

AMENDED IN ASSEMBLY JUNE 2, 2015

AMENDED IN ASSEMBLY MAY 11, 2015

AMENDED IN ASSEMBLY MAY 5, 2015

AMENDED IN ASSEMBLY APRIL 14, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 266

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

February 10, 2015

An act to amend ~~Section 2220.05~~ *Sections 2220.05, 2242, and 2264* of, to add Article 25 (commencing with Section 2525) to Chapter 5 of Division 2 of, and to add ~~Part 5 (commencing with Section 18100) to Division 7~~ *Chapter 3.5 (commencing with Section 19300) to Division 8* of, the Business and Professions Code, to add ~~Section 23028 to the Government Code~~, to amend *and repeal* Section 11362.775 of, and to add Article 8 (commencing with Section 111658) to Chapter 6 of Part 5 of Division 104 of, of the Health and Safety Code, and to amend Section 1155.7 of, and to add Sections 147.5 and 3094 to, to the Labor Code, and to add Section 2402.5 to the *Vehicle Code*, relating to medical marijuana, and making an appropriation therefor: *cannabis*.

LEGISLATIVE COUNSEL'S DIGEST

AB 266, as amended, ~~Cooley~~ *Bonta*. Medical ~~marijuana~~: *cannabis*.

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

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

~~This bill would establish within the Department of Consumer Affairs a Bureau of Medical Marijuana Regulation, under the supervision and control of the Chief of the Bureau of Medical Marijuana Regulation, and would require the bureau to license and regulate dispensing facilities, cultivation sites, transporters, and manufacturers of medical marijuana and medical marijuana products, subject to local ordinances. The bill would require a background check of applicants for licensure, as defined, to be administered by the Department of Justice, and submission of a statement signed by an applicant, under penalty of perjury, that the information on his or her application is true, thereby creating a crime and imposing a state-mandated local program. Violation of the provisions related to applying for a conditional license would be punishable by a civil fine of up to \$35,000 for each individual violation, or as otherwise specified.~~

~~The bill would make conditional licenses subject to the restrictions of the local jurisdiction in which the facility operates or proposes to operate. The bill would set forth provisions related to the transportation, testing, and distribution of medical marijuana. The bill would prohibit the distribution of any form of advertising for physician recommendations for medical marijuana, unless the advertisement bears a specified notice and requires that the advertisement meet specified requirements and not be fraudulent, deceitful, or misleading.~~

~~The bill would require the State Department of Public Health to promulgate standards for the certification of testing laboratories to perform random sample testing of all medical marijuana products, including standards for onsite testing.~~

~~The bill would establish a system of certification for cannabis employees. The bill would require the Division of Labor Standards Enforcement to maintain and enforce minimum standards of competency and training and to certify cannabis employees.~~

~~The bill would establish the Medical Marijuana Regulation Fund and would require the deposit of specified fees collected pursuant to this act into the fund. The bill would continuously appropriate moneys from the fund to the bureau for the purposes of administering this act, thereby making an appropriation. The bill would also establish the Special Account for Environmental Enforcement within the Medical Marijuana Fund. This account would contain money from fees assessed against licensed cultivation facilities and would be continuously appropriated for the enforcement of environmental regulations relating to licensed cultivation sites. The bill would require the deposit of penalty moneys collected pursuant to this bill into the General Fund.~~

~~The bill would provide that it shall not supersede provisions of Measure D, as approved by the voters of the City of Los Angeles, as specified.~~

~~The bill would require the bureau, in consultation with local governments, to develop an enforcement framework that clarifies the enforcement roles of state and local governments, as specified, and would authorize a city, county, or city and county to administer and enforce these provisions. The bill would require the bureau to establish quality assurance protocols by July 1, 2017, to ensure uniform testing standards of medical marijuana, and would require licensees to comply with these provisions. The bill would further set forth provisions regulating edible medical marijuana products, as specified. By adding these provisions to the Sherman Food, Drug, and Cosmetic Law, a violation of which is a crime, the bill would impose a state-mandated local program.~~

This bill would enact the Medical Cannabis Regulation and Control Act and would establish within the office of the Governor, the Governor's Office of Marijuana Regulation to coordinate and provide oversight of the licensing and regulation of various commercial cannabis activities, as defined. The bill would establish the Division of Medical Cannabis Regulation, which is established within the State Board of Equalization, for the licensure and regulation of medical cannabis dispensaries and transporters. The bill would establish the Division of Medical Cannabis Manufacturing and Testing within the State Department of Public Health for the licensing and regulation of medical cannabis manufacturers and certified testing laboratories. The bill would also require the Division of Medical Cannabis Manufacturing and Testing to set specified standards for edible cannabis products. The bill would also establish the Division of Medical Cannabis

Cultivation within the Department of Food and Agriculture for the licensure and regulation of medical cannabis cultivators. The bill would set forth the duties of these various divisions. The bill would require the office, by March 1, 2016, to convene a task force to advise the office on the development of standards for the regulation of medical cannabis.

This bill would provide for the enforcement of the provisions of the act and of local ordinances relating to medical cannabis by the state and local governments and would require the office to develop an enforcement framework that clarifies the enforcement roles of the state and local governments. The bill would provide that the director of the office and other prescribed persons employed by licensing and law enforcement authorities are peace officers for purposes of enforcing the provisions of this act. The bill would specify that it does not supersede the provisions of Measure D, approved by the voters of the City of Los Angeles on the May 21, 2013, ballot.

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

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

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

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

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

(3) Existing law, the Medical Practice Act, provides for the licensure and regulation of physicians and surgeons by the Medical Board of California. Existing law requires the board to prioritize investigations and prosecutions of physicians and surgeons representing the greatest

threat of harm, as specified. Existing law identifies the cases that are to be given priority, which include cases of repeated acts of excessively prescribing, furnishing, or administering controlled substances without a good faith prior examination of the patient. *Existing law sets forth the conduct that would constitute unprofessional conduct for a physician and surgeon, including, but not limited to, prescribing certain drugs without an appropriate examination or medical indication.* Existing law provides that a violation of the Medical Practice Act is a crime.

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

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

~~The~~

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

(4) Existing law authorizes the legislative body of a city or county to impose various taxes, including a transactions and use tax at a rate of 0.25%, or a multiple thereof, if approved by the required vote of the legislative 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 a tax on the privilege of cultivating, dispensing, producing, processing, preparing, storing, providing, donating, selling, or distributing marijuana or products containing marijuana. 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.

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

~~This bill, commencing January 1, 2018, would also exempt from those crimes an employee, officer, or board member of a licensed cultivation site or a licensed dispensing facility, except as specified.~~

This bill, commencing 180 days after the Division of Medical Cannabis Regulation within the State Board of Equalization posts a notice on its Internet Web site that the licensing authorities have commenced issuing provisional licenses, would repeal those provisions.

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

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

~~(6)~~

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

This bill would include licensed cultivation sites in the definition of agricultural employer. The bill would require the division to convene an advisory committee to evaluate whether there is a need to develop industry-specific regulations relating to facilities issued a conditional license.

~~(7)~~

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

~~(8)~~

(9) Existing constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating

the interest protected by the limitation and the need for protecting that interest.

This bill would make legislative findings to that effect.

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

~~This bill would provide that no reimbursement is required by this act for a specified reason:~~

~~(10) 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-no~~. Fiscal committee: yes. State-mandated local program: yes.

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

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

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

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

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

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

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

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

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

39 *(g) Nothing in this act or Article 2 (commencing with Section*
40 *11357) or Article 2.5 (commencing with Section 11362.7) of*

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

11 (h) Nothing in this act is intended to require an employer to
12 permit or accommodate the use, consumption, possession, transfer,
13 display, transportation, sale, or growth of cannabis in the
14 workplace, or to affect the ability of employers to have policies
15 restricting the use of cannabis by employees, or otherwise
16 complying with federal law.

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

19 (j) Nothing in this act shall have a diminishing effect on the
20 rights and protections granted to a patient or primary caregiver
21 pursuant to the Compassionate Use Act of 1996.

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

24 2220.05. (a) In order to ensure that its resources are maximized
25 for the protection of the public, the Medical Board of California
26 shall prioritize its investigative and prosecutorial resources to
27 ensure that physicians and surgeons representing the greatest threat
28 of harm are identified and disciplined expeditiously. Cases
29 involving any of the following allegations shall be handled on a
30 priority basis, as follows, with the highest priority being given to
31 cases in the first paragraph:

32 (1) Gross negligence, incompetence, or repeated negligent acts
33 that involve death or serious bodily injury to one or more patients,
34 such that the physician and surgeon represents a danger to the
35 public.

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

38 (3) Repeated acts of clearly excessive prescribing, furnishing,
39 or administering of controlled substances, or repeated acts of
40 prescribing, dispensing, or furnishing of controlled substances, or

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

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

13 (5) Practicing medicine while under the influence of drugs or
14 alcohol.

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

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

24 *SEC. 3. Section 2242 of the Business and Professions Code is*
25 *amended to read:*

26 2242. (a) Prescribing, dispensing, or furnishing dangerous
27 drugs as defined in Section 4022 without an appropriate prior
28 examination and a medical indication, constitutes unprofessional
29 conduct. *Prescribing or recommending medical cannabis to a*
30 *patient for a medical purpose without an appropriate prior*
31 *examination and a medical indication constitutes unprofessional*
32 *conduct.*

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

37 (1) The licensee was a designated physician and surgeon or
38 podiatrist serving in the absence of the patient's physician and
39 surgeon or podiatrist, as the case may be, and if the drugs were
40 prescribed, dispensed, or furnished only as necessary to maintain

1 the patient until the return of his or her practitioner, but in any case
2 no longer than 72 hours.

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

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

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

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

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

19 *SEC. 4. Section 2264 of the Business and Professions Code is*
20 *amended to read:*

21 2264. (a) The employing, directly or indirectly, the aiding, or
22 the abetting of any unlicensed person or any suspended, revoked,
23 or unlicensed practitioner to engage in the practice of medicine or
24 any other mode of treating the sick or afflicted which requires a
25 license to practice constitutes unprofessional conduct.

26 (b) *Employment by, or other agreement with, a mandatory*
27 *commercial licensee acting pursuant to the Medical Cannabis*
28 *Regulation and Control Act or a dispensary to provide*
29 *recommendations for medical cannabis constitutes unprofessional*
30 *conduct.*

31 *SEC. 5. Article 25 (commencing with Section 2525) is added*
32 *to Chapter 5 of Division 2 of the Business and Professions Code,*
33 *to read:*

34

35 *Article 25. Recommending Medical Cannabis*

36

37 2525. (a) *It is unlawful for a physician and surgeon who*
38 *recommends cannabis to a patient for a medical purpose to accept,*
39 *solicit, or offer any form of remuneration from or to a facility*
40 *issued a conditional license pursuant to Chapter 3.5 (commencing*

1 with Section 19300) of Division 8, if the physician and surgeon or
2 his or her immediate family have a financial interest in that facility.

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

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

6 2525.1. The Medical Board of California shall consult with
7 the California Marijuana Research Program, known as the Center
8 for Medicinal Cannabis Research, authorized pursuant to Section
9 11362.9 of the Health and Safety Code, on developing and adopting
10 medical guidelines for the appropriate administration and use of
11 medical cannabis.

12 2525.2. A physician and surgeon shall not recommend medical
13 cannabis to a patient, unless that person is the patient’s attending
14 physician, as defined by subdivision (a) of Section 11362.7 of the
15 Health and Safety Code.

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

18
19 CHAPTER 3.5. MEDICAL CANNABIS

20
21 Article 1. Definitions

22
23 19300. For purposes of this chapter, the following definitions
24 shall apply:

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

27 (b) “Cannabis” means all parts of the plant *Cannabis sativa*
28 *L.*, *Cannabis indica*, or *Cannabis ruderalis*, whether growing or
29 not; the seeds thereof; the resin, whether crude or purified,
30 extracted from any part of the plant; and every compound,
31 manufacture, salt, derivative, mixture, or preparation of the plant,
32 its seeds, or resin. “Cannabis” does not include the mature stalks
33 of the plant, fiber produced from the stalks, oil or cake made from
34 the seeds of the plant, any other compound, manufacture, salt,
35 derivative, mixture, or preparation of the mature stalks (except
36 the resin extracted therefrom), fiber, oil, or cake, or the sterilized
37 seed of the plant which is incapable of germination. “Cannabis”
38 also means marijuana as defined by Section 11018 of the Health
39 and Safety Code as enacted by Chapter 1407 of the Statutes of
40 1972.

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

4 (d) “Certified testing laboratory” means a laboratory that is
5 certified by the State Department of Public Health to perform
6 random sample testing of medical cannabis pursuant to the
7 certification standards for these facilities promulgated by the
8 department.

9 (e) “Commercial cannabis activity” means any cultivation,
10 possession, manufacture, processing, storing, laboratory testing,
11 labeling, transporting, distribution, or sale of cannabis or cannabis
12 product, or any Internet platform that facilitates any of these
13 functions for the purpose of selling medical cannabis or medical
14 cannabis products to qualified patients or caregivers, except as
15 set forth in Section 19316.

16 (f) “Cultivation” means any activity involving the planting,
17 growing, harvesting, drying, processing, or trimming of cannabis.

18 (g) “Delivery” means the commercial transfer of medical
19 cannabis or medical cannabis products from a dispensary to a
20 primary caregiver or qualified patient, as defined in Section
21 11362.7 of the Health and Safety Code.

22 (h) “Delivery service” means a person issued a state license
23 by the State Department of Public Health pursuant to this chapter
24 and a local license or permit, to deliver medical cannabis or
25 medical cannabis products, up to an amount determined by the
26 department, to patients, testing laboratories, or to events or
27 locations where it will be used solely for promotional purposes.
28 A delivery service shall not be required to obtain a transporter
29 license.

30 (i) “Director” means the director of the Office of Marijuana
31 Regulation.

32 (j) “Dispensary” means a nonmobile, nonvehicular,
33 non-Internet-based retail location that distributes medical cannabis
34 or medical cannabis products and is owned and operated by a
35 licensee for these activities pursuant to this chapter.

36 (k) “Dispensing” means any activity involving the retail sale
37 of medical cannabis or medical cannabis products from a
38 dispensary.

39 (l) “Dried flower” means all dead medical cannabis that has
40 been harvested, dried, cured, or otherwise processed.

1 (m) “Edible cannabis product” means manufactured cannabis
2 that is intended to be used, in whole or in part, for human
3 consumption, including, but not limited to, chewing gum.

4 (n) “Fund” means the Medical Cannabis Regulation Fund
5 established pursuant to Section 19361.

6 (o) “Identification program” means the universal identification
7 certificate program for licensees.

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

23 (q) “Licensed cultivation site” means a person that plants,
24 grows, cultivates, harvests, dries, or processes medical cannabis,
25 or that does all or any combination of those activities, and that is
26 issued a state license pursuant to this chapter and a local license
27 or permit.

28 (r) “Licensed dispensing facility” means a person that provides
29 medical cannabis, medical cannabis products, or devices for the
30 use of medical cannabis or medical cannabis products, either
31 individually or in any combination, that is issued a state license
32 pursuant to this chapter and a local license or permit.

33 (s) “Licensed manufacturer” means a person that conducts the
34 production, preparation, propagation, compounding, or processing
35 of medical cannabis or medical cannabis products, either directly
36 or indirectly or by extraction processes, or independently by means
37 of chemical synthesis or by a combination of extraction and
38 chemical synthesis, and includes a location that packages or
39 repackages medical cannabis or medical cannabis products or

1 *labeling or relabeling of its container, and that has been issued a*
2 *state license pursuant to this part.*

3 (t) *“Licensed transporter” means a person issued a state license*
4 *by the Board of Equalization to transport medical cannabis or*
5 *medical cannabis products above a limit determined by the board*
6 *to and from facilities that have been issued a state license pursuant*
7 *to this chapter.*

8 (u) *“Licensee” means a person issued a state license under this*
9 *chapter to engage in commercial cannabis activity.*

10 (v) *“Licensing authority” means the state agency responsible*
11 *for granting and renewing state licenses and regulating the*
12 *relevant licensees. For licensed cultivators, the licensing authority*
13 *is the Division of Medical Cannabis Cultivation in the Department*
14 *of Food and Agriculture. For dispensaries and transporters, the*
15 *licensing authority is the State Board of Equalization. For licensed*
16 *manufacturers and certified testing laboratories, the licensing*
17 *authority is the Division of Medical Cannabis Manufacturing and*
18 *Testing within the State Department of Public Health.*

19 (w) *“Live plants” means living medical cannabis flowers and*
20 *plants, including seeds, immature plants, and vegetative stage*
21 *plants.*

22 (x) *“Manufactured cannabis” means raw cannabis that has*
23 *undergone a process whereby the raw agricultural product has*
24 *been transformed into a concentrate, an edible product, or a topical*
25 *product.*

26 (y) *“Medical cannabis,” “medical cannabis product,” or*
27 *“cannabis product” means a product containing cannabis,*
28 *including, but not limited to, concentrates and extractions, intended*
29 *to be sold for use by medical cannabis patients in California*
30 *pursuant to the Compassionate Use Act of 1996 (Proposition 215).*

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

35 (aa) *“Office” means the Office of Marijuana Regulation.*

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

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

4 (e) The office shall coordinate and provide oversight of all
5 activities described in this chapter. The office shall lead all state
6 and local authorities regarding the tracking of medical cannabis,
7 medical cannabis products, and licensees pursuant to this chapter.
8 All departments and divisions specified in Section 19304 shall
9 report directly to the office. Any information technology systems
10 created to store and process data related to commercial cannabis
11 licensing shall be integrated, and all licensing data shall be
12 immediately available to each licensing authority and to the office.

13 19303. The office shall maintain a registry of all permit holders
14 and shall maintain a record of all state licenses and commercial
15 cannabis activity of the permit holder throughout the length of
16 licensure and for a minimum of seven years following the
17 expiration of each license. The office shall make limited licensee
18 information available to a licensee so that it may verify whether
19 it is engaging in commercial cannabis activities with a properly
20 licensed entity.

21 19304. (a) The following entities shall report to and be directly
22 accountable to the office for their respective designated
23 responsibilities within the regulatory and enforcement framework,
24 as follows:

25 (1) The Division of Medical Cannabis Regulation, which is
26 established within the State Board of Equalization, shall do all of
27 the following:

28 (A) Be administered by a person who is appointed by the State
29 Board of Equalization.

30 (B) Administer this chapter, as it pertains to commercial
31 cannabis activity relating to dispensaries and transporters.

32 (2) The Division of Medical Cannabis Manufacturing and
33 Testing, which is established within the State Department of Public
34 Health, shall do all of the following:

35 (A) Be administered by a person who is appointed by the
36 Governor.

37 (B) Administer this chapter, as it pertains to manufacturing,
38 testing, and certification of testing laboratories for medical
39 cannabis and medical cannabis products.

1 (3) *The Division of Medical Cannabis Cultivation, which is*
2 *established within the Department of Food and Agriculture, shall*
3 *do all of the following:*

4 (A) *Be administered by a person who is appointed by the*
5 *Governor.*

6 (B) *Administer this chapter as it pertains to cultivation of*
7 *medical cannabis.*

8 (4) *The California Environmental Protection Agency and the*
9 *California Natural Resources Agency shall coordinate and direct*
10 *the following entities in the discharge of their designated*
11 *regulatory responsibilities:*

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

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

19 (5) *The Department of Justice shall conduct the following*
20 *activities:*

21 (A) *Perform criminal background checks of applicants for*
22 *licensure.*

23 (B) *Develop uniform security standards for dispensaries and*
24 *all phases of transport covered by this chapter.*

25 (C) *Provide supplemental enforcement on an as-needed basis*
26 *at the request of the office.*

27 19305. (a) *The office and licensing authorities shall have the*
28 *authority necessary for the implementation of this chapter,*
29 *including, but not limited to, all of the following:*

30 (1) *Establishing rules or regulations necessary to carry out the*
31 *purposes and intent of this chapter and to enable the office and*
32 *licensing authorities to exercise the powers and perform the duties*
33 *conferred by this chapter and in accordance with Chapter 3.5*
34 *(commencing with Section 11340) of Part 1 of Division 3 of Title*
35 *2 of the Government Code. These rules and regulations shall not*
36 *limit the authority of a city, county, or city and county specified*
37 *in Article 3 (commencing with Section 19307), or specified in*
38 *Section 7 of Article XI of the California Constitution, or any other*
39 *law. For the performance of its duties, the office has the powers*
40 *set forth in Article 2 (commencing with Section 11180) of Chapter*

1 2 of Part 1 of Division 3 of Title 2 of the Government Code. The
2 office shall review all regulations and guidance promulgated by
3 licensing authorities in the administration of this chapter to ensure
4 no duplication, overlap, or inconsistent regulations occur between
5 licensing authorities.

6 (2) Issuing state licenses to persons for the cultivation,
7 manufacture, transportation, and sale of medical cannabis within
8 the state.

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

11 (4) Establishing standards for commercial cannabis activity.

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

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

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

19 (8) Overseeing the operation of the Medical Cannabis
20 Regulation Fund, established pursuant to Section 19361.

21 (9) Consulting with other state or local agencies, departments,
22 representatives of the medical cannabis community, or public or
23 private entities for the purposes of establishing statewide standards
24 and regulations.

25 (b) Protection of the public shall be the highest priority for the
26 office and the licensing authorities in exercising the licensing,
27 regulatory, and disciplinary functions pursuant to this chapter.
28 Whenever the protection of the public is inconsistent with other
29 interests sought to be promoted, the protection of the public shall
30 be paramount.

31 19306. (a) The office, by March 1, 2016, shall convene a task
32 force, which shall advise the office on the development of standards
33 pursuant to this chapter. The task force shall be responsible for
34 recommending to the office the appropriate roles of each state
35 entity as it pertains to this chapter, and shall recommend guidelines
36 on communication and information sharing between state entities,
37 and with local agencies, for implementation of this chapter.
38 Notwithstanding Section 10231.5 of the Government Code, the
39 task force shall submit a report on these standards, determinations,
40 and guidelines for implementation of this chapter to the Legislature

1 and state entities affected by this chapter by August 1, 2016. The
2 report submitted to the Legislature shall be submitted in
3 compliance with Section 9795 of the Government Code.

4 (b) The task force shall be comprised of representatives of
5 medical cannabis consumer advocates, environmental experts,
6 public health experts, medical cannabis industry representatives,
7 related regulatory authorities, labor, and law enforcement. The
8 task force may also be comprised of representatives of the State
9 Board of Equalization and Attorney General, and other state
10 agencies, as deemed appropriate. The task force shall have a
11 minimum of nine members, with one-third of the members
12 appointed by the California State Assembly, one-third of the
13 members appointed by the California State Senate, and one-third
14 of the members appointed by the Governor. If there is an unequal
15 divide between these three entities, the Governor shall make
16 appointments for the difference.

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

23

24

Article 3. Enforcement and Local Control

25

26 19307. (a) Each licensing authority shall work in conjunction
27 with law enforcement agencies for the purposes of implementing,
28 administering, and enforcing this chapter, and any regulations
29 adopted pursuant to this chapter and taking appropriate action
30 against licensees and others who fail to comply with this chapter
31 or the regulations adopted pursuant to this chapter.

32 (b) The director and the persons employed by the licensing
33 authorities for the administration and enforcement of this chapter
34 are, for purposes of this chapter, peace officers in the enforcement
35 of the penal provisions of this chapter, the regulations adopted
36 pursuant to this chapter, and any other penal provisions of law
37 prohibiting or regulating the cultivation, processing, storing,
38 manufacturing, testing, transporting, or selling of medical
39 cannabis. These persons may, while acting as peace officers,

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

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

11 *(d) 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 a licensee*
17 *at any time during which the licensee is acting pursuant to the*
18 *state license.*

19 *19308. (a) The office shall, in consultation with local*
20 *governments, develop an enforcement framework that clarifies the*
21 *enforcement roles of the state and local governments. Local*
22 *agencies are authorized to enforce any state statutory or regulatory*
23 *standard.*

24 *(b) A state agency is not required by this section to enforce a*
25 *city, county, city and county, or local law, ordinance, rule, or*
26 *regulation regarding the site or operation of a facility or*
27 *transporter issued a state license.*

28 *19309. (a) For facilities issued a state license that are located*
29 *within the incorporated area of a city, the city shall have full power*
30 *and authority to enforce this chapter and the rules, regulations,*
31 *and standards promulgated by the office. The city shall further*
32 *assume complete responsibility for any regulatory function relating*
33 *to those licensees within the city limits that would otherwise be*
34 *performed by the county or any county officer or employee, without*
35 *liability, cost, or expense to the county.*

36 *(b) For licensed facilities located within the unincorporated*
37 *area of a county, the county shall have full power and authority*
38 *to enforce this chapter and the rules, regulations, and standards*
39 *promulgated by the office.*

1 (c) It is the intent of the Legislature in enacting this chapter to
2 provide for the statewide regulation of the commercial cannabis
3 activity and the enforcement of laws relating to commercial
4 cannabis activities without preempting city, county, or city and
5 county ordinances regulating or banning these activities. This
6 chapter is an exercise of the police powers of the state for the
7 protection of the safety, welfare, health, peace, and morals of the
8 people of the state.

9 (d) Nothing in this chapter, or any regulations promulgated
10 thereunder, shall be deemed to limit the authority or remedies of
11 a city, county, or city and county under any provision of law,
12 including, but not limited to, Section 7 of Article XI of the
13 California Constitution.

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

27 (b) A state or local agency shall immediately notify the office
28 and the appropriate licensing authority of violations or arrests
29 made for violations over which the licensing authority has
30 jurisdiction that involve a licensee or licensed premises. Notice
31 shall be given within 10 days of the violation or arrest. The office
32 or licensing authority shall promptly investigate as to whether
33 grounds exist for suspension or revocation of the state license.

34 (c) This chapter shall not be construed to limit a law
35 enforcement agency's ability to investigate unlawful activity in
36 relation to a state license.

37 (d) Nothing in this chapter shall prevent a city or other local
38 governing body from taking action as specified in Section 11362.83
39 of the Health and Safety Code.

1 (e) The office shall establish procedures to provide state and
2 local law enforcement, upon their request, with 24-hour access to
3 information to verify a state license, track transportation manifests,
4 and track the inventories of facilities issued a state license. This
5 record shall allow state and local law enforcement to verify a state
6 license and provide summary information on licensees consisting
7 of the name of the licensee, the date the license was issued, the
8 status of the license, and the licensee's mailing address.

9 19311. (a) Licensing authorities and any relevant local agency
10 may examine the books and records of a licensee and may visit
11 and inspect the premises of a licensee as the licensing authority
12 or local agency deems necessary to perform their duties under this
13 chapter or local ordinance.

14 (b) If the licensee or any employee of the licensee refuses,
15 impedes, obstructs, or interferes with an inspection pursuant to
16 this chapter or local ordinance, or if the licensee fails to maintain
17 or provide the books and records required by this chapter, the
18 license may be summarily suspended and the licensing authority
19 shall commence proceedings for the revocation of the state license
20 in accordance with this chapter.

21 (c) All cultivation and dispensing licensees shall be subject to
22 an annual audit, as specified by the licensing authority, in order
23 to ensure proper documentation is kept at each facility. The
24 reasonable costs of the audit shall be paid for by the licensee.

25 19312. (a) This chapter shall in no way supersede the
26 provisions of Measure D, approved by the voters of the City of Los
27 Angeles on the May 21, 2013, ballot for the city, which granted
28 medical cannabis businesses and dispensaries qualified immunity
29 consistent with the terms of the measure and local ordinances.
30 Notwithstanding the provisions of this part, cannabis businesses
31 and dispensaries subject to the provisions of Measure D and its
32 qualified immunity shall continue to be subject to the ordinances
33 and regulations of the City of Los Angeles.

34 (b) It is the intent of the Legislature to recognize the unique
35 circumstances of the City of Los Angeles with respect to Measure
36 D and associated rules related to commercial cannabis activity.

37 19313. (a) The actions of a licensee or provisional licensee,
38 its employees, and its agents, that are permitted pursuant to both
39 a state license or provisional license and a license or permit issued
40 by the local jurisdiction following the requirements of the

1 applicable local ordinances, and that are conducted in accordance
2 with the requirements of this chapter and regulations adopted
3 pursuant to this chapter, are not unlawful under state law and
4 shall not be an offense subject to arrest, prosecution, or other
5 sanction under state law or be subject to a civil fine or be a basis
6 for seizure or forfeiture of assets under state law.

7 (b) The actions of a person who, in good faith and upon
8 investigation, allows his or her property to be used by a licensee
9 or provisional licensee, its employees, and its agents, as permitted
10 pursuant to both a state license and a license or permit issued by
11 the local jurisdiction following the requirements of the applicable
12 local ordinances, are not unlawful under state law and shall not
13 be an offense subject to arrest, prosecution, or other sanction
14 under state law, or be subject to a civil fine or be a basis for seizure
15 or forfeiture of assets under state law.

16 (c) Conduct that is within the scope of a license issued pursuant
17 to this chapter and permitted by local ordinance but not fully in
18 compliance with this chapter shall be subject to the enforcement
19 provisions of this chapter and shall not be subject to the penal
20 provisions of state law generally prohibiting cannabis-related
21 activity, unless and until the license is revoked.

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

26 19314. (a) A person engaging in commercial cannabis activity
27 and operating an unlicensed facility, building, structure, vehicle,
28 mobile unit, or location in violation of this chapter shall be subject
29 to civil penalties of up to twice the amount of the license fee for
30 each violation, and the office, licensing authority, or court may
31 order the destruction of medical cannabis associated with that
32 violation. Each day of operation shall constitute a separate
33 violation of this section. All civil penalties imposed and collected
34 pursuant to this section shall be deposited into the Medical
35 Cannabis Fines and Penalties Account established pursuant to
36 Section 19361.

37 (b) If an action for civil penalties is brought by the Attorney
38 General, the penalty collected shall be deposited into the General
39 Fund. If the action is brought by a district attorney or county
40 counsel, the penalty collected shall be paid to the treasurer of the

1 county in which the judgment was entered. If the action is brought
2 by a city attorney or city prosecutor, the penalty collected shall
3 be paid to the treasurer of the city in which the judgment was
4 entered.

5 19315. (a) This chapter does not, nor do Article 2
6 (commencing with Section 11357) and Article 2.5 (commencing
7 with Section 11362.7) of Chapter 6 of Division 10 of the Health
8 and Safety Code, prevent a city, county, or city and county from
9 doing any of the following:

10 (1) Adopting local ordinances inconsistent with this chapter
11 that do the following:

12 (A) Regulate the location, operation, or establishment of a
13 licensee or a person that cultivates, processes, possesses, stores,
14 manufactures, tests, transports, distributes, or sells medical
15 cannabis.

16 (B) Prohibit commercial cannabis activity within their
17 jurisdiction.

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

20 (3) Establishing a fee or tax for the operation of a licensee
21 within its jurisdiction.

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

25 (b) Nothing in this chapter or in Article 2 (commencing with
26 Section 11357) or Article 2.5 (commencing with Section 11362.7)
27 of Chapter 6 of Division 10 of the Health and Safety Code, shall
28 prevent a city, county, or city and county from adopting or
29 enforcing a zoning ordinance or other law, ordinance, or
30 regulation that bans or regulates the location, operation, or
31 establishment of a licensee or other person that engages in
32 commercial cannabis activity.

33

34

Article 4. Licensure

35

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

39 (b) (1) A patient who cultivates, possesses, stores, manufactures,
40 or transports cannabis exclusively for his or her personal medical

1 use but who does not provide, donate, sell, or distribute cannabis
2 to any other person is not, thereby, engaged in commercial
3 cannabis activity and is, therefore, exempt from the licensure
4 requirements of this chapter.

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

15 (c) Exemption from the license requirements of this chapter
16 shall not limit or prevent a city, county, or city and county from
17 regulating or banning the cultivation, storage, manufacture,
18 transport, provision, or other activity by the exempt person, or
19 impair the enforcement of that regulation or ban.

20 19317. The state shall have the right and authority to conduct
21 state licensure activities and to regulate commercial cannabis
22 activity pursuant to this chapter. Local governments have the right
23 and authority to grant permits and regulate commercial cannabis
24 activity within their jurisdiction pursuant to local ordinances. In
25 the exercise of these rights and powers, the state and each of its
26 agencies, and all local agencies, are hereby deemed not to be
27 engaged in activities requiring licensure under this chapter.

28 19318. (a) Licensing authorities shall issue state licenses to
29 qualified applicants engaging in commercial cannabis activity
30 pursuant to this chapter. Beginning January 1, 2018, no person
31 shall engage in commercial cannabis activity without possessing
32 a state license and a local permit. For purposes of this section,
33 “state license” includes a provisional license issued pursuant to
34 Article 6 (commencing with Section 19330).

35 (b) Local permits shall be determined by local ordinances.
36 Licensing authorities issuing state licenses shall have sole authority
37 to revoke a state license. Local agencies issuing local permits shall
38 have sole authority to revoke a local permit.

39 (c) The issuance of a state license shall not, in and of itself,
40 authorize the recipient to begin business operations. The state

1 license shall certify, at a minimum, that the applicant has paid the
2 state licensing fee, successfully passed a criminal background
3 check, and met state residency requirements.

4 (d) Even if a state license has been granted pursuant to this
5 chapter, a facility shall not operate in a local jurisdiction that
6 prohibits the establishment of that type of business. A facility shall
7 not commence activity under the authority of a state license until
8 the applicant has obtained, in addition to the state license, a license
9 or permit from the local jurisdiction in which he or she proposes
10 to operate, following the requirements of the applicable local
11 ordinances.

12 (e) If a local government agency notifies the office or a licensing
13 authority and provides evidence that a licensee or applicant within
14 its jurisdiction is in violation of local ordinances relating to
15 commercial cannabis activities, the licensing authority shall revoke
16 the state license within 20 working days.

17 (f) Revocation of either a state or local license shall terminate
18 the ability of a medical cannabis business to operate within
19 California.

20 19319. (a) On or before July 1, 2017, a licensing authority
21 shall promulgate regulations for implementation and enforcement
22 of this chapter, including, but not limited to, all of the following:

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

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

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

29 (4) Application, licensing, and renewal forms and fees.

30 (5) Time periods, not to exceed 90 days, by which the licensing
31 authority shall approve or deny an application for a state license.
32 The failure of the licensing authority to act upon an application
33 for licensure within the time prescribed shall not be deemed
34 approval of the application.

35 (6) Qualifications for licensees.

36 (7) Security requirements, including, but not limited to,
37 procedures for limiting access to facilities and for the screening
38 of employees.

39 (8) Requirements to ensure that all licensees and certified testing
40 laboratories conform with applicable standards equivalent to state

1 *statutory environmental, agricultural, consumer protection, and*
2 *food and product safety requirements. These standards shall be*
3 *in addition, and not limited, to any other state and local*
4 *requirements.*

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

7 *(c) A state license application approved by a licensing authority*
8 *pursuant to this chapter shall be valid for a period not to exceed*
9 *one year from the date of approval unless revoked or suspended*
10 *earlier than that date pursuant to this chapter or the rules or*
11 *regulations adopted pursuant to this chapter.*

12 *(d) Each licensing authority may adopt regulations for*
13 *additional licenses for cannabis activity within its statutory*
14 *jurisdiction pursuant to this chapter, as deemed necessary.*

15 *(e) Each state license application approved by a licensing*
16 *authority shall be reported to the office within 24 hours of its*
17 *approval.*

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

20 *(g) Each licensing authority shall adopt regulations as needed*
21 *to implement the relevant licensing program within one year*
22 *following the establishment of provisional licenses, pursuant to*
23 *Section 19330. The regulations shall not limit the authority of a*
24 *city, county, or city and county pursuant to Section 7 of Article XI*
25 *of the California Constitution or any other law. The regulations*
26 *shall do all of the following:*

27 *(1) Establish procedures for approval or denial of applications*
28 *for state licensure for each and every aspect of commercial*
29 *cannabis activity, including, but not limited to, cultivation,*
30 *possession, manufacture, processing, storing, laboratory testing,*
31 *labeling, transporting, distribution, and sale of cannabis.*

32 *(2) Establish applicant qualifications.*

33 *(3) Establish state licensee employee qualifications, including,*
34 *but not limited to, training and screening requirements.*

35 *(4) Establish state licensee security requirements, including,*
36 *but not limited to, procedures to limit access to facilities and to*
37 *prevent diversion of product to nonmedical use.*

38 *(5) Establish procedures and protocols for identifying,*
39 *managing, and disposing of contaminated, adulterated,*
40 *deteriorated, or excess product.*

1 (6) Establish advertising, marketing, signage, and labeling
2 requirements and restrictions.

3 (7) Establish procedures for the suspension, revocation, or
4 surrender of a state license, and establishing related fines and
5 penalties to be assessed against licensees for violations of this
6 chapter.

7 19320. (a) An applicant for a state license shall do all of the
8 following:

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

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

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

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

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

21 (3) In the case of a dispensary, provide the name and address
22 of each licensed cultivation site and licensed manufacturer from
23 which the dispensary will acquire or obtain medical cannabis or
24 medical cannabis products.

25 (4) Provide a description, in writing, of the scope of business
26 of the proposed facility.

27 (5) Provide evidence that the applicant and owner have been
28 legal full-time residents of the state for not less than two years.

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

34 (7) Submit the applicant's fingerprint images as follows:

35 (A) For purposes of this paragraph, "applicant" means the
36 owner or owners of a proposed facility, including all persons or
37 entities having an ownership interest other than a security interest,
38 lien, or encumbrance on property that will be used by the facility.
39 If the owner is an entity, fingerprints shall be submitted for each

1 *person participating in the direction, control, or management of,*
2 *or having a financial interest in, the proposed facility.*

3 *(B) The applicant shall electronically submit to the Department*
4 *of Justice fingerprint images and related information required by*
5 *the Department of Justice for the purpose of obtaining information*
6 *as to the existence and content of a record of state or federal*
7 *convictions and arrests, and information as to the existence and*
8 *content of a record of state or federal convictions and arrests for*
9 *which the Department of Justice establishes that the person is free*
10 *on bail or on his or her own recognizance, pending trial or appeal.*

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

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

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

20 *(8) If applicable, provide documentation that the applicant will*
21 *be in compliance with all local ordinances and regulations,*
22 *including, but not limited to, an entity granted immunity under*
23 *Measure D, approved by the voters of the City of Los Angeles at*
24 *the May 21, 2013, general election.*

25 *(9) Provide evidence of the legal right to occupy and use an*
26 *established location, including that, if the proposed facility is a*
27 *cultivator or a dispensary, that the proposed facility is located*
28 *beyond at least a 600-foot radius from a school, or, if applicable,*
29 *an immunity from prosecution for that occupancy or use pursuant*
30 *to Measure D, approved by the voters of the City of Los Angeles*
31 *at the May 21, 2013, general election.*

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

34 *(11) (A) For an applicant with 20 or more employees, provide*
35 *a statement that the applicant will enter into, or demonstrate that*
36 *it has already entered into, and abide by the terms of a labor peace*
37 *agreement.*

38 *(B) For the purposes of this paragraph, “employee” does not*
39 *include a supervisor.*

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

9 (12) Provide any other information required by the licensing
10 authority.

11 (13) For an applicant seeking a cultivation license, provide a
12 statement declaring the applicant is an “agricultural employer,”
13 as defined in the Alatorre-Zenovich-Dunlap-Berman Agricultural
14 Labor Relations Act of 1975 (Part 3.5 (commencing with Section
15 1140) of Division 2 of the Labor Code), to the extent not prohibited
16 by law.

17 (14) For an applicant seeking a cultivation or dispensary
18 license, provide a notarized statement from the owner of real
19 property or landlord where the cultivation or dispensing
20 commercial medical cannabis activities will occur, as proof to
21 demonstrate the landowner has acknowledged and consented to
22 permit cultivation or dispensary activities to be conducted on the
23 property by the tenant applicant.

24 (b) Each location and each discrete use of a single location
25 shall require a separate state license. Each application for a state
26 license is separate and distinct, and the licensing authority may
27 charge a separate fee for each.

28 (c) For applicants seeking a state license to cultivate and
29 manufacture, the application shall also include a detailed
30 description of the operating procedures for all of the following,
31 as applicable:

32 (1) Cultivation.

33 (2) Extraction and infusion methods.

34 (3) The transportation process.

35 (4) Inventory procedures.

36 (5) Quality control procedures.

37 19321. (a) Upon receipt of an application for licensure and
38 the applicable fee, each licensing authority shall make a thorough
39 investigation to determine whether the applicant and the premises
40 for which a state license is applied qualify for the state license and

1 *whether this chapter has been complied with, and shall investigate*
2 *all matters connected therewith that may affect the public welfare*
3 *and morals.*

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

7 *(c) A licensing authority may place reasonable conditions upon*
8 *licensure if grounds exist for denial of the state license, and the*
9 *licensing authority finds those grounds may be removed by the*
10 *imposition of those conditions. However, the limitations set forth*
11 *in paragraph (15) of subdivision (d) shall not be waived.*

12 *(d) Each licensing authority shall deny the application for*
13 *licensure or renewal, or suspend or revoke a state license, if any*
14 *of the following conditions apply:*

15 *(1) An entity making or authorizing in any manner or by any*
16 *means a written or oral statement that is untrue or misleading and*
17 *that is known, or that by exercise of reasonable care should be*
18 *known, to be untrue or misleading.*

19 *(2) Conduct that constitutes fraud.*

20 *(3) Conduct constituting gross negligence.*

21 *(4) Failure to comply with the provisions of this chapter or any*
22 *rule or regulation adopted pursuant to this chapter.*

23 *(5) Conduct that constitutes grounds for denial of licensure*
24 *pursuant to Chapter 2 (commencing with Section 480) of Division*
25 *1.5.*

26 *(6) Local agencies have notified the licensing authority or the*
27 *office and provided evidence that a licensee or applicant within*
28 *its jurisdiction is in violation of local ordinances relating to*
29 *medical cannabis activities.*

30 *(7) The applicant fails to meet the requirements of this chapter*
31 *or any regulation adopted pursuant to this chapter or any*
32 *applicable city, county, or city and county ordinance or regulation.*
33 *If a local government adopts an ordinance or resolution*
34 *authorizing medical cannabis to be cultivated, manufactured,*
35 *stored, distributed, or sold within its jurisdiction, it shall submit*
36 *to the office documentation detailing their renewal requirements.*

37 *(8) Granting or continuation of a state license would be contrary*
38 *to the public welfare or morals.*

39 *(9) The applicant holding or seeking a state license has violated*
40 *any law prohibiting conduct involving moral turpitude.*

1 (10) *The application has failed to state with sufficient specificity*
2 *the jurisdiction and location at which the applicant proposes to*
3 *establish operations.*

4 (11) *The applicant, or any of its officers, directors, or owners,*
5 *is under 21 years of age.*

6 (12) *The applicant fails to provide notarized written proof that*
7 *the owner of real property or landlord has acknowledged and*
8 *consented to its tenant’s proposed cultivation or dispensing of*
9 *medical cannabis or medical cannabis products.*

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

11 (14) *The applicant, or any of its officers, directors, or owners,*
12 *has been convicted of a felony criminal conviction for drug*
13 *trafficking involving a minor; felonies subject to enhancements*
14 *Section 11370.4 or 11379.8 of the Health and Safety Code, a*
15 *violent felony, as specified in subdivision (c) of Section 667.5 of*
16 *the Penal Code, a serious felony as specified in subdivision (c) of*
17 *Section 1192.7 of the Penal Code, a felony offense involving fraud*
18 *or deceit, or any other felony that, in the licensing authority’s*
19 *determination, would impair the applicant’s ability to appropriately*
20 *operate as a state licensee. The licensing authority may, at its*
21 *discretion, issue a state license to an applicant that has obtained*
22 *a certificate of rehabilitation pursuant to Section 4852.13 of the*
23 *Penal Code.*

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

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

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

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

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

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

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

12 19323. (a) *Provided the applicant has not committed an act*
13 *or crime constituting grounds for the denial of licensure under*
14 *Section 19321, a licensing authority may issue a state license and*
15 *send a proof of issuance to the applicant.*

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

19 19324. *The office may adopt regulations to limit the number*
20 *of state licenses issued pursuant to this chapter upon a finding*
21 *that the otherwise unrestricted issuance of state licenses is*
22 *dangerous to the public health and safety.*

23

24 Article 5. Regulation of Medical Cannabis

25

26 19325. (a) *Except as provided in Section 11362.5 of, and*
27 *Article 2.5 (commencing with Section 11362.7) of Chapter 6 of*
28 *Division 10 of, the Health and Safety Code, a person shall not sell*
29 *medical cannabis to a patient or caregiver other than at a licensed*
30 *dispensing facility or through delivery from a licensed dispensing*
31 *facility.*

32 (b) *Except as provided in Section 11362.5 of, and Article 2.5*
33 *(commencing with Section 11362.7) of Chapter 6 of Division 10*
34 *of, the Health and Safety Code, a person shall not grow medical*
35 *cannabis other than at a licensed cultivation site.*

36 (c) *Except as provided in Section 11362.5 of, and Article 2.5*
37 *(commencing with Section 11362.7) of Chapter 6 of Division 10*
38 *of, the Health and Safety Code, a person other than a licensed*
39 *manufacturer shall not manufacture medical cannabis or medical*
40 *cannabis products.*

- 1 (d) A person other than a licensed transporter shall not transport
2 medical cannabis from one facility issued a state license to another.
- 3 (e) A licensed manufacturer may obtain medical cannabis from
4 a licensed cultivator and may furnish medical cannabis products
5 to a licensed dispensary.
- 6 (f) Medical cannabis and medical cannabis products shall be
7 tested by a certified testing laboratory.
- 8 (g) For purposes of this section, “license” includes a provisional
9 license issued pursuant to Section 19330.
- 10 (h) This section shall become operative on July 1, 2017.
11 19326. (a) A licensee shall not cultivate, process, store,
12 manufacture, transport, or sell medical cannabis in the state unless
13 accurate records are kept at the licensed premises of the growing,
14 processing, storing, manufacturing, transporting, or selling by the
15 licensee.
- 16 (b) A licensee shall keep, at the licensed premises, accurate
17 records of the specific commercial cannabis activity conducted by
18 the licensee. The records shall include, at a minimum, all of the
19 following for each batch of product:
- 20 (1) The name and address of the supplier.
21 (2) The dates on which the product was received.
22 (3) The amounts, form, and batch and lot number.
23 (4) The location of the cultivation site.
24 (5) The name of the employee who received the product.
25 (6) Records demonstrating compliance by the licensee with state
26 and federal rules and regulations regarding reporting and taxation
27 of income received.
- 28 (7) Receipts for all expenditures incurred by the licensee and
29 banking records, if any, for all funds obtained or expended in the
30 performance of any activity under the authority of the state license.
- 31 (c) Records shall be kept for a minimum of seven years.
- 32 (d) The office and an appropriate state or local agency may
33 examine the books and records of a state licensee and may visit
34 and inspect the premises of a state licensee, as the office or state
35 or local agency deems necessary to perform its duties under this
36 chapter.
- 37 (e) Books or records requested by the office or an appropriate
38 state or local agency shall be provided by the licensee no later
39 than five business days after the request is made.

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

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

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

15 (i) All cultivation and dispensing licensees shall be subject to
16 an annual audit, as specified by the licensing authority, in order
17 to ensure proper documentation is kept at each site or facility. The
18 reasonable costs of the audit shall be paid for by the licensee.

19 19327. (a) A licensee may only hold a state license in up to
20 two separate license categories, as follows:

21 (1) Type 1, 1A, and 5 licensees may apply for type 6A, 6B, 7A,
22 and 7B licenses or type 10, 11, and 12 licenses.

23 (2) Type 6A, 6B, 7A, and 7B licensees may apply for type 1, 1A,
24 and 5 licenses or type 10, 10D, 11, 11D, 12, and 12D licenses.

25 (3) Type 10, 11, and 12 licensees may apply for type 1, 1A, and
26 5 licenses or type 6A, 6B, 7A, and 7B licenses.

27 (4) Type 10D, 11D, and 12D licensees may apply for type 6A,
28 6B, 7A, and 7B licenses.

29 (b) Types 2, 2A, 3, 3A, 4, and 8 licensees shall not hold licenses
30 in any other category.

31 (c) Type 9 licensees may apply only for one additional license
32 from either the cultivation, manufacturing, or dispensing category.

33 (d) It is the intent of the Legislature to further develop which
34 licensees may hold more than one license type.

35 19328. Each licensing authority shall make recommendations
36 to the Legislature pertaining to the establishment of an appeals
37 and judicial review process for persons aggrieved by a final
38 decision of the licensing authority.

39 19329. This chapter and Article 2 (commencing with Section
40 11357) and Article 2.5 (commencing with Section 11362.7) of

1 Chapter 6 of Division 10 of the Health and Safety Code do not
2 require an employer to permit or accommodate the use,
3 consumption, possession, transfer, display, transportation, sale,
4 or growth of cannabis in the workplace or affect the ability of
5 employers to have policies restricting the use of cannabis by
6 employees, or prevent employers from complying with federal law.

7
8
9

Article 6. Provisional Licensing

10 19330. (a) Each licensing authority shall, as soon as
11 practicable following January 1, 2016, allow a qualified applicant
12 for licensure to apply for and receive a provisional license to
13 engage in commercial cannabis activity so as to ensure an
14 adequate supply of medical cannabis upon full implementation of
15 this chapter.

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

20 (c) Each licensing authority shall, if the applicant meets all the
21 requirements in this section, issue a provisional license to
22 individuals and entities that the licensing authority determines
23 were, during the three months prior to January 1, 2016, regularly
24 cultivating, processing, manufacturing, transporting, or
25 distributing medical cannabis collectively or cooperatively in full
26 compliance with any applicable local ordinance, and to continue
27 to do so until the licensee's application for a state license has been
28 approved or denied under this chapter, but no later than 90 days
29 after the licensing authority begins accepting applications for
30 regular state licenses. The licensing authority may consult with
31 relevant local agencies in making a determination on whether a
32 provisional license applicant is in compliance with applicable
33 ordinances.

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

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

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

4 (3) *The common street address and assessor's parcel number*
5 *of the property at which cultivation activity was or is to be*
6 *conducted.*

7 (4) *For the three months prior to January 1, 2016, the quantity*
8 *of cannabis cultivated, processed, manufactured, tested,*
9 *transported, or sold at a location, and the quantity expected to be*
10 *cultivated, processed, manufactured, tested, transported, or sold*
11 *from January 1, 2016, to July 1, 2016, inclusive. The licensee shall*
12 *make its records of current activity, and activity for the three*
13 *months prior to January 1, 2016, available to the licensing*
14 *authority upon request.*

15 (5) *For an applicant seeking a cultivation or dispensary license,*
16 *a notarized statement from the owner of real property or landlord*
17 *where the cultivation or dispensing of commercial cannabis*
18 *activities will occur, as proof to demonstrate the landowner has*
19 *acknowledged and consented to permit cultivation or dispensary*
20 *activities to be conducted on the property by the tenant applicant.*

21 (e) *Upon receipt of the application materials and fee, if the*
22 *applicant meets all the requirements of this section and if the*
23 *applicant has not committed any act or crime constituting grounds*
24 *for the denial of licensure, the licensing authority shall issue a*
25 *provisional license and send a proof of issuance to the applicant.*

26 (f) *Notwithstanding any other provision of this section, a*
27 *licensing authority shall not issue a provisional license to an*
28 *individual or entity, or for a premises, against whom there are*
29 *pending state or local administrative or judicial proceedings or*
30 *actions initiated by a city, county, or city and county under an*
31 *applicable local ordinance, or who has been determined through*
32 *those proceedings to have violated a local ordinance related to*
33 *cannabis activity, or that knowingly provides false or fraudulent*
34 *information on an application for licensure.*

35 (g) *Entities that are provided immunity under Measure D,*
36 *approved by the voters of the City of Los Angeles at the May 21,*
37 *2013, general election, shall be considered the equivalent of*
38 *entities that are registered, permitted, or licensed as a medical*
39 *cannabis business, dispensary, or other entity involved in providing*
40 *medical cannabis to patients under a local ordinance and shall*

1 *be considered in compliance with a local ordinance for the*
2 *purposes of this section.*

3 *(h) A provisional licensee shall comply with all standards and*
4 *requirements applicable to a licensee under this chapter, including,*
5 *but not limited to, the production, recordkeeping, security, and*
6 *transportation requirements and standards.*

7 *(i) Beginning July 1, 2017, all commercial cannabis activity*
8 *shall be conducted between licensees of commercial cannabis*
9 *activity. If the licensing authority has not promulgated its*
10 *respective regulations by that date, the licensing authority shall*
11 *provide an extension for all provisional licenses for applicants*
12 *abiding by the provisions of this chapter.*

13
14 *Article 7. Licensed Cultivation Sites*

15
16 *19332. (a) The Division of Medical Cannabis Cultivation in*
17 *the Department of Food and Agriculture shall promulgate*
18 *regulations governing the licensing of cultivation sites. For*
19 *purposes of this chapter, the Secretary of the Department of Food*
20 *and Agriculture shall declare medical cannabis to be an*
21 *agricultural product. The department shall develop standards for*
22 *the production and labeling of all edible medical cannabis*
23 *products, standards for the use of pesticides and rodenticides in*
24 *cultivation, and, in consultation with the State Department of*
25 *Public Health, maximum tolerances for pesticides, rodenticides,*
26 *and other foreign object residue in harvested cannabis.*

27 *(b) The Department of Food and Agriculture shall have the*
28 *authority necessary for the implementation of this chapter.*
29 *Department regulations shall do all of the following:*

30 *(1) Provide that weighing or measuring devices used in*
31 *connection with the sale or distribution of medical cannabis are*
32 *required to meet standards analogous to Division 5 (commencing*
33 *with Section 12001).*

34 *(2) Require that the application of pesticides or other pest*
35 *control in connection with the indoor or outdoor cultivation of*
36 *medical cannabis shall meet standards analogous to Division 6*
37 *(commencing with Section 11401) of the Food and Agricultural*
38 *Code and its implementing regulations.*

39 *(3) Require that indoor and outdoor cannabis cultivation by*
40 *licensees is conducted in accordance with state and local laws*

1 *and best practices related to land conversion, grading, electricity*
2 *usage, water usage, agricultural discharges, and similar matters.*

3 *(c) State licenses to be issued by the Division of Medical*
4 *Cannabis Cultivation are as follows:*

5 *(1) Type 1, or “specialty outdoor,” for outdoor cultivation of*
6 *less than 5,000 square feet of total area on one property. Maximum*
7 *of 50 mature plants on the property.*

8 *(2) Type 1A, or “specialty indoor,” for indoor cultivation of*
9 *less than 5,000 square feet of total area on one property. Maximum*
10 *of 50 mature plants on the property.*

11 *(3) Type 2, or “small outdoor,” for outdoor cultivation between*
12 *5,001 and 10,000 square feet of total area on one property.*
13 *Maximum of 99 mature plants on the property.*

14 *(4) Type 2A, or “small indoor,” for indoor cultivation between*
15 *5,001 and 10,000 square feet of total area on one property.*
16 *Maximum of 99 mature plants on the property.*

17 *(5) Type 3, or “medium outdoor,” for outdoor cultivation*
18 *between 10,001 and 30,000 square feet of total area on one*
19 *property. Maximum of 299 mature plants on the property. The*
20 *Division of Medical Cannabis Cultivation shall limit the number*
21 *of licenses allowed of this type.*

22 *(6) Type 3A, or “medium indoor,” for indoor cultivation*
23 *between 10,001 and 30,000 square feet of total area on one*
24 *property. Maximum of 299 mature plants on the property. The*
25 *Division of Medical Cannabis Cultivation shall limit the number*
26 *of licenses allowed of this type.*

27 *(7) Type 4, or “large outdoor,” for outdoor cultivation greater*
28 *than 30,001 square feet of total area on one property. Maximum*
29 *of 500 mature plants on the property. The Division of Medical*
30 *Cannabis Cultivation shall limit the number of licenses allowed*
31 *of this type.*

32 *(8) Type 5, or “nursery,” for cultivation of medical cannabis*
33 *solely as a nursery. Type 5 licensees may transport live plants.*

34 *(d) All license fees collected by the division pursuant to this*
35 *chapter shall be deposited into the Medical Cannabis Cultivation*
36 *Fees Account, which is hereby established within the fund. All*
37 *moneys within this account are available upon appropriation by*
38 *the Legislature to the division solely for the purposes of fully*
39 *funding and administering this chapter, including, but not limited*

1 *to, the costs incurred by the division for its administrative expenses*
2 *and costs and the costs of regulation.*

3 *(e) It is the intent of the Legislature to establish appropriate*
4 *protocols for the collection of the specific location of cultivation*
5 *sites.*

6
7 *Article 8. Licensed Dispensing Facilities*
8

9 *19334. (a) The State Board of Equalization shall promulgate*
10 *regulations governing the licensing and regulation of wholesalers,*
11 *dispensing facilities, and transporters. State enforcement shall be*
12 *conducted in coordination with local authorities.*

13 *(b) State licenses to be issued by the State Board of Equalization*
14 *are as follows:*

15 *(1) Type 9, or “wholesale,” for the storage of medical cannabis*
16 *or medical cannabis products. Maximum storage shall be two*
17 *pounds of dried flower or 200 individual units per medical*
18 *cannabis product.*

19 *(2) Type 10, or “small dispensary,” for dispensaries with 1-50*
20 *employees, including management.*

21 *(3) Type 10D, or “small dispensary-delivery,” for dispensaries*
22 *with the same restrictions as Type 10; also allows for delivery.*

23 *(4) Type 11, or “medium dispensary,” for dispensaries with*
24 *51-100 employees, including management.*

25 *(5) Type 11D, or “medium dispensary-delivery,” for*
26 *dispensaries with the same restrictions as Type 11; also allows*
27 *for delivery.*

28 *(6) Type 12, or “large dispensary,” for dispensaries with 100*
29 *employees or more, including management.*

30 *(7) Type 12D, or “large dispensary-delivery,” for dispensaries*
31 *with the same restrictions as Type 12; also allows for delivery.*

32 *(8) Type 13, or “transport,” for transporters of medical*
33 *cannabis and medical cannabis products.*

34
35 *Article 9. Licensed Transporters*
36

37 *19336. (a) A licensee authorized to transport, or transport*
38 *and deliver, medical cannabis and medical cannabis products*
39 *shall do so only as set forth in this chapter.*

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

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

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

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

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

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

24 19337. (a) Transported and delivered medical cannabis or
25 medical cannabis products shall be transported only in a storage
26 compartment that is securely affixed to the interior of the
27 transporting vehicle and that is not visible from outside the vehicle.
28 This requirement shall only apply to licensees transporting medical
29 cannabis or medical cannabis products with a total retail value
30 of at least an amount equal to a statewide monetary threshold,
31 which shall be adopted by regulation by the licensing authority
32 after review by the task force and the office.

33 (b) A vehicle transporting medical cannabis or medical cannabis
34 products shall travel only directly between licensed facilities,
35 unless otherwise authorized under its license.

36 (c) All transport or delivery vehicles shall be staffed with a
37 minimum of two employees. At least one employee shall remain
38 with the vehicle at all times when the vehicle contains medical
39 cannabis. This requirement shall only apply to licensees
40 transporting medical cannabis or medical cannabis products with

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

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

9 19338. (a) The licensing authority shall develop a database
10 containing the electronic shipping manifests, which shall include,
11 but not be limited to, the following information:

12 (1) The quantity, or weight, and variety of products shipped.

13 (2) The estimated times of departure and arrival.

14 (3) The quantity, or weight, and variety of products received.

15 (4) The actual time of arrival.

16 (5) A categorization of the product.

17 (b) The database shall be designed to flag irregularities for a
18 regulatory authority to investigate. An authorized enforcement
19 authority may, at any time, inspect shipments and request
20 documentation for current inventory.

21 19339. (a) This chapter shall not be construed to authorize
22 or permit a licensee to transport or deliver, or cause to be
23 transported or delivered, cannabis or cannabis products outside
24 the state, unless authorized by federal law.

25 (b) A local jurisdiction shall not prevent transportation of
26 medical cannabis or medical cannabis products on public roads
27 by a licensee transporting medical cannabis or medical cannabis
28 products that acts in compliance with this chapter and applicable
29 local ordinances.

30 19340. (a) All mobile, vehicular, and Internet-based delivery
31 services are prohibited except as authorized by this chapter.

32 (b) Upon approval of the licensing authority, a licensee
33 authorized to provide delivery services shall abide by the following:

34 (1) The city, county, or city and county in which the premises
35 of the licensee is located, and in which each delivery is made, must
36 specifically permit delivery service by ordinance referring to this
37 section.

38 (2) All employees delivering medical cannabis or medical
39 cannabis products must carry a current license authorizing those
40 services with them during deliveries, and must present that license

1 upon request to state and local law enforcement, employees of
2 regulatory authorities, and other state and local agencies enforcing
3 this chapter.

4 (c) A city, county, or city and county shall have the authority
5 to impose a tax, pursuant to Section 19355, on each delivery
6 transaction completed by a licensee.

7 (d) Whenever a licensing authority has knowledge that a licensee
8 has transported or delivered, or arranged or facilitated the
9 transport or delivery of, medical cannabis or medical cannabis
10 products in violation of this chapter, the licensing authority shall
11 summarily suspend that facility's license and shall without delay
12 commence proceedings for the revocation of the license in
13 accordance with this chapter.

14 (e) All license fees collected by the licensing authority pursuant
15 to this chapter shall be deposited into the Medical Cannabis Retail
16 Fees Account, which is hereby established within the fund. All
17 moneys within the Medical Cannabis Retail Fees Account are
18 available upon appropriation to the State Board of Equalization,
19 solely for the purposes of fully funding and administering this
20 chapter, including, but not limited to, the costs incurred by the
21 board for its administrative expenses and costs and the costs of
22 regulation.

23

24 Article 10. Licensed Manufacturers and Certified Laboratories

25

26 19342. (a) The Division of Medical Cannabis Manufacturing
27 and Testing within the State Department of Public Health shall
28 promulgate regulations governing the licensing of cannabis
29 manufacturers.

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

31 (1) Type 6A, or "small manufacturing level 1," for
32 manufacturing sites that use a maximum of XXX pounds of medical
33 cannabis each year to produce medical cannabis products, using
34 nonvolatile solvents.

35 (2) Type 6B, or "small manufacturing level 2," for
36 manufacturing sites that use a maximum of XXX pounds of medical
37 cannabis each year to produce medical cannabis products, using
38 volatile solvents.

39 (3) Type 7A, or "large manufacturing level 1," for
40 manufacturing sites that use a maximum of XXX pounds of medical

1 *cannabis each year to produce medical cannabis products, using*
2 *nonvolatile solvents. The division shall limit the number of licenses*
3 *of this type.*

4 (4) *Type 7B, or “large manufacturing level 2,” for*
5 *manufacturing sites that use a maximum of XXX pounds of medical*
6 *cannabis each year to produce medical cannabis products, using*
7 *volatile solvents. The division shall limit the number of licenses*
8 *of this type.*

9 (5) *Type 8, or “testing,” for testing of medical cannabis and*
10 *medical cannabis products. Type 8 licensees shall have their*
11 *facilities certified according to regulations set forth by the division.*

12 (c) *All license fees collected by the division pursuant to this*
13 *chapter shall be deposited into the Medical Cannabis*
14 *Manufacturing and Testing Fees Account, which is hereby*
15 *established within the fund. All moneys within the Medical*
16 *Cannabis Manufacturing and Testing Fees Account are available*
17 *upon appropriation by the Legislature to the division, solely for*
18 *the purposes of fully funding and administering this chapter,*
19 *including, but not limited to, the costs incurred by the division for*
20 *its administrative expenses and costs and the costs of regulation.*

21 19343. (a) *The State Department of Public Health shall*
22 *promulgate standards for certification of testing laboratories to*
23 *perform random sample testing of all medical cannabis products,*
24 *including standards for onsite testing.*

25 (b) *Certification of testing laboratories shall be consistent with*
26 *general requirements for the competence of testing and calibration*
27 *activities, including sampling, using standard methods established*
28 *by the International Organization for Standardization, specifically*
29 *ISO/IEC 17020 and ISO/IEC 17025.*

30 (c) *These requirements shall apply to all entities, including*
31 *third-party laboratories, engaged in the testing of medical cannabis*
32 *pursuant to this chapter.*

33 19344. (a) *A laboratory certified by the department to perform*
34 *random sample testing of medical cannabis products shall not*
35 *acquire, process, possess, store, transfer, transport, or dispense*
36 *medical cannabis for any purpose other than those authorized by*
37 *Article 2.5 (commencing with Section 11362.7) of Chapter 6 of*
38 *Division 10 of the Health and Safety Code. All transfer or*
39 *transportation shall be performed pursuant to a specified chain*
40 *of custody protocol.*

1 (b) A laboratory certified by the department to perform random
2 sample testing of medical cannabis products shall not acquire,
3 process, possess, store, transfer, transport, or dispense medical
4 cannabis plants or medical cannabis products except through a
5 patient, primary caregiver, or a facility issued a state license. All
6 transfer or transportation shall be performed pursuant to a
7 specified chain of custody protocol.

8 (c) The department shall develop procedures to ensure that
9 testing of cannabis occurs prior to delivery to dispensaries or any
10 other business, and specify how often licensees shall test cannabis,
11 that the cost of testing shall be borne by the licensed cultivators,
12 and requiring destruction of harvested batches whose testing
13 samples indicate noncompliance with health and safety standards
14 promulgated by the department, unless remedial measures can
15 bring the cannabis into compliance with quality assurance
16 standards as promulgated by the department.

17 (d) The department shall establish a certification fee, and
18 laboratories shall pay a fee to be certified. Certification fees shall
19 not exceed the reasonable regulatory cost of the certification
20 activities.

21 (e) All certification fees collected by the department pursuant
22 to this chapter shall be deposited into the Medical Cannabis
23 Manufacturing and Testing Fees Account, which is hereby
24 established within the fund.

25 19345. (a) The Division of Medical Cannabis Manufacturing
26 and Testing within the State Department of Public Health shall
27 promulgate the following standards:

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

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

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

36 (1) Prescribe sanitation standards analogous to the California
37 Retail Food Code (Part 7 (commencing with Section 113700) of
38 Division 104 of the Health and Safety Code) for food preparation,
39 storage, handling, and sale of edible medical cannabis products.

1 *For purposes of this chapter, edible medical cannabis products*
2 *are deemed to be unadulterated food products.*

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

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

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

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

21 *19346. (a) Prior to sale or distribution at a licensed dispensing*
22 *facility, edible medical cannabis products shall be labeled and in*
23 *a tamper-evident package. Labels and packages of edible medical*
24 *cannabis products shall meet the following requirements:*

25 *(1) Edible medical cannabis packages and labels shall not be*
26 *made to be attractive to children.*

27 *(2) All edible medical cannabis product labels shall include the*
28 *following information, prominently displayed and in a clear and*
29 *legible font:*

30 *(A) Manufacture date and source.*

31 *(B) The statement “KEEP OUT OF REACH OF CHILDREN*
32 *AND ANIMALS” in bold print.*

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

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

36 *(E) Net weight of medical cannabis in the package.*

37 *(F) A warning if nuts or other known allergens are used and*
38 *the total weight, in ounces or grams, of medical cannabis in the*
39 *package.*

1 (G) List of pharmacologically active ingredients, including, but
 2 not limited to, tetrahydrocannabinol (THC) and cannabidiol (CBD)
 3 content, the THC amount in milligrams per serving, servings per
 4 package, and the THC amount in milligrams for the package total.

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

7 (I) Identification of the source and date of cultivation and
 8 manufacture.

9 (J) The name and location of the licensed dispensing facility
 10 providing the product.

11 (K) The date of sale.

12 (L) Any other requirement set by the department.

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

15

16 *Article 11. Cannabis Employee Certification and Apprenticeship*

17

18 *19350. This article applies only to cultivation sites and*
 19 *dispensaries.*

20 *19351. The Division of Labor Standards Enforcement shall do*
 21 *all of the following:*

22 (a) *Maintain minimum standards for the competency and*
 23 *training of employees of a licensed cultivator or dispensary through*
 24 *a system of testing and certification.*

25 (b) *Maintain an advisory committee and panels as necessary*
 26 *to carry out its functions under this article. There shall be employer*
 27 *representation on the committee and panels.*

28 (c) *Adopt regulations as determined to be necessary to*
 29 *implement this article.*

30 (d) *Issue certification cards to employees certified pursuant to*
 31 *this article.*

32 (e) *Establish registration fees in an amount reasonably*
 33 *necessary to implement this article, not to exceed twenty-five*
 34 *dollars (\$25) for the initial registration. There shall be no fee for*
 35 *annual renewal of registration. Fees collected for cultivation sites*
 36 *and dispensaries shall be placed into the Medical Cannabis*
 37 *Cultivation Fee Account and the Medical Cannabis Retail Fee*
 38 *Account, respectively.*

39 *19352. (a) By January 1, 2017, the Division of Labor*
 40 *Standards Enforcement shall develop a certification program for*

1 *cannabis employees. Commencing January 1, 2019, except as*
2 *provided in subdivision (c), certification shall be required of all*
3 *persons who perform work as cannabis employees.*

4 *(b) Individuals desiring to be certified shall submit an*
5 *application for certification and examination.*

6 *(c) (1) Certification is not required for registered apprentices*
7 *working as cannabis employees as part of a state-approved*
8 *apprenticeship program. An apprentice who is within one year of*
9 *completion of his or her term of apprenticeship shall be permitted*
10 *to take the certification examination and, upon passing the*
11 *examination, shall be certified immediately upon completion of*
12 *the term of apprenticeship.*

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

19 *(3) The Division of Labor Standards Enforcement may develop*
20 *additional criteria governing this subdivision.*

21 *19353. (a) The following shall constitute additional grounds*
22 *for disciplinary proceedings, including suspension or revocation*
23 *of the license issued pursuant to this chapter:*

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

27 *(2) The licensee willfully fails to provide adequate supervision*
28 *of uncertified workers.*

29 *(3) The licensee willfully fails to provide adequate supervision*
30 *of apprentices.*

31 *(b) The Labor Commissioner shall maintain a process for*
32 *referring cases to the appropriate regulatory authority when it*
33 *has been determined that a violation of this section has likely*
34 *occurred. The Labor Commissioner shall have a memorandum of*
35 *understanding with the regulatory authorities in furtherance of*
36 *this section.*

37 *(c) Upon receipt of a referral by the Labor Commissioner*
38 *alleging a violation under this section, the appropriate licensing*
39 *authority shall open an investigation. Disciplinary action against*
40 *the licensee shall be initiated within 60 days of the receipt of the*

1 referral. The licensing authority may initiate disciplinary action
 2 against a licensee upon his or her own investigation, the filing of
 3 a complaint, or a finding that results from a referral from the
 4 Labor Commissioner alleging a violation under this section.
 5 Failure of the employer or employee to provide evidence of
 6 certification or apprentice status shall create a rebuttable
 7 presumption of violation of this section.

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

9

10 Article 12. Taxation

11

12 19355. The office and other state agencies may assist state
 13 taxation authorities in the development of uniform policies for the
 14 state taxation of state licensees.

15 19356. (a) (1) In addition to any authority otherwise provided
 16 by law, the board of supervisors of a county may impose, by
 17 ordinance, a tax on the privilege of cultivating, dispensing,
 18 producing, processing, preparing, storing, providing, donating,
 19 selling, or distributing cannabis by a licensee operating pursuant
 20 to this chapter. The tax may be imposed for general governmental
 21 purposes or for purposes specified in the ordinance by the board
 22 of supervisors.

23 (2) The board of supervisors shall specify in the ordinance
 24 proposing the tax the activities subject to the tax, the applicable
 25 rate or rates, the method of apportionment, and the manner of
 26 collection of the tax. A tax imposed pursuant to this section is a
 27 tax and not a fee or special assessment, and the tax is not required
 28 to be apportioned on the basis of benefit to any person or property
 29 or be applied uniformly to all taxpayers or all real property.

30 (3) A tax imposed by a county pursuant to this section by a
 31 county may include a transactions and use tax imposed solely for
 32 cannabis or cannabis products, which shall otherwise conform to
 33 Part 1.6 (commencing with Section 7251) of Division 2 of the
 34 Revenue and Taxation Code. Notwithstanding Section 7251.1 of
 35 the Revenue and Taxation Code, the tax may be imposed at any
 36 rate specified by the board of supervisors, and the tax rate
 37 authorized by this section shall not be considered for purposes of
 38 the combined tax rate limitation established by that section.

39 (4) The tax authorized by this section may be imposed upon any
 40 or all of the activities set forth in paragraph (1), regardless of

1 *whether the activity is undertaken individually, collectively, or*
2 *cooperatively, and regardless of whether the activity is for*
3 *compensation or gratuitously, as determined by the board of*
4 *supervisors.*

5 *(5) The board of supervisors shall specify whether the tax*
6 *applies throughout the entire county or within the unincorporated*
7 *area of the county.*

8 *(b) In addition to any other method of collection authorized by*
9 *law, the board of supervisors may provide for the collection of the*
10 *tax imposed pursuant to this section in the same manner, and*
11 *subject to the same penalties and priority of lien, as other charges*
12 *and taxes fixed and collected by the county.*

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

15 *(d) For purposes of this section, “cannabis” shall have the same*
16 *meanings as the definition set forth in Section 19300.*

17 *(e) This section does not limit or prohibit the levy or collection*
18 *or any other fee, charge, or tax, or any license or service fee or*
19 *charge upon, or related to, the activities set forth in subdivision*
20 *(a), as otherwise provided by law. This section shall not be*
21 *construed as a limitation upon the taxing authority of any county*
22 *as provided by other law.*

23

24

Article 13. Funding

25

26 *19360. Each licensing authority shall establish a scale of*
27 *application, licensing, and renewal fees, based upon the cost of*
28 *enforcing this chapter, as follows:*

29 *(a) Each licensing authority shall charge each licensee a*
30 *licensure or renewal fee. The licensure or renewal fee shall be*
31 *calculated to cover the costs of administering this chapter. The*
32 *licensure fee may vary depending upon the varying costs associated*
33 *with administering the various regulatory requirements of this*
34 *chapter as they relate to the nature and scope of the different*
35 *licensure activities, but shall not exceed the reasonable regulatory*
36 *costs to the licensing authority.*

37 *(b) The total fees assessed pursuant to this chapter, including,*
38 *but not limited to, provisional license fees set forth in Section*
39 *19330, shall be set at an amount that will fairly and proportionately*

1 generate sufficient total revenue to fully cover the total costs of
2 administering this chapter.

3 19361. (a) The Medical Cannabis Regulation Fund is hereby
4 established within the State Treasury. Notwithstanding Section
5 16305.7 of the Government Code, the fund shall include any
6 interest and dividends earned on the moneys in the fund.

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

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

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

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

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

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

31

32 Article 14. Reporting

33

34 19363. On or before March 1 of each year, the director shall
35 prepare and submit to the Legislature an annual report on the
36 office's activities and post the report on the office's Internet Web
37 site. The report shall include, but not be limited to, the following
38 information for the previous fiscal year:

1 (a) *The amount of funds allocated and spent by the office and*
2 *licensing authorities for medical cannabis licensing, enforcement,*
3 *and administration.*

4 (b) *The number of state licenses issued, renewed, denied,*
5 *suspended, and revoked, by state license category.*

6 (c) *The average time for processing state license applications,*
7 *by state license category.*

8 (d) *The number and type of enforcement activities conducted*
9 *by the licensing authorities and by local law enforcement agencies*
10 *in conjunction with the licensing authorities or the office.*

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

13
14 *Article 15. Privacy*

15
16 19365. (a) *Information identifying the names of patients, their*
17 *medical conditions, or the names of their primary caregivers*
18 *received and contained in records kept by the office or licensing*
19 *authorities for the purposes of administering this chapter are*
20 *confidential and shall not be disclosed pursuant to the California*
21 *Public Records Act (Chapter 3.5 (commencing with Section 6250)*
22 *of Division 7 of Title 1 of the Government Code), except as*
23 *necessary for authorized employees of the State of California or*
24 *any city, county, or city and county to perform official duties*
25 *pursuant to this chapter, or a local ordinance.*

26 (b) *Nothing in this section precludes the following:*

27 (1) *Employees of any of the office or licensing authorities*
28 *notifying state or local agencies about information submitted to*
29 *the agency that the employee suspects is falsified or fraudulent.*

30 (2) *Notifications from any of the office or licensing authorities*
31 *to state or local agencies about apparent violations of this chapter*
32 *or applicable local ordinance.*

33 (3) *Verification of requests by state or local agencies to confirm*
34 *licenses and certificates issued by the regulatory authorities or*
35 *other state agency.*

36 (4) *Provision of information requested pursuant to a court order*
37 *or subpoena issued by a court or an administrative agency or local*
38 *governing body authorized by law to issue subpoenas.*

39 (c) *Information shall not be disclosed by any state or local*
40 *agency beyond what is necessary to achieve the goals of a specific*

1 investigation, notification, or the parameters of a specific court
2 order or subpoena.

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

5 11362.775. ~~Qualified~~(a) Subject to subdivision (b), qualified
6 patients, persons with valid identification cards, and the designated
7 primary caregivers of qualified patients and persons with
8 identification cards, who associate within the State of California
9 in order to collectively or cooperatively ~~to cultivate marijuana~~
10 *cannabis* for medical purposes, shall not solely on the basis of that
11 fact be subject to state criminal sanctions under Section 11357,
12 11358, 11359, 11360, 11366, 11366.5, or 11570.

13 (b) This section shall remain in effect only until 180 days after
14 the Division of Medical Cannabis Regulation within the State
15 Board of Equalization posts a notice on its Internet Web site that
16 the licensing authorities have commenced issuing provisional
17 licenses pursuant to the Medical Cannabis Regulation and Control
18 Act (Chapter 3.5 (commencing with Section 19300) of Division 8
19 of the Business and Professions Code), and as of that date is
20 repealed.

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

22 147.5. (a) By January 1, 2017, the Division of Occupational
23 Safety and Health shall convene an advisory committee to evaluate
24 whether there is a need to develop industry-specific regulations
25 related to the activities of facilities issued a license pursuant to
26 Chapter 3.5 (commencing with Section 19300) of Division 8 of the
27 Business and Professions Code.

28 (b) By July 1, 2017, the advisory committee shall present to the
29 board its findings and recommendations for consideration by the
30 board. By July 1, 2017, the board shall render a decision regarding
31 the adoption of industry-specific regulations pursuant to this
32 section.

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

34 3094. The Division of Apprenticeship Standards shall
35 investigate, approve, or reject applications for apprenticeship
36 programs for employees of a licensee subject to Article 11
37 (commencing with Section 19350) of Chapter 3.5 of Division 8 of
38 the Business and Professions Code. The Division of Apprenticeship
39 Standards shall adopt regulations necessary to implement and

1 regulate the establishment of the apprenticeship programs
2 described in this section.

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

4 2402.5. The Department of the California Highway Patrol
5 shall establish protocols to determine whether a driver is operating
6 a vehicle under the influence of cannabis, and shall develop
7 protocols setting forth best practices to assist law enforcement
8 agencies. The costs to the Department of the California Highway
9 Patrol of implementing this subdivision shall, upon appropriation
10 by the Legislature, be paid for with appropriations from moneys
11 in the Fines and Penalties Account of the Medical Cannabis
12 Regulation Fund.

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

17 SEC. 12. The Legislature finds and declares that Section 6 of
18 this act, which adds Chapter 3.5 (commencing with Section 19300)
19 to Division 8 of the Business and Professions Code, imposes a
20 limitation on the public's right of access to the meetings of public
21 bodies or the writings of public officials and agencies within the
22 meaning of Section 3 of Article I of the California Constitution.
23 Pursuant to that constitutional provision, the Legislature makes
24 the following findings to demonstrate the interest protected by this
25 limitation and the need for protecting that interest:

26 It is necessary to maintain the confidentiality of patient and
27 physician information provided to the regulatory authorities in
28 order to protect the private medical information of patients who
29 use medical cannabis and to preserve the essential confidentiality
30 of the physician and patient relationship.

31 SEC. 13. No reimbursement is required by this act pursuant
32 to Section 6 of Article XIII B of the California Constitution for
33 certain costs that may be incurred by a local agency or school
34 district because, in that regard, this act creates a new crime or
35 infraction, eliminates a crime or infraction, or changes the penalty
36 for a crime or infraction, within the meaning of Section 17556 of
37 the Government Code, or changes the definition of a crime within
38 the meaning of Section 6 of Article XIII B of the California
39 Constitution.

1 *However, if the Commission on State Mandates determines that*
2 *this act contains other costs mandated by the state, reimbursement*
3 *to local agencies and school districts for those costs shall be made*
4 *pursuant to Part 7 (commencing with Section 17500) of Division*
5 *4 of Title 2 of the Government Code.*

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**All matter omitted in this version of the bill
appears in the bill as amended in the
Assembly, May 11, 2015. (JR11)**