimum of seven years following the expiration of each  
13 license. *The division shall make limited licensee information*  
14 *available to a licensee so that it may verify whether it is engaging*  
15 *in commercial cannabis activities with a properly licensed entity.*

16 (f) Each regulatory authority shall adopt regulations as needed  
17 to implement that licensing program as set forth in Article 3  
18 (commencing with Section 26040) within one year following the  
19 establishment of provisional licenses, pursuant to Section 26054.  
20 The regulations shall not limit the authority of a city or a county  
21 pursuant to Section 7 of Article XI of the California Constitution,  
22 Section 26010 or 26060, or any other law. The regulations shall,  
23 in addition, do all of the following:

24 (1) Establish a scale of application, licensing, and renewal fees,  
25 based upon the cost of enforcing this chapter, as follows:

26 (A) Each regulatory authority shall charge each applicant for  
27 licensure or renewal an application or renewal fee that shall be  
28 calculated to cover the costs of processing the application or  
29 renewal. This fee may vary depending upon the varying costs  
30 associated with approving the application or renewal related to the  
31 varying activities covered by the license, but shall not exceed  
32 ~~\_\_\_dollars (\$\_\_\_) for an initial application, and \_\_\_dollars~~  
33 ~~(\$\_\_\_) for a renewal application.~~ *the reasonable regulatory costs*  
34 *to the regulatory authority.*

35 (B) Each regulatory authority shall charge each licensee a  
36 licensure fee upon the issuance of a license. The licensure fee shall  
37 be calculated to cover the costs of administering this chapter, other  
38 than the costs of processing applications. The licensure fee may  
39 vary depending upon the varying costs associated with  
40 administering the various regulatory requirements of this chapter

1 as they relate to the nature and scope of the different licensure  
2 activities, but shall not be less than \_\_\_\_\_ dollars (\$ \_\_\_\_\_), nor more  
3 than \_\_\_\_\_ dollars (\$ \_\_\_\_\_). *exceed the reasonable regulatory costs*  
4 *to the regulatory authority.*

5 (C) The total fees assessed pursuant to this chapter, including,  
6 but not limited to, provisional license fees set forth in Section  
7 26054, shall be set at an amount that will fairly and proportionately  
8 generate sufficient total revenue to fully cover the total costs of  
9 administering this chapter, including, but not limited to, costs set  
10 forth in Section 26023.

11 (2) Establish procedures for approval or denial of applications  
12 for licensure for each and every aspect of commercial cannabis  
13 activity, including, but not limited to, cultivation, possession,  
14 manufacture, processing, storing, laboratory testing, labeling,  
15 transporting, distribution, and sale of cannabis.

16 (3) Establish applicant qualifications.

17 (4) Establish licensee employee qualifications, including, but  
18 not limited to, training and screening requirements.

19 (5) Establish licensee security requirements, including, but not  
20 limited to, procedures to limit access to facilities and to prevent  
21 diversion of product to nonmedical use.

22 (6) Establish procedures and protocols for identifying, managing,  
23 and disposing of contaminated, adulterated, deteriorated, or excess  
24 product.

25 (7) Establish advertising, marketing, signage, and labeling  
26 requirements and restrictions.

27 (8) Establish procedures for the suspension, revocation, or  
28 surrender of a license and establishing related fines and penalties  
29 to be assessed against licensees for violations of this chapter.

30 (9) Establish procedures for the oversight of the fund established  
31 pursuant to Section 26028.

32 26021. The Division of Medical Cannabis Cultivation shall do  
33 all of the following:

34 (a) Adopt regulations, in consultation with the ~~Department of~~  
35 ~~Water Resources~~, *State Water Resources Control Board*, to ensure  
36 that commercial cannabis activity licensed pursuant to this chapter  
37 does not threaten the state’s clean water and environment.

38 (b) Adopt regulations ensuring that the cultivation of cannabis  
39 under this chapter is in compliance with standards equivalent to  
40 the statutory and regulatory requirements applicable to the

1 production of a food crop, including, but not limited to, all of the  
2 following:

3 (1) Regulations regarding the verification of cannabis stock for  
4 the purposes of cultivation.

5 (2) Cultivation protocols ensuring the quality, availability, and  
6 safety of the cannabis crop, including both indoor and outdoor  
7 cultivation standards and regulations regarding carbon offsets for  
8 indoor cultivation.

9 (3) Environmentally sound agricultural practices, including all  
10 of the following:

11 (A) A requirement that any actual, or potential for,  
12 environmental damage be addressed by the relevant state agency,  
13 including, but not limited to, the State Board of Forestry and Fire  
14 Protection, the Department of Fish and Wildlife, California regional  
15 water quality control boards, the Department of the California  
16 Highway Patrol, or the Department of Justice.

17 (B) A provision authorizing revocation of a licensee if the state  
18 determines that the conduct of the licensee threatens to inflict or  
19 has inflicted significant damage to the environment.

20 (C) Standards controlling the application of pesticides. These  
21 standards shall, at a minimum, require that if pesticides are to be  
22 used, the use comply with standards equivalent to Division 6  
23 (commencing with Section 11401) of the Food and Agricultural  
24 Code and its implementing regulations.

25 (c) Adopt regulations to establish cultivation labeling and  
26 packaging standards and requirements, including, but not limited  
27 to, cultivation labeling requirements requiring labeling to include,  
28 at a minimum, cannabinoid levels, cannabinoid profile, and active  
29 ingredients.

30 (d) *In consultation with the State Department of Public Health,*  
31 *establish testing standards for medical cannabis.*

32 (e) *Ensure cultivation licenses have access to existing*  
33 *agricultural incentive and support programs.*

34 (f) *Establish weighing or measuring standards, including, but*  
35 *not limited to, the requirement that devices used in connection*  
36 *with the sale or distribution of cannabis meet standards equivalent*  
37 *to Division 5 (commencing with Section 12001).*

38 (g) *Establish standards controlling the application of pesticides.*  
39 *These standards shall, at a minimum, require that if pesticides are*  
40 *to be used, the use comply with standards equivalent to Division*

1 6 (commencing with Section 11401) of the Food and Agricultural  
2 Code and its implementing regulations.

3 26021.5. (a) State agencies shall collaborate with local  
4 agencies, and local agencies, within the scope of their jurisdiction,  
5 and to the extent that resources are available, shall assist state  
6 agencies in the enforcement of this chapter. This section shall not  
7 limit any other state or local requirements.

8 (b) No cannabis shall be cultivated on public lands pursuant to  
9 this chapter.

10 26022. The Division of Medical Cannabis Manufacturing and  
11 ~~Testing, in consultation with the State Department of Public Health,~~  
12 *Testing* shall adopt regulations to do all of the following:

13 (a) Establish product labeling and packaging standards and  
14 requirements, including, but shall not be limited to, all of the  
15 following:

16 (1) All manufactured cannabis product labeling and packaging  
17 standards, including, but not limited to, all of the following:

18 (A) A requirement that the label include the manufacturing date,  
19 the name of the mandatory commercial licensee from which it was  
20 obtained, the active ingredients, net weight, cannabinoid profile,  
21 nutritional facts, ~~dosage in total milligrams of cannabinoids~~  
22 ~~delivered, and any potential allergens.~~ *allergens, and the amount*  
23 *in milligrams of cannabinoids per serving, servings per package,*  
24 *and the amount in milligrams of cannabinoids in the total package.*

25 (B) A requirement that the label include the warnings: “KEEP  
26 OUT OF REACH OF CHILDREN AND ANIMALS,” and “FOR  
27 MEDICAL USE ONLY.”

28 (C) A requirement that packaging contain a clear indication in  
29 bold font that the package contains medical cannabis, and that the  
30 package not be designed in a manner that attracts minors.

31 (D) Standards for labeling food that clearly distinguish edible  
32 cannabis products from non-cannabis products.

33 (E) The name of the mandatory commercial licensee that  
34 manufactured the product.

35 (b) Establish consumer protection, food and product safety  
36 requirements, including, but not limited to, all of the following:

37 (1) Adverse event reporting and product recall systems that  
38 include batch, lot, or control number tracking, the requirement that  
39 employees who manufacture or otherwise handle edible medical  
40 cannabis products thoroughly wash their hands before commencing



1 production and before handling finished edible medical cannabis  
2 products.

3 (2) Standards for ~~cannabinoid dosage~~ *the amount, in milligrams,*  
4 *of cannabinoids per serving* in edible products.

5 (3) Sanitation standards equivalent to the California Retail Food  
6 Code (Part 7 (commencing with Section 113700) of Division 104  
7 of the Health and Safety Code) for food preparation, storage,  
8 handling, and sale of medical cannabis products. *For purposes of*  
9 *this chapter, edible medical cannabis products are deemed to be*  
10 *unadulterated food products.*

11 (4) A requirement that edible medical cannabis products be  
12 limited to foods that are not potentially hazardous food as set forth  
13 in Section 114365.5 of the Health and Safety Code.

14 ~~(5) A requirement that facilities in which edible medical~~  
15 ~~cannabis products are prepared shall be constructed in accordance~~  
16 ~~with building standards and health and safety standards applicable~~  
17 ~~to a food production facility, including the requirement that edible~~  
18 ~~products distributed or sold by dispensaries not be produced or~~  
19 ~~stored in private homes.~~

20 ~~(6) Weighing or measuring standards, including, but not limited~~  
21 ~~to, the requirement that devices used in connection with the sale~~  
22 ~~or distribution of cannabis meet standards equivalent to Division~~  
23 ~~5 (commencing with Section 12001) of the Business and~~  
24 ~~Professions Code.~~

25 ~~(7)~~

26 (5) Standards controlling the application of pesticides. These  
27 standards shall, at a minimum, require that if pesticides are to be  
28 used, the use comply with standards equivalent to Division 6  
29 (commencing with Section 11401) of the Food and Agricultural  
30 Code and its implementing regulations.

31 ~~(8)~~

32 (6) A requirement that all edible medical cannabis products  
33 shall be individually wrapped at the original point of preparation.

34 (c) Establish testing requirements for all medical cannabis and  
35 medical cannabis products, including edible cannabis products and  
36 those used, or intended for use, via inhalation, including, but not  
37 limited to:

38 (1) Testing for the active cannabinoid-profile, constituent  
39 elements, and microbiological, bacterial, pathogenic yeast, and  
40 mold counts.

1 (2) Testing standards by which to test and measure the potency  
2 of medical cannabis and medical cannabis products. The ~~division~~  
3 *Division of Medical Cannabis Manufacturing and Testing* shall  
4 also determine maximum standards in the potency of medical  
5 cannabis and medical cannabis products.

6 (3) Testing standards by which to test and measure the quality  
7 of the medical cannabis and medical cannabis product.

8 (4) Protocols for medical cannabis and medical cannabis product  
9 safety testing.

10 (d) Establish procedures for certifying laboratories for the testing  
11 of medical cannabis and medical cannabis products, as defined in  
12 this chapter. Certification of testing laboratories shall be consistent  
13 with general requirements for the competence of testing and  
14 calibration activities, including sampling, using standard methods  
15 established by the International Organization for Standardization,  
16 including, but not limited to, ISO/IEC 17020 and 17025.

17 ~~(e) Ensure licensed cannabis cultivation entities have access to  
18 existing agricultural incentive and support programs.~~

19 ~~26022.5. The regulations shall not limit the authority of a city  
20 or a county pursuant to Section 7 of Article XI of the California  
21 Constitution, Section 26010 or 26060, or any other law.~~

22 26023. The regulations shall set forth the inspection and  
23 enforcement responsibilities of the Department of Alcohol and  
24 Beverage Control, the State Department of Public Health, the  
25 Division of Labor Standards Enforcement, the ~~Department of~~  
26 ~~Water Resources~~, *State Water Resources Control Board*, the State  
27 Department of Public Health, and the Department of Food and  
28 Agriculture associated with this chapter.

29 26023.5. (a) Without limiting the authority of a city or a county  
30 pursuant to Section 7 of Article XI of the California Constitution  
31 or any other law, the Division of Medical Cannabis Regulation  
32 and Enforcement shall adopt regulations regarding the minimum  
33 standards for the operation of dispensaries. The regulations shall  
34 establish all of the following:

35 (1) A requirement that dispensaries provide patients with  
36 detailed written information about the contents of the cannabis  
37 and medical cannabis products they obtain.

38 (2) Requirements for inventory control and reporting that require  
39 all dispensaries to be able to demonstrate the present location,  
40 amounts, and descriptions of all medical cannabis products from

1 the time of delivery to the dispensary until purchase by a qualified  
2 patient or primary caregiver.

3 (3) Minimum educational and testing requirements for licensee  
4 staff, including, but not limited to, background checks and a  
5 requirement that every dispensary maintain dedicated, licensed  
6 security staff ~~both inside and outside the dispensary~~. *as deemed*  
7 *appropriate by the division.*

8 (4) Minimum standards governing signage and advertising for  
9 dispensaries.

10 (b) Commencing 180 days after the division begins issuing  
11 provisional licenses, a dispensary shall provide patients medical  
12 cannabis and medical cannabis products obtained only from persons  
13 licensed under this chapter.

14 (c) Out-of-state medical cannabis patients with current, valid  
15 verification that they are allowed to receive medical cannabis  
16 treatment within their home state may receive medical cannabis  
17 treatment, including the ability to purchase medical cannabis from  
18 licensed dispensaries within this state upon verification of the  
19 documents by the dispensary, pursuant to protocols established by  
20 the division.

21 26024. The regulatory authorities may assist state taxation  
22 authorities in the development of uniform policies for the state  
23 taxation of mandatory commercial licensees.

24 26028. (a) The Medical Cannabis Control Fund is hereby  
25 established within the State Treasury. Notwithstanding Section  
26 16305.7 of the Government Code, the fund shall include any  
27 interest and dividends earned on the moneys in the fund.

28 (b) All fees collected pursuant to this chapter shall be deposited  
29 into the fees account, which is hereby established within the fund.  
30 Notwithstanding Section 13340 of the Government Code, all  
31 moneys within the fees account are hereby continuously  
32 appropriated, without regard to fiscal year, to the ~~Division of~~  
33 ~~Medical Cannabis Regulation and Enforcement~~ *appropriate*  
34 *regulatory authority* solely for the purposes of fully funding and  
35 administering this chapter, including, but not limited to, the costs  
36 incurred by the ~~division~~ *regulatory authority* for its administrative  
37 expenses and costs and the costs of ~~all regulatory authorization~~  
38 *regulation* as set forth in Section 26023.

39 (c) All moneys collected pursuant to this chapter as a result of  
40 fines or penalties imposed under this chapter shall be deposited

1 directly into the fines and penalties account, which is hereby  
2 established within the fund, and shall be available, upon  
3 appropriation by the Legislature, for the purposes of funding the  
4 enforcement grant program pursuant to subdivision (d).

5 (d) The regulatory authorities shall collaboratively establish and  
6 administer a grant program to allocate moneys from the fines and  
7 penalties account to state and local entities for the purpose of  
8 assisting with medical cannabis regulation and the enforcement  
9 of this chapter and other state and local laws applicable to licensees.  
10 The costs of the grant program under this subdivision shall, upon  
11 appropriation by the Legislature, be paid for with moneys in the  
12 fines and penalties account.

13 (e) The Department of Transportation shall conduct research  
14 regarding determining whether a driver is operating a vehicle under  
15 the influence of cannabis, and shall develop protocols setting forth  
16 best practices to assist law enforcement agencies. The costs of the  
17 Department of Transportation under this subdivision shall, upon  
18 appropriation by the Legislature, be paid for with moneys in the  
19 fines and penalties account.

20 (f) The total fees charged pursuant to this chapter shall be  
21 sufficient to pay the costs associated with the administrative and  
22 enforcement duties of the division and of the associated state  
23 agencies in administering this chapter.

24 (g) The regulatory authorities shall enter into an interagency  
25 agreement with the Department of Alcohol and Beverage Control,  
26 ~~the Department of Consumer Affairs,~~ the Division of Labor  
27 Standards Enforcement, the Department of Water Resources, the  
28 State Department of Public Health, and the Department of Food  
29 and Agriculture setting forth the duties of those agencies under  
30 this chapter and providing for reimbursement to the appropriate  
31 state and local authorities of associated costs from revenues  
32 deposited into the fees account of the fund.

33 26030. (a) The regulatory directors and the persons employed  
34 by the regulatory authorities for the administration and enforcement  
35 of this chapter are peace officers in the enforcement of the penal  
36 provisions of this chapter, the rules of the division adopted under  
37 this chapter, and any other penal provisions of law of this state  
38 prohibiting or regulating the cultivation, processing, storing,  
39 manufacturing, testing, transporting, or selling of medical cannabis,  
40 and these persons are authorized, while acting as peace officers,

1 to enforce any penal provisions of state law while in the course of  
2 their employment.

3 (b) The regulatory directors, the persons employed by the  
4 regulatory authorities for the administration and enforcement of  
5 this chapter, peace officers listed in Section 830.1 of the Penal  
6 Code, and those officers listed in Section 830.6 of the Penal Code  
7 while acting in the course and scope of their employment as peace  
8 officers may, in enforcing this chapter, visit and inspect the  
9 premises of any licensee at any time during which the licensee is  
10 acting pursuant to the mandatory commercial license.

11 (c) Peace officers of the Department of the California Highway  
12 Patrol, members of the University of California and California  
13 State University police departments, and peace officers of the  
14 Department of Parks and Recreation, as defined in subdivisions  
15 (a), (b), (c), and (f) of Section 830.2 of the Penal Code, may, in  
16 enforcing this chapter, visit and inspect the premises of any licensee  
17 at any time during which the licensee is acting pursuant to the  
18 license.

19 26034. (a) Information identifying the names of patients, their  
20 medical conditions, or the names of their primary caregivers  
21 received and contained in records kept by the regulatory authorities  
22 for the purposes of administering this chapter are confidential and  
23 shall not be disclosed pursuant to the California Public Records  
24 Act (Chapter 3.5 (commencing with Section 6250) of Division 7  
25 of Title 1 of the Government Code), except as necessary for  
26 authorized employees of the State of California or any city or  
27 county to perform official duties pursuant to this chapter, or a local  
28 ordinance adopted in accordance with Section 26010.

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

30 (1) Employees of any of the regulatory authorities notifying  
31 state or local agencies about information submitted to the ~~division~~  
32 *regulatory authority* that the employee suspects is falsified or  
33 fraudulent.

34 (2) Notifications from any of the regulatory authorities to state  
35 or local agencies about apparent violations of this chapter or any  
36 applicable local ordinance.

37 (3) Verification of requests by state or local agencies to confirm  
38 licenses and certificates issued by the regulatory authorities or  
39 other state agency.

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

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

8 26035. This chapter does not require an employer to permit or  
9 accommodate the use, consumption, possession, transfer, display,  
10 transportation, sale, or growth of cannabis in the workplace or to  
11 affect the ability of employers to have policies restricting the use  
12 of cannabis by employees.

13

14 Article 3. Mandatory Commercial License

15

16 26040. (a) The regulatory authorities shall adopt regulations  
17 establishing a tiered licensing scheme to accommodate the different  
18 levels and types of activity to be licensed, as follows:

19 (1) The Division of Medical Cannabis Cultivation shall adopt  
20 regulations for a tiered licensing structure for the cultivation of  
21 medical cannabis.

22 (2) The Division of Medical Cannabis Manufacturing and  
23 Testing shall adopt ~~regulations, in consultation with the Department~~  
24 ~~of Consumer Affairs,~~ *regulations* for the tiered licensing structure  
25 of the following:

26 (A) Manufacturing of medical cannabis products.

27 (B) Testing of medical cannabis products.

28 (C) Certification of medical cannabis testing laboratories.

29 (3) The Division of Medical Cannabis Regulation and  
30 Enforcement shall adopt regulations for the tiered licensing  
31 structure for all the following:

32 (A) Wholesale of medical cannabis products, which shall include  
33 large-scale storage and distribution, as defined by the regulatory  
34 authority.

35 (B) Dispensing of medical cannabis products.

36 (b) The regulations shall set forth the application and licensure  
37 process, including, but not limited to, all of the following:

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

1 (2) The establishment of license application, issuance, renewal,  
2 suspension, surrender, and revocation procedures for the various  
3 types of licenses to be issued.

4 (3) The procedures for the issuance, renewal, suspension, and  
5 revocation of mandatory commercial licenses.

6 (4) Time periods, not to exceed 90 days, by which the division  
7 shall approve or deny an application for mandatory commercial  
8 licensure. The failure of the ~~division~~ *regulatory authority* to act  
9 upon an application for licensure within the time prescribed shall  
10 not be deemed approval of the application.

11 (5) Qualifications for licensees.

12 (6) Security requirements, including, but not limited to,  
13 procedures for limiting access to facilities and for the screening  
14 of employees.

15 (c) Each mandatory commercial license application approved  
16 by the respective licensing authority pursuant to this chapter is  
17 separate and distinct.

18 (d) A mandatory commercial license application approved by  
19 the respective licensing authority pursuant to this chapter shall be  
20 valid for a period not to exceed one year from the date of approval  
21 unless revoked or suspended earlier than that date pursuant to this  
22 chapter or the rules or regulations adopted pursuant to this ~~chapter~~  
23 *chapter*.

24 (e) Each regulatory authority may adopt regulations for  
25 additional licenses for any cannabis activity within its statutory  
26 jurisdiction pursuant to this chapter, as deemed necessary.

27 (f) Each mandatory commercial license application approved  
28 by the respective regulatory authority shall be reported to the  
29 Division of Medical Cannabis Regulation and Enforcement within  
30 24 hours of its approval.

31 26041. Regulations adopted by the regulatory authorities shall  
32 require, at a minimum, all of the following, as applicable:

33 (a) The *Division of Medical Cannabis Cultivation shall adopt*  
34 ~~regulations on the~~ *for* cultivation of medical cannabis ~~shall that~~  
35 do all of the following:

36 (1) Require that the cultivation licensee comply with all  
37 regulations of the Department of Food and Agriculture pursuant  
38 to this chapter regarding the cultivation of medical cannabis.

39 (2) Require that the cultivation licensee comply with any other  
40 applicable requirement ~~of the division~~ pursuant to this chapter.

1 (3) Establish criteria for different tiers of cultivation licenses,  
2 including, but not limited to small, mid-sized, and large commercial  
3 cultivation licenses, based on the area, in square feet, in cannabis  
4 cultivation.

5 (4) Authorize commercial cultivation licensees to transport and  
6 deliver medical cannabis for commercial purposes to only another  
7 licensee of commercial cannabis activity pursuant to this chapter.  
8 Cultivation licensees, without a separate dispensary license, who  
9 deliver directly to any entity not licensed pursuant to this chapter  
10 shall be fined and be under review for the revocation of licensure  
11 by the Division of Medical Cannabis Cultivation.

12 (5) Require licensees to track all cannabis products and report  
13 to the division, as specified by this chapter and any regulations  
14 promulgated pursuant to this chapter.

15 (6) Require a cultivation licensee to obtain a seller's permit  
16 from the Board of Equalization to validate the authority of the  
17 licensee to sell commercial cannabis products to another licensee  
18 of commercial cannabis activity.

19 (7) Require a cultivation licensee to obtain a resale certificate  
20 upon the sale of cannabis to another licensee of commercial  
21 cannabis activity, to track the quantities exchanged.

22 (8) Require all medical cannabis to be tested by a laboratory  
23 that has been certified and licensed pursuant to this chapter, prior  
24 to commercial exchange with a dispensary. If the licensee has a  
25 separate dispensary license, all medical cannabis and medical  
26 cannabis products must be tested by a laboratory that has been  
27 certified and licensed pursuant to this chapter, prior to retail directly  
28 to consumers.

29 (9) Ensure ~~licensed cannabis cultivation entities~~ *cultivation*  
30 *licensees* have access to existing agricultural incentive and support  
31 programs.

32 (b) The *Division of Medical Cannabis Manufacturing and*  
33 *Testing shall adopt regulations* ~~on the~~ *for testing of medical*  
34 *cannabis* ~~shall~~ *that* do all of the following:

35 (1) Prohibit a testing licensee from receiving medical cannabis  
36 products except through a regulatory authority or a medical  
37 cannabis licensee.

38 (2) Prohibit a testing licensee from being licensed for any other  
39 activity authorized under this article, and from holding an



1 ownership interest in any real property, personal property, or other  
2 assets associated or used in any other license category.

3 (3) Require the licensee to follow any other applicable  
4 requirement of the division pursuant to this chapter.

5 (c) Regulations on the manufacturing of medical cannabis shall  
6 do all of the following:

7 (1) Require the manufacturing licensee comply with all  
8 regulations of the State Department of Public Health pursuant to  
9 this chapter regarding the ~~cultivation~~ *manufacturing and testing*  
10 of medical cannabis.

11 (2) Require the manufacturing licensee comply with any other  
12 applicable requirement ~~of the Division of Medical Cannabis~~  
13 ~~Regulation and Enforcement~~ pursuant to this chapter.

14 (3) Establish criteria for different tiers of manufacturing licenses,  
15 including, but not limited to small, mid-sized, and large commercial  
16 manufacturing licenses.

17 (4) Authorize commercial manufacturing licensees to transport  
18 and deliver medical cannabis for commercial purposes to only  
19 another licensee of commercial cannabis activity pursuant to this  
20 chapter. Manufacturing licensees, without a separate dispensary  
21 license, who deliver directly to any entity not licensed pursuant to  
22 this chapter shall be fined and be under review for the revocation  
23 of licensure by the Division of Medical Cannabis Manufacturing  
24 and Testing.

25 (5) Require licensees to track all cannabis products and report  
26 to the Division of Medical Cannabis Regulation and Enforcement,  
27 as specified by this chapter and any regulations promulgated  
28 pursuant to this chapter.

29 (6) Require a manufacturing licensee to obtain a seller's permit  
30 from the Board of Equalization to validate the authority of the  
31 licensee to sell commercial manufactured cannabis products to  
32 another licensee of commercial cannabis activity.

33 (7) Require a manufacturing licensee to obtain a resale certificate  
34 upon the sale of manufactured medical cannabis products to another  
35 licensee of commercial cannabis activity, to track the quantities  
36 exchanged.

37 (8) Require all manufactured medical cannabis and medical  
38 cannabis products to be tested by a laboratory that has been  
39 certified and licensed pursuant to this chapter, prior to commercial  
40 exchange with a dispensary. If the licensee has a separate

1 dispensary license, all manufactured cannabis and medical cannabis  
 2 products shall be tested by a laboratory that has been certified and  
 3 licensed pursuant to this chapter, prior to retail sale directly to  
 4 consumers.

5 ~~Regulations~~ *The division shall adopt regulations* for the  
 6 dispensing of medical cannabis ~~shall~~ *that* do all of the following:

7 (1) Require the dispensary licensee comply with all regulations  
 8 of the division pursuant to this chapter regarding the dispensing  
 9 of medical cannabis

10 (2) Require the dispensary licensee comply with any other  
 11 applicable requirements ~~of the division~~ pursuant to this chapter.

12 (3) Allow dispensary licensees to store limited quantities of  
 13 medical cannabis and medical cannabis products for commercial  
 14 purposes pursuant to this chapter, in a manner deemed safe and  
 15 secure by the regulatory authority.

16 (4) Allow all non-mobile, non-vehicular, and non-Internet-based  
 17 dispensaries to be licensed to transport medical cannabis and  
 18 medical cannabis products directly to consumers.

19 (5) Require all mobile, vehicular and Internet-based dispensaries  
 20 to maintain a business contract with a non-vehicular and  
 21 non-mobile dispensary, and report all records of commercial  
 22 activity to said entity.

23 (6) Require licensees to track all medical cannabis and medical  
 24 cannabis products and report to the division, as specified by this  
 25 chapter and any regulations promulgated pursuant to this chapter.

26 (7) Require all dispensary licensees to obtain a seller’s permit  
 27 from the Board of Equalization to validate the authority of the  
 28 licensee to sell medical cannabis and medical cannabis products,  
 29 and to maintain receipts of all sales transactions.

30 (8) Require that, upon receipt of medical cannabis, manufactured  
 31 medical cannabis, and medical cannabis products, the dispensary  
 32 licensee shall request and record evidence that the product has  
 33 been tested by a laboratory that has been certified and licensed  
 34 pursuant to this chapter.

35 (e) Regulations for the wholesale of medical cannabis *or medical*  
 36 *cannabis products* shall do all of the following:

37 (1) Require all wholesale licensees to comply with all  
 38 regulations of the division pursuant to this chapter regarding the  
 39 wholesale storage and distribution of medical cannabis.

1 (2) Require the ~~dispensary~~ *wholesale* licensee comply with any  
2 other applicable requirements of the division pursuant to this  
3 chapter.

4 (3) Establish criteria for the qualifications of a wholesale  
5 licensee, including maximum quantities of medical cannabis that  
6 each licensee may store at one time.

7 (4) Authorize all wholesale licensees to do commercial business  
8 with only other licensees of commercial cannabis activity. All  
9 other licensees under this chapter shall not be required to work  
10 only with a wholesale licensee directly.

11 (5) Require that all medical cannabis and medical cannabis  
12 products be tested by ~~the wholesale licensee prior to commercial~~  
13 ~~exchange with a dispensary.~~ *a laboratory that has been certified*  
14 *and licensed pursuant to this chapter prior to commercial exchange*  
15 *with a dispensary. If the licensee has a separate dispensary license,*  
16 *all medical cannabis and medical cannabis products must be tested*  
17 *by a laboratory that has been certified and licensed pursuant to*  
18 *this chapter, prior to retail directly to consumers.*

19 (6) Require licensees to track all medical cannabis and medical  
20 cannabis products and report to the Division on Medical Cannabis  
21 Regulation and Enforcement, as specified by this chapter and any  
22 regulations promulgated pursuant to this chapter.

23 (f) All regulations related to transportation of cannabis shall  
24 require a medical cannabis licensee to do all of the following:

25 (1) Maintain intrastate operating authority.

26 (2) Maintain interstate operating authority, for the commercial  
27 purposes of the licensee, and only to the extent permitted by federal  
28 law.

29 (3) Be allowed by local jurisdictions to transport medical  
30 cannabis, if the licensee is in compliance with this chapter.

31 ~~26042. Each regulatory authority shall establish a scale of~~  
32 ~~application, licensing, and renewal fees, based upon the cost of~~  
33 ~~enforcing this chapter, as follows:~~

34 ~~(a) Each regulatory authority shall charge each applicant for~~  
35 ~~licensure or renewal an application or renewal fee that shall be~~  
36 ~~calculated to cover the costs of processing the application or~~  
37 ~~renewal. This fee may vary depending upon the varying costs~~  
38 ~~associated with approving the application or renewal related to the~~  
39 ~~varying activities covered by the license, but shall not exceed \_\_\_\_\_~~

1 dollars (\$\_\_\_\_) for an initial application, and \_\_\_\_ dollars (\$\_\_\_\_)  
2 for a renewal application.

3 (b) ~~Upon the issuance of a license, the respective regulatory~~  
4 ~~authority shall charge each licensee a licensure fee. The licensure~~  
5 ~~fee shall be calculated to cover the costs of administering this~~  
6 ~~chapter, other than the costs of processing applications. The~~  
7 ~~licensure fee may vary depending upon the varying costs associated~~  
8 ~~with administering the various regulatory requirements of this~~  
9 ~~chapter as they relate to the nature and scope of the different~~  
10 ~~licensure activities, but shall not be less than \_\_\_\_ dollars (\$\_\_\_\_),~~  
11 ~~nor more than \_\_\_\_ dollars (\$\_\_\_\_).~~

12 (c) ~~Each regulatory authority shall establish appropriate fees as~~  
13 ~~part of its emergency regulations for the issuance of provisional~~  
14 ~~licenses adopted pursuant to Section 26043.~~

15 (d) ~~The total fees assessed pursuant to this chapter, including,~~  
16 ~~but not limited to, provisional license fees set forth in Section~~  
17 ~~26054, shall be set at an amount that will fairly and proportionately~~  
18 ~~generate sufficient total revenue to fully cover the total costs of~~  
19 ~~administering this chapter, including, but not limited to, costs set~~  
20 ~~forth in Section 26023.~~

21 *26042. Each regulatory authority shall establish appropriate*  
22 *fees as part of its emergency regulations for the issuance of*  
23 *provisional licenses adopted pursuant to Section 26043.*

24 26043. Each regulatory authority shall adopt, as soon as  
25 practicable, emergency regulations consistent with this chapter to  
26 allow a qualified applicant for licensure to apply for and receive  
27 a provisional license to engage in commercial cannabis activity  
28 so as to ensure an adequate supply of medical cannabis upon full  
29 implementation of this chapter as set forth in Section 26054.

30 26044. Every mandatory commercial license is renewable  
31 unless the license has been revoked if the renewal application is  
32 submitted and the fee for it is paid. A license that has been  
33 suspended, but not revoked, may be renewed under this section,  
34 however, the act of renewal shall not affect the suspension and the  
35 suspension shall remain in effect upon renewal. All licenses expire  
36 at 12 midnight on the last day of the month posted on the license.  
37 All licenses shall be renewed as follows:

38 (a) The application to renew the license may be filed before the  
39 license expires upon payment of the annual fee.

1 (b) For 60 days after the license expires, the license may be  
2 renewed upon payment of the annual renewal fee plus a penalty  
3 fee that shall be equal to 50 percent of the annual fee.

4 (c) Unless otherwise terminated, or unless renewed pursuant to  
5 subdivision (a) or (b), a license that is in effect on the month posted  
6 on the license continues in effect through 12 midnight of the 60th  
7 day following the month posted on the license, at which time it is  
8 automatically canceled.

9 (d) A license that has been canceled pursuant to subdivision (c)  
10 may be reinstated during the 30 days immediately following  
11 cancellation upon payment by cashier's check or money order of  
12 the annual renewal fee, plus a penalty fee that shall be equal to  
13 100 percent of the annual fee. A license that has been canceled  
14 pursuant to subdivision (c) and that has not been reinstated within  
15 30 days pursuant to this subdivision is automatically revoked on  
16 the 31st day after the license has been canceled.

17 (e) A renewal application shall not be deemed filed within the  
18 meaning of this section unless the document itself has been actually  
19 delivered to, and the required renewal fee has been paid at, any  
20 office of the division during office hours, or unless both the  
21 document and fee have been filed and remitted pursuant to Section  
22 11003 of the Government Code.

23 26045. A person ~~shall~~ *may* engage in commercial cannabis  
24 activity only if the person has complied with all of the following  
25 conditions:

26 (a) The person has obtained permission from local authorities  
27 approving the proposed commercial cannabis activity. This  
28 requirement shall not apply to a person who holds a valid business  
29 license, conditional use permit, or other locally issued permit for  
30 commercial cannabis activity. For the purposes of this subdivision,  
31 the document granting the permission shall *be issued by the local*  
32 *authority and* include, at a minimum, all of the following:

- 33 (1) The legal name, address and date of birth of the applicant.  
34 (2) The type of license the applicant is requesting a permit for.  
35 (3) Documentation that the applicant has been in compliance  
36 with local ordinances and regulations, including, but not limited  
37 to, an entity granted immunity under Measure D, approved by the  
38 voters of the City of Los Angeles at the May 21, 2013, general  
39 election.

1 (4) A statement of whether or not the applicant has previously  
2 committed a felony, as described in paragraph (8) of subdivision  
3 (e) of Section 26047.

4 (5) A statement signed by the applicant under penalty of perjury  
5 that the information provided in the application is true.

6 (b) The person submits a copy of the permission, or equivalent  
7 qualifying documents, to the division for recordation. Upon receipt  
8 of an approved permission, the division shall provide the applicant  
9 with a certificate of approval for licensure, to be presented to the  
10 relevant regulatory authority under which the person seeks  
11 licensure. No regulatory authority shall grant approval of an  
12 application without a certificate of approval for application of  
13 commercial cannabis licensure for the applicant.

14 (c) The person applies for licensure for commercial cannabis  
15 activity from a regulatory authority and receives approval for that  
16 licensure.

17 (d) The person abides by all local and state ordinances and  
18 regulations pursuant to this chapter.

19 26046. (a) An application for a license shall include, but shall  
20 not be limited to, all of the following:

21 (1) A certificate of approval for licensure by the Division of  
22 Medical Cannabis Regulation and Enforcement.

23 (2) The legal name and proposed physical addresses of the  
24 mandatory commercial licensee.

25 (3) The name, address, and date of birth of each principal officer  
26 and board member.

27 (4) Operating and inventory control procedures to ensure  
28 security and prevent diversion.

29 (5) Detailed operating procedures for the proposed facility,  
30 which shall include, but not be limited to, provisions for facility  
31 and operational security, prevention of diversion, employee  
32 screening, storage of medical cannabis, personnel policies, and  
33 recordkeeping procedures.

34 (6) A list of all persons or entities having an ownership interest  
35 other than a security interest, lien, or encumbrance on any property  
36 that will be used by the applicant.

37 (7) Evidence of the legal right to occupy and use an established  
38 location, *including that if the proposed facility is a cultivator or*  
39 *a dispensary, that the proposed facility is located beyond at least*  
40 *a 600-foot radius from a school, or an immunity from prosecution*

1 for that occupancy or use pursuant to a local ordinance or  
2 ordinances, including, but not limited to, Measure D, approved by  
3 the voters of the City of Los Angeles at the May 21, 2013, general  
4 election.

5 (8) Documentation that the applicant will be in compliance with  
6 all local ordinances and regulations, including, but not limited to,  
7 an entity granted immunity under Measure D, approved by the  
8 voters of the City of Los Angeles at the May 21, 2013, general  
9 election.

10 (9) Evidence that all of the officers and owners of the applicant  
11 organization have been residents of the State of California for at  
12 least three years.

13 (10) For an applicant with 20 employees or more, a statement  
14 that the applicant will enter into, or demonstrate that it has already  
15 entered into, and abide by the terms of, a “labor peace agreement,”  
16 as defined by the division in consultation with the Division of  
17 Labor Standards Enforcement.

18 (11) For an applicant seeking a license to cultivate, a statement  
19 declaring the applicant is an “agricultural employer,” as defined  
20 in the Alatorre-Zenovich-Dunlap-Berman Agricultural Labor  
21 Relations Act of 1975 (Part 3.5 (commencing with Section 1140)  
22 of Division 2 of the Labor Code), to the extent not prohibited by  
23 law.

24 (12) A statement signed by the applicant under penalty of perjury  
25 that the information provided in the application is true.

26 (b) For applicants seeking a license to cultivate and ~~process~~,  
27 *manufacture*, the application shall also include a detailed  
28 description of the operating procedures for all of the following:

- 29 (1) Cultivation.
- 30 (2) Extraction and infusion methods.
- 31 (3) The transportation process.
- 32 (4) Inventory procedures.
- 33 (5) Quality control procedures.

34 26047. (a) Upon receipt of an application for licensure and  
35 the applicable fee, the respective regulatory authority shall make  
36 a thorough investigation to determine whether the applicant and  
37 the premises for which a license is applied qualify for the license  
38 and whether this chapter has been complied with, and shall  
39 investigate all matters connected therewith that may affect the  
40 public welfare and morals.

1 (b) The respective regulatory authority shall deny an application  
 2 if either the applicant or the premises for which a license is applied  
 3 do not qualify for licensure under this chapter.

4 ~~(e) The respective regulatory authority may, at its discretion,~~  
 5 ~~issue a license to an applicant who has obtained a certificate of~~  
 6 ~~rehabilitation pursuant to Section 4852.13 of the Penal Code.~~

7 ~~(d)~~

8 (c) The respective regulatory authority may place reasonable  
 9 conditions upon licensure if grounds exist for denial of the license,  
 10 and the division finds those grounds may be removed by the  
 11 imposition of those conditions. However, the limitations set forth  
 12 in ~~paragraph (6) of subdivision (b) of Section 26040 (10) of~~  
 13 ~~subdivision (d)~~ shall not be waived.

14 ~~(e)~~

15 (d) The respective regulatory authority shall deny the application  
 16 for licensure or ~~renewal~~ *renewal, or suspend or revoke a license,*  
 17 if any of the following conditions apply:

18 (1) Granting or continuation of a license would be contrary to  
 19 the public welfare or morals.

20 (2) The applicant holding or seeking a license has violated any  
 21 law prohibiting conduct involving moral turpitude.

22 (3) Local agencies have notified the division and provided  
 23 evidence that a licensee or applicant within its jurisdiction is in  
 24 violation of local ordinances relating to cannabis activities.

25 (4) The application has failed to state with sufficient specificity  
 26 the jurisdiction in which the applicant proposes to establish  
 27 operations.

28 (5) The applicant fails to meet the requirements of this chapter  
 29 or any regulation adopted pursuant to this chapter, or any applicable  
 30 city or county ordinance or regulation.

31 (6) The applicant, or any of its officers, directors, or owners, is  
 32 under 21 years of age.

33 (7) The applicant has knowingly answered a question or request  
 34 for information falsely on the application form or failed to provide  
 35 information requested.

36 (8) The applicant, or any of its officers, directors, or owners has  
 37 been convicted of a felony criminal conviction for drug trafficking,  
 38 a violent felony, as specified in subdivision (c) of Section 667.5  
 39 of the Penal Code, a serious felony as specified in subdivision (c)  
 40 of Section 1192.7 of the Penal Code, a felony offense involving



1 fraud or deceit, or any other felony that, in the division's  
2 determination, would impair the applicant's ability to appropriately  
3 operate as a mandatory commercial licensee. *The respective*  
4 *regulatory authority may, at its discretion, issue a license to an*  
5 *applicant that has obtained a certificate of rehabilitation pursuant*  
6 *to Section 4852.13 of the Penal Code.*

7 (9) The applicant, or any of its officers, directors, or owners is  
8 a licensed physician making patient recommendations for medical  
9 cannabis.

10 (10) The applicant, or any of its officers, directors, or owners  
11 has been sanctioned by ~~the division~~, *a regulatory authority*, a city,  
12 or a county for unlicensed commercial medical cannabis activities  
13 or has had a license revoked under this chapter in the previous  
14 three years.

15 (11) Applicants shall be notified of a denied application in  
16 writing via personal service or mail addressed to the address of  
17 the applicant or licensee set forth in the application. The denial  
18 letter shall contain the detailed reasons for which the application  
19 has been denied. The applicant shall have the right to appeal the  
20 denial and be given a hearing within 30 days of the appeal. On  
21 appeal, the decision shall be upheld unless the applicant  
22 demonstrates that the applicant is in fact eligible for licensure and  
23 the application is in compliance with this chapter.

24 26048. (a) The respective regulatory authority shall  
25 electronically submit to the Department of Justice fingerprint  
26 images and related information for all applicants for cultivation,  
27 dispensing, manufacturing, and transportation licenses for the  
28 purpose of obtaining information as to the existence and content  
29 of a record of state or federal convictions and arrests, and  
30 information regarding whether the person is free on bail, or on his  
31 or her own recognizance, pending trial or appeal.

32 (b) The Department of Justice shall provide a response to the  
33 division pursuant to paragraph (1) of subdivision (p) of Section  
34 11105 of the Penal Code.

35 (c) The division shall request from the Department of Justice  
36 subsequent notification service, as provided pursuant to Section  
37 11105.2 of the Penal Code, for persons described in this section.

38 (d) The Department of Justice shall charge a fee sufficient to  
39 cover the reasonable cost of processing the requests described in  
40 this section.

1 26049. (a) The actions of a mandatory commercial licensee  
2 or provisional licensee, its employees, and its agents, permitted  
3 pursuant to a mandatory commercial license or provisional license  
4 issued by the division or otherwise permitted by this chapter, that  
5 are within the scope of the license issued pursuant to this chapter  
6 and the regulations adopted pursuant to the authority granted by  
7 this chapter, are not unlawful under state law and shall not be an  
8 offense subject to arrest, prosecution, or other sanction under state  
9 law, or be subject to a civil fine or be a basis for seizure or  
10 forfeiture of assets under law.

11 (b) The actions of a person who, in good faith and upon  
12 investigation, allows his or her property to be used by a mandatory  
13 commercial licensee or provisional licensee, its employees, and  
14 its agents, as permitted pursuant to a mandatory commercial license  
15 or provisional license issued by the division or otherwise permitted  
16 by this chapter, are not unlawful under state law and shall not be  
17 an offense subject to arrest, prosecution, or other sanction under  
18 state law, or be subject to a civil fine or be a basis for seizure or  
19 forfeiture of assets under state law.

20 (c) Conduct that is within the scope of a license issued pursuant  
21 to this chapter but not fully in compliance with this chapter shall  
22 be subject to the enforcement provisions of this chapter and shall  
23 not be subject to the penal provisions generally prohibiting  
24 cannabis-related activity, unless and until the license is revoked.

25 (d) This section shall not be deemed to limit the authority or  
26 remedies of a city or county under any provision of law, including,  
27 without limitation, Section 7 of Article XI of the California  
28 Constitution or Section 26010 or 26060.

29 26050. (a) A licensee shall keep, at the licensed premises,  
30 accurate records of the specific commercial cannabis activity  
31 conducted by the licensee. The records shall include, at a minimum,  
32 all of the following for each batch of product:

- 33 (1) The name and address of the supplier.
- 34 (2) The dates on which the product was received.
- 35 (3) The amounts, form, and batch and lot number.
- 36 (4) The location of the cultivation site.
- 37 (5) The name of the employee who received the product.
- 38 (6) Records demonstrating compliance by the licensee with state  
39 and federal rules and regulations regarding reporting and taxation  
40 of income received.

1 (b) The records shall be kept for a minimum of seven years.

2 (c) The division may make any examination of the books and  
3 records of any licensee and may visit and inspect the premises of  
4 any licensee that the division may deem necessary to perform its  
5 duties under this chapter.

6 (d) If the licensee or any employee of the licensee refuses,  
7 impedes, obstructs, or interferes with an inspection pursuant to  
8 this chapter or local ordinance, or if the licensee fails to maintain  
9 or provide the books and records required by this section, the  
10 license may be summarily suspended and the division shall directly  
11 commence proceedings for the revocation of the license in  
12 accordance with this chapter.

13 (e) All cultivation, dispensing, and retail sales licensees shall  
14 be subject to an annual ~~audit by the State Auditor~~ *audit, as specified*  
15 *by the regulatory authority*, in order to ensure proper  
16 documentation is kept at each site or facility. *The reasonable costs*  
17 *of the audit shall be paid for by the licensee.*

18 26052. (a) This chapter shall not apply to, and shall have no  
19 diminishing effect on, the rights and protections granted to a patient  
20 or a primary caregiver pursuant to the Compassionate Use Act of  
21 1996.

22 (b) (1) A patient who cultivates, possesses, stores, manufactures,  
23 or transports cannabis exclusively for his or her personal medical  
24 use but who does not sell or distribute cannabis to any other person  
25 is not, thereby, engaged in commercial cannabis activity and is,  
26 therefore, exempt from the licensure requirements of this chapter.

27 (2) A primary caregiver who cultivates, possesses, stores,  
28 manufactures, transports, donates, or provides cannabis exclusively  
29 for the personal medical purposes of a specified qualified patient  
30 for whom he or she is the primary caregiver within the meaning  
31 of Section 11362.7 of the Health and Safety Code but who does  
32 not receive remuneration for these activities except for  
33 compensation in full compliance with subdivision (c) of Section  
34 11362.765 of the Health and Safety Code is not, thereby, engaged  
35 in commercial cannabis activity and is, therefore, exempt from the  
36 licensure requirements of this chapter.

37 26054. (a) Each regulatory authority shall, as soon as  
38 practicable following January 1, 2016, allow a qualified applicant  
39 for licensure to apply for and receive a provisional license to  
40 engage in commercial cannabis activity so as to ensure an adequate

1 supply of medical cannabis upon full implementation of this  
2 chapter.

3 (b) Each regulatory authority shall establish appropriate fees  
4 not to exceed \_\_\_\_\_ dollars (\$\_\_\_\_\_) *the reasonable regulatory costs*  
5 *to the regulatory authority* for the issuance of a provisional license  
6 under its jurisdiction pursuant to this chapter.

7 (c) Each regulatory authority ~~shall~~ *shall, if the applicant meets*  
8 *all the requirements in this section*, issue a provisional license to  
9 individuals and entities that the regulatory authority determines  
10 were, during the 3 months prior to January 1, 2016, regularly  
11 cultivating, processing, manufacturing, transporting, or distributing  
12 medical cannabis collectively or cooperatively in full compliance  
13 with any applicable local ordinance, to continue to do so until the  
14 licensee’s application for mandatory commercial licensure has  
15 been approved or denied under this chapter, but no later than 90  
16 days after the regulatory authority begins accepting applications  
17 for regular mandatory commercial licenses. The regulatory  
18 authority may consult with relevant local agencies in making a  
19 determination on whether a provisional license applicant is in  
20 compliance with any applicable ordinance.

21 (d) To qualify for a provisional mandatory commercial license,  
22 applicants shall disclose to the appropriate regulatory authority all  
23 of the following information in writing:

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

26 (2) The common street address and assessor’s parcel number  
27 of the property at which the licensee conducts any activity under  
28 the authority of the licensee.

29 (3) The common street address and assessor’s parcel number  
30 of the property at which any cultivation activity was or is to be  
31 conducted.

32 (4) For the 3 months prior to January 1, 2016, the quantity of  
33 cannabis cultivated, processed, manufactured, tested, transported,  
34 or sold at a location and the quantity expected to be cultivated,  
35 processed, manufactured, tested, transported, or sold from January  
36 1, 2016, to July 1, 2016, inclusive. The licensee shall make its  
37 records of current activity and activity for the 3 months prior to  
38 January 1, 2016, available to the division upon request.

39 (e) Upon receipt of the application materials and fee, the division  
40 ~~may~~ *shall* issue a provisional license and send a proof of issuance

1 to the ~~applicant~~, *applicant that meets all the requirements of this*  
2 *section*, if the applicant has not committed any act or crime  
3 constituting grounds for the denial of licensure.

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

13 (g) Entities that are provided immunity under Measure D,  
14 approved by the voters of the City of Los Angeles at the May 21,  
15 2013, general election, shall be considered the equivalent of entities  
16 that are registered, permitted, or licensed as a medical marijuana  
17 business, dispensary, or other entity involved in providing medical  
18 marijuana to patients under a local ordinance and shall be  
19 considered in compliance with a local ordinance for the purposes  
20 of the implementation of this section.

21 (h) Provisional licensees shall comply with all standards and  
22 requirements applicable to a licensee under this chapter, including,  
23 but not limited to, the production, recordkeeping, security, and  
24 transportation requirements and standards.

25 (i) Beginning July 1, 2017, all commercial cannabis activity  
26 shall be conducted between licensees of commercial cannabis  
27 activity, pursuant to this chapter. If the regulatory authorities have  
28 not promulgated their respective regulations by that date, the  
29 regulatory authorities shall provide an extension for all provisional  
30 licenses for applicants abiding by the provisions of this chapter.

31 26055. The regulatory authority may adopt regulations to  
32 permit the transfer of a license from a licensee to another person  
33 who demonstrates to the regulatory authority that he or she is  
34 eligible for licensure under this chapter, if the

35 prospective recipient of the license complies with all of the  
36 requirements of this chapter relating to a new application for  
37 licensure, including, but not limited to, payment to the regulatory  
38 authority of a reasonable license transfer fee.

39 26057. Each regulatory authority shall make recommendations  
40 to the Legislature pertaining to the establishment of an appeals

1 and judicial review process for persons aggrieved by a final  
2 decision of the regulatory authority.

3

4

Article 4. Enforcement

5

6 26060. (a) Each regulatory authority shall work in conjunction  
7 with law enforcement agencies for the purposes of implementing,  
8 administering, and enforcing this chapter and ~~the division's any~~  
9 regulations *adopted pursuant to this chapter* and taking appropriate  
10 action against licensees and others who fail to comply with this  
11 chapter or the regulations adopted pursuant to this chapter.

12 (b) Nothing in this chapter or in Article 2 (commencing with  
13 Section 11357) or Article 2.5 (commencing with Section 11362.7)  
14 of Chapter 6 of Division 10 of the Health and Safety Code, shall  
15 prevent a city, county, or city and county from adopting or  
16 enforcing a zoning ordinance or other law, ordinance, or regulation  
17 that regulates the location, operation, or establishment of a licensee  
18 or other person that engages in commercial cannabis activity.

19 26062. Except for a person identified in Section 26052, a person  
20 shall not exercise the privilege or perform any act that a licensee  
21 may exercise or perform under the authority of a license unless  
22 the person is acting pursuant to a license, including, but not limited  
23 to, a provisional license issued pursuant to this chapter.

24 26064. Any person engaging in commercial cannabis activity  
25 and operating an unlicensed facility, building, structure, vehicle,  
26 mobile unit, or location in violation of this chapter shall be subject  
27 to civil penalties of up to \_\_\_\_\_ dollars (\$\_\_\_\_\_) *twice the amount*  
28 *of the license fee* for each violation, and the division or court may  
29 order the destruction of any cannabis associated with that violation.  
30 All civil fines collected pursuant to this section shall be deposited  
31 into the fines and penalties account established pursuant to Section  
32 26028. If an action for civil penalties is brought by the Attorney  
33 General, the penalty collected shall be deposited into the General  
34 Fund pursuant to Section 26028. If the action is brought by a  
35 district attorney or county counsel, the penalty collected shall be  
36 paid to the treasurer of the county in which the judgment was  
37 entered. If the action is brought by a city attorney or city  
38 prosecutor, the penalty collected shall be paid to the treasurer of  
39 the city in which the judgment was entered.

1 26066. (a) Any regulatory director or any district attorney,  
2 county counsel, city attorney, or city prosecutor may bring an  
3 action in the name of the people of the State of California to enjoin  
4 a violation or the threatened violation of any provision of this  
5 chapter, including, but not limited to, a licensee's failure to correct  
6 objectionable conditions following notice or as a result of any rule  
7 promulgated pursuant to this chapter, and to assess and recover  
8 civil penalties in accordance with this chapter. The action shall be  
9 brought in the county in which the violation occurred or is  
10 threatened to occur. Any proceeding for injunctive relief brought  
11 pursuant to this chapter shall conform to the requirements of  
12 Chapter 3 (commencing with Section 525) of Title 7 of Part 2 of  
13 the Code of Civil Procedure.

14 (b) A state or local agency shall immediately notify the division  
15 *and the appropriate regulatory authority* of any violations or  
16 arrests made for violations over which the division *or regulatory*  
17 *authority* has jurisdiction which involve a licensee or licensed  
18 premises. Notice shall be given within 10 days of the violation or  
19 arrest. The division *or regulatory authority* shall promptly cause  
20 an investigation to be made as to whether grounds exist for  
21 suspension or revocation of the license.

22 (c) This chapter shall not be construed to limit a law enforcement  
23 agency's ability to investigate unlawful activity in relation to a  
24 mandatory commercial licensee.

25 (d) The division shall keep a complete record of all entities  
26 licensed pursuant to this chapter. This record shall be made  
27 available ~~on the division's Internet Web site so as to permit~~ to state  
28 and local law enforcement to verify a mandatory commercial  
29 license.

30 (e) A city, county, or city and county may impose a temporary  
31 local suspension of the license of a commercial licensee for up to  
32 30 days for violations of this ~~chapter.~~ *chapter or a local ordinance.*  
33 The regulatory authority shall promptly cause an investigation to  
34 be made as to whether grounds exist for continued suspension or  
35 revocation of the license. ~~A If the regulatory authority has not~~  
36 ~~completed its investigation or disciplinary action within 30 days,~~  
37 *a city, county, or city and county may impose a subsequent*  
38 *temporary local suspension of the license of a commercial licensee*  
39 *for the same violation until the regulatory authority's* ~~investigation~~  
40 ~~and all appeals are complete.~~ *investigation, the suspension or*

1 *revocation, and all appeals to that suspension or revocation are*  
2 *complete. This subdivision shall not limit a city’s, county’s, or city*  
3 *and county’s authority to enforce laws or ordinances pursuant to*  
4 *the authority granted by Section 7 of Article XI of the California*  
5 *Constitution.*

6  
7  
8

Article 5. Transportation of Medical Cannabis

9 26100. A licensee authorized to transport medical cannabis  
10 and medical cannabis products shall do so only as set forth in this  
11 chapter.

12 26102. (a) Prior to transporting medical cannabis or medical  
13 cannabis products, a licensee authorized to transport medical  
14 cannabis or medical cannabis products shall do both of the  
15 following:

16 (1) Complete an electronic shipping manifest as prescribed by  
17 the division.

18 (2) Securely transmit the manifest to the division and the  
19 licensee that will receive the medical cannabis product.

20 (b) During transportation, the licensed transporter shall maintain  
21 a physical copy of the shipping manifest and make it available  
22 upon request to agents of the division, local law enforcement  
23 officers, or any other designated enforcement agency.

24 (c) The licensee receiving the shipment shall maintain each  
25 electronic shipping manifest and shall make it available upon  
26 request to agents of the division, local law enforcement officers,  
27 or any other designated enforcement agency.

28 (d) Upon receipt of the shipment, a licensed facility shall submit  
29 to the division a record verifying receipt of the shipment and the  
30 details of the shipment.

31 26104. (a) Transported medical cannabis or medical cannabis  
32 products shall be transported only in a storage compartment that  
33 is securely affixed to the interior of the transporting vehicle, and  
34 shall not be visible from outside the vehicle. This requirement  
35 shall only apply to licensees transporting medical cannabis or  
36 medical cannabis products with a total retail value of over five  
37 hundred dollars (\$500).

38 (b) A vehicle transporting medical cannabis products shall travel  
39 only directly between licensed ~~facilities~~. *facilities, unless otherwise*  
40 *authorized under its license.*



1 (c) All transport vehicles shall be staffed with a minimum of  
2 two employees. At least one transport member shall remain with  
3 the vehicle at all times when the vehicle contains medical cannabis.  
4 This requirement shall only apply to licensees transporting medical  
5 cannabis or medical cannabis products with a total retail value of  
6 over five thousand dollars (\$5,000).

7 (d) Each transport team member shall possess documentation  
8 of licensing and a government-issued identification card at all  
9 times when transporting or delivering medical cannabis and shall  
10 produce it upon the request of agents of any regulatory authority  
11 or any law enforcement officials.

12 26105. (a) The division shall develop a database containing  
13 the electronic shipping manifests, which shall include, but are not  
14 limited to, the following information:

- 15 (1) The quantity, or weight, and variety of products shipped.
- 16 (2) The estimated times of departure and arrival.
- 17 (3) The quantity or weight, and variety of products received.
- 18 (4) The actual time of arrival.
- 19 (5) A categorization of the product.

20 (b) The database shall be designed to flag irregularities for any  
21 regulatory authority to investigate. Any regulatory authority may,  
22 at any time, inspect shipments and request documentation for  
23 current inventory.

24  
25 Article 6. Cannabis Employee Certification and Apprenticeship  
26 Program for Cultivation Sites and Dispensaries  
27

28 26140. This article applies only to cultivation sites and  
29 dispensaries.

30 26140.5. The Division of Labor Standards Enforcement shall  
31 do all of the following:

32 (a) Maintain minimum standards for the competency and training  
33 of employees of a licensed cultivator or dispensary through a  
34 system of testing and certification.

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

38 (c) Adopt regulations as determined to be necessary to  
39 implement this article.

1 (d) Issue certification cards to employees certified pursuant to  
2 this article.

3 (e) Establish registration fees in an amount reasonably necessary  
4 to implement this article, not to exceed twenty-five dollars (\$25)  
5 for the initial registration. There shall be no fee for annual renewal  
6 of registration. Fees shall be placed in the fund.

7 26141. (a) By January 1, 2017, the Division of Labor Standards  
8 Enforcement shall develop a certification program for cannabis  
9 employees. Commencing January 1, 2019, except as provided in  
10 subdivision (c), certification shall be required of all persons who  
11 perform work as cannabis employees.

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

14 (c) (1) Certification is not required for registered apprentices  
15 working as cannabis employees as part of a state-approved  
16 apprenticeship program. An apprentice who is within one year of  
17 completion of his or her term of apprenticeship shall be permitted  
18 to take the certification examination and, upon passing the  
19 examination, shall be certified immediately upon completion of  
20 the term of apprenticeship.

21 (2) Commencing January 1, 2019, an uncertified person may  
22 perform work for which certification is otherwise required in order  
23 to acquire the necessary on-the-job experience for certification  
24 provided that the person shall be under the direct supervision of a  
25 cannabis employee certified pursuant to Section 26141 who is  
26 responsible for supervising no more than one uncertified person.

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

29 26141.5. (a) The following shall constitute additional grounds  
30 for disciplinary proceedings, including suspension or revocation  
31 of the license issued pursuant to this chapter:

32 (1) The licensee willfully employs one or more uncertified  
33 persons to perform work as cannabis employees in violation of  
34 this section.

35 (2) The licensee willfully fails to provide adequate supervision  
36 of uncertified workers.

37 (3) The licensee willfully fails to provide adequate supervision  
38 of apprentices performing work pursuant to paragraph (1) of  
39 subdivision (c) of Section 26141.

1 (b) The Labor Commissioner shall maintain a process for  
2 referring cases to the appropriate regulatory authority when it has  
3 been determined that a violation of this section has likely occurred.  
4 The Labor Commissioner shall have a memorandum of  
5 understanding with the regulatory authorities in furtherance of this  
6 section.

7 (c) Upon receipt of a referral by the Labor Commissioner  
8 alleging a violation under this section, the appropriate regulatory  
9 authority shall open an investigation. Disciplinary action against  
10 the licensee shall be initiated within 60 days of the receipt of the  
11 referral. The regulatory authority may initiate disciplinary action  
12 against a licensee upon his or her own investigation, the filing of  
13 a complaint, or a finding that results from a referral from the Labor  
14 Commissioner alleging a violation under this section. Failure of  
15 the employer or employee to provide evidence of certification or  
16 apprentice status shall create a rebuttable presumption of violation  
17 of this provision.

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

19 SEC. 6. Section 23028 is added to the Government Code, to  
20 read:

21 23028. (a) (1) In addition to any authority otherwise provided  
22 by law, the board of supervisors of any county may impose, by  
23 ordinance, a tax on the privilege of cultivating, dispensing,  
24 producing, processing, preparing, storing, providing, donating,  
25 selling, or distributing cannabis by a licensee operating pursuant  
26 to the Medical Cannabis Regulation and Control Act (Chapter 18  
27 (commencing with Section 26000) of Division 9 of the Business  
28 and Professions Code). The tax may be imposed for general  
29 governmental purposes or for purposes specified in the ordinance  
30 by the board of supervisors.

31 (2) The board of supervisors shall specify in the ordinance  
32 proposing the tax the activities subject to the tax, the applicable  
33 rate or rates, the method of apportionment, and the manner of  
34 collection of the tax. A tax imposed pursuant to this section is a  
35 tax and not a fee or special assessment, and the tax is not required  
36 to be apportioned on the basis of benefit to any person or property  
37 or be applied uniformly to all taxpayers or all real property.

38 (3) A tax imposed by a county pursuant to this section by a  
39 county may include a transactions and use tax imposed solely for  
40 cannabis or cannabis products, which shall otherwise conform to

1 Part 1.6 (commencing with Section 7251) of Division 2 of the  
2 Revenue and Taxation Code. Notwithstanding Section 7251.1 of  
3 the Revenue and Taxation Code, the tax may be imposed at any  
4 rate specified by the board of supervisors, and the tax rate  
5 authorized by this section shall not be considered for purposes of  
6 the combined tax rate limitation established by that section.

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

13 (5) The board of supervisors shall specify whether the tax applies  
14 throughout the entire county or within the unincorporated area of  
15 the county.

16 (b) In addition to any other method of collection authorized by  
17 law, the board of supervisors may provide for the collection of the  
18 tax imposed pursuant to this section in the same manner, and  
19 subject to the same penalties and priority of lien, as other charges  
20 and taxes fixed and collected by the county.

21 (c) Any tax imposed pursuant to this section shall be subject to  
22 applicable voter approval requirements imposed by any other law.

23 (d) For purposes of this section, “marijuana” or “cannabis” shall  
24 have the meanings set forth in Section 26002 of the Business and  
25 Professions Code.

26 (e) This section does not limit or prohibit the levy or collection  
27 or any other fee, charge, or tax, or any license or service fee or  
28 charge upon, or related to, the activities set forth in subdivision  
29 (a) as otherwise provided by law. This section shall not be  
30 construed as a limitation upon the taxing authority of any county  
31 as provided by other law.

32 (f) The total taxation of state and local authorities shall not be  
33 in excess of 25 percent of retail prices.

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

36 11362.775. (a) ~~Qualified patients~~, *Subject to subdivision (b),*  
37 *qualified* persons with valid identification cards, and the designated  
38 primary caregivers of qualified patients and persons with  
39 identification cards, who associate within the State of California  
40 in order collectively or cooperatively to cultivate marijuana for

1 medical purposes, shall not solely on the basis of that fact be  
2 subject to state criminal sanctions under Section 11357, 11358,  
3 11359, 11360, 11366, 11366.5, or 11570.

4 (b) Commencing 180 days following the issuance of provisional  
5 licenses pursuant to the Medical Cannabis Regulation and Control  
6 Act (Chapter 18 (commencing with Section 26000) of Division 9  
7 of the Business and Professions Code), subdivision (a) shall not  
8 apply to licensees under that ~~act~~ *act or to any persons who*  
9 *collectively or cooperative cultivate marijuana for medical*  
10 *purposes*. Each regulatory authority shall post a notice on its  
11 Internet Web site indicating when it has commenced issuing  
12 provisional licenses and when the 180-day period has been  
13 exhausted.

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

15 147.5. (a) By January 1, 2017, the ~~division~~ *Division of*  
16 *Occupational Safety and Health* shall convene an advisory  
17 committee to evaluate whether there is a need to develop  
18 industry-specific regulations related to the activities of facilities  
19 issued a license pursuant to Chapter 18 (commencing with Section  
20 26000) of Division 9 of the Business and Professions Code.

21 (b) By July 1, 2017, the advisory committee shall present to the  
22 board its findings and recommendations for consideration by the  
23 board. By July 1, 2017, the board shall render a decision regarding  
24 the adoption of industry-specific regulations pursuant to this  
25 section.

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

27 3094. The Division of Apprenticeship Standards shall  
28 investigate, approve, or reject applications for apprenticeship  
29 programs for employees of a licensee subject to Article 6  
30 (commencing with Section 26140) of Chapter 18 of Division 9 of  
31 the Business and Professions Code. The Division of Apprenticeship  
32 Standards shall adopt regulations necessary to implement and  
33 regulate the establishment of the apprenticeship programs described  
34 in this section.

35 SEC. 10. The provisions of this act are severable. If any  
36 provision of this act or its application is held invalid, that invalidity  
37 shall not affect other provisions or applications that can be given  
38 effect without the invalid provision or application.

39 SEC. 11. The Legislature finds and declares that Section 5 of  
40 this act, which adds Chapter 18 (commencing with Section 26000)

1 to Division 9 of the Business and Professions Code, imposes a  
2 limitation on the public’s right of access to the meetings of public  
3 bodies or the writings of public officials and agencies within the  
4 meaning of Section 3 of Article I of the California Constitution.  
5 Pursuant to that constitutional provision, the Legislature makes  
6 the following findings to demonstrate the interest protected by this  
7 limitation and the need for protecting that interest:

8 It is necessary to maintain the confidentiality of patient and  
9 physician information provided to the regulatory authorities in  
10 order to protect the private medical information of patients who  
11 use medical cannabis and to preserve the essential confidentiality  
12 of the physician and patient relationship.

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

22 However, if the Commission on State Mandates determines that  
23 this act contains other costs mandated by the state, reimbursement  
24 to local agencies and school districts for those costs shall be made  
25 pursuant to Part 7 (commencing with Section 17500) of Division  
26 4 of Title 2 of the Government Code.