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AMENDED IN ASSEMBLY APRIL 14, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 266**

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

February 10, 2015

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

LEGISLATIVE COUNSEL'S DIGEST

AB 266, as amended, Bonta. Medical cannabis.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~(4) Existing law 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)~~

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

This bill, commencing 180 days after the ~~Division of Medical Cannabis Regulation within the State Board of Equalization~~ *Governor's Office of Medical Cannabis Regulation* posts a notice on its Internet

Web site that the licensing authorities have commenced issuing provisional licenses, would repeal those provisions.

(6)

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

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

(7)

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

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

(8)

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

(9)

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

This bill would make legislative findings to that effect.

(10)

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

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

With regard to any other mandates, this bill would provide that, if the Commission on State Mandates determines that the bill contains costs

so mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

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

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

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

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

9 (b) Federal enforcement authorities have recognized that in  
10 states that have authorized cannabis use and have enacted strong  
11 and effective regulatory and enforcement systems to control the  
12 cultivation, distribution, sale, and possession of cannabis, conduct  
13 in compliance with those regulatory and enforcement systems is  
14 less likely to threaten federal priorities, and, thus, less likely to  
15 require federal enforcement intervention (See: Memorandum For  
16 All United States Attorneys—Guidance Regarding Marijuana  
17 Enforcement, by James M. Cole, Deputy Attorney General, August  
18 29, 2013).

19 (c) Greater certainty and minimum statewide standards are  
20 urgently needed regarding the obligations of medical cannabis  
21 facilities, and for the imposition and enforcement of regulations  
22 to prevent unlawful cultivation and the diversion of cannabis to  
23 nonmedical use.

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

30 (e) The California Constitution grants cities and counties the  
31 authority to make and enforce, within their borders, “all local  
32 police, sanitary, and other ordinances and regulations not in conflict  
33 with the general laws.” This inherent local police power includes

1 broad authority to determine, for purposes of public health, safety,  
2 and welfare, the appropriate uses of land within the local  
3 jurisdiction's borders. The police power, therefore, allows each  
4 city and county to determine whether or not a medical cannabis  
5 dispensary or other facility that makes medical cannabis available  
6 may operate within its borders. This authority has been upheld by  
7 City of Riverside v. Inland Empire Patients Health and Wellness  
8 Center, Inc. (2013) 56 Cal.4th 729, and County of Los Angeles v.  
9 Hill (2011) 192 Cal.App.4th 861. Nothing in this act shall diminish,  
10 erode, or modify that authority.

11 (f) If a city or county determines that a dispensary or other  
12 facility that makes medical cannabis available may operate within  
13 its borders, then there is a need for the state to license these  
14 dispensaries and other facilities for the purpose of adopting and  
15 enforcing protocols for security standards at dispensaries and in  
16 the transportation of medical cannabis, as well as health and safety  
17 standards to ensure patient safety. This licensing requirement is  
18 not intended in any way nor shall it be construed to preempt local  
19 ordinances, regulations, or enforcement actions regarding the sale  
20 and use of medical cannabis, including, but not limited to, security,  
21 signage, lighting, and inspections.

22 (g) Nothing in this act or Article 2 (commencing with Section  
23 11357) or Article 2.5 (commencing with Section 11362.7) of  
24 Chapter 6 of Division 10 of the Health and Safety Code is intended  
25 to preempt any local ordinance regulating or banning the  
26 cultivation, processing, manufacturing, testing, transportation,  
27 distribution, provision, donation, or sale of medical cannabis, or  
28 to otherwise prevent or limit a city, county, or city and county  
29 from adopting or enforcing a zoning ordinance or other law,  
30 ordinance, or regulation that bans or regulates the location,  
31 operation, or establishment of any individual or other person that  
32 cultivates, processes, possesses, stores, manufactures, tests,  
33 transports, distributes, provides, donates, or sells cannabis.

34 (h) Nothing in this act is intended to *interfere with an employer's*  
35 *rights and obligations to maintain a drug and alcohol free*  
36 *workplace or to require an employer to permit or accommodate*  
37 *the use, consumption, possession, transfer, display, transportation,*  
38 *sale, or growth of cannabis in the workplace, or to affect the ability*  
39 *of employers to have policies* ~~restricting~~ *prohibiting* the use of

1 cannabis by *employees and prospective* employees, or otherwise  
2 complying with *state and* federal law.

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

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

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

10 2220.05. (a) In order to ensure that its resources are maximized  
11 for the protection of the public, the Medical Board of California  
12 shall prioritize its investigative and prosecutorial resources to  
13 ensure that physicians and surgeons representing the greatest threat  
14 of harm are identified and disciplined expeditiously. Cases  
15 involving any of the following allegations shall be handled on a  
16 priority basis, as follows, with the highest priority being given to  
17 cases in the first paragraph:

18 (1) Gross negligence, incompetence, or repeated negligent acts  
19 that involve death or serious bodily injury to one or more patients,  
20 such that the physician and surgeon represents a danger to the  
21 public.

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

24 (3) Repeated acts of clearly excessive prescribing, furnishing,  
25 or administering of controlled substances, or repeated acts of  
26 prescribing, dispensing, or furnishing of controlled substances, or  
27 recommending cannabis to patients for medical purposes without  
28 a good faith prior examination of the patient and medical reason  
29 therefor. However, in no event shall a physician and surgeon  
30 prescribing, furnishing, or administering controlled substances for  
31 intractable pain consistent with lawful prescribing, including, but  
32 not limited to, Sections 725, 2241.5, and 2241.6 of this code and  
33 Sections 11159.2 and 124961 of the Health and Safety Code, be  
34 prosecuted for excessive prescribing and prompt review of the  
35 applicability of these provisions shall be made in any complaint  
36 that may implicate these provisions.

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

39 (5) Practicing medicine while under the influence of drugs or  
40 alcohol.

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

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

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

12 2242. (a) Prescribing, dispensing, or furnishing dangerous  
13 drugs as defined in Section 4022 without an appropriate prior  
14 examination and a medical indication, constitutes unprofessional  
15 conduct. ~~Prescribing or recommending~~ *Recommending* medical  
16 cannabis to a patient for a medical purpose without an appropriate  
17 prior examination and a medical indication constitutes  
18 unprofessional conduct.

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

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

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

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

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

37 (3) The licensee was a designated practitioner serving in the  
38 absence of the patient's physician and surgeon or podiatrist, as the  
39 case may be, and was in possession of or had utilized the patient's  
40 records and ordered the renewal of a medically indicated

1 prescription for an amount not exceeding the original prescription  
2 in strength or amount or for more than one refill.

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

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

7 2264. (a) The employing, directly or indirectly, the aiding, or  
8 the abetting of any unlicensed person or any suspended, revoked,  
9 or unlicensed practitioner to engage in the practice of medicine or  
10 any other mode of treating the sick or afflicted which requires a  
11 license to practice constitutes unprofessional conduct.

12 (b) Employment by, or other agreement with, a mandatory  
13 commercial licensee acting pursuant to the Medical Cannabis  
14 Regulation and Control Act or a dispensary to provide  
15 recommendations for medical cannabis constitutes unprofessional  
16 conduct.

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

20

21 Article 25. Recommending Medical Cannabis

22

23 2525. (a) It is unlawful for a physician and surgeon who  
24 recommends cannabis to a patient for a medical purpose to accept,  
25 solicit, or offer any form of remuneration from or to a facility  
26 issued a ~~conditional~~ *state* license pursuant to Chapter 3.5  
27 (commencing with Section 19300) of Division 8, if the physician  
28 and surgeon or his or her immediate family have a financial interest  
29 in that facility.

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

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

33 2525.1. The Medical Board of California shall consult with  
34 the California Marijuana Research Program, known as the Center  
35 for Medicinal Cannabis Research, authorized pursuant to Section  
36 11362.9 of the Health and Safety Code, on developing and adopting  
37 medical guidelines for the appropriate administration and use of  
38 medical cannabis.

39 2525.2. A physician and surgeon shall not recommend medical  
40 cannabis to a patient, unless that person is the patient’s attending

1 physician, as defined by subdivision (a) of Section 11362.7 of the  
2 Health and Safety Code.

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

5

6

CHAPTER 3.5. MEDICAL CANNABIS

7

8

Article 1. Definitions

9

10 19300. For purposes of this chapter, the following definitions  
11 shall apply:

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

14 (b) “Cannabis” means all parts of the plant *Cannabis sativa* L.,  
15 *Cannabis indica*, or *Cannabis ruderalis*, whether growing or not;  
16 the seeds thereof; the resin, whether crude or purified, extracted  
17 from any part of the plant; and every compound, manufacture, salt,  
18 derivative, mixture, or preparation of the plant, its seeds, or resin.

19 “Cannabis” does not include the mature stalks of the plant, fiber  
20 produced from the stalks, oil or cake made from the seeds of the  
21 plant, any other compound, manufacture, salt, derivative, mixture,  
22 or preparation of the mature stalks (except the resin extracted  
23 therefrom), fiber, oil, or cake, or the sterilized seed of the plant  
24 which is incapable of germination. “Cannabis” also means *the*  
25 *separated resin, whether crude or purified, obtained from*  
26 *marijuana. Without limiting the definition, “cannabis” also means*  
27 *marijuana as defined by Section 11018 of the Health and Safety*  
28 *Code as enacted by Chapter 1407 of the Statutes of 1972.*

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

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

35 (d)

36 (e) “Certified testing laboratory” means a laboratory that is  
37 certified by the State Department of Public Health to perform  
38 random sample testing of medical cannabis pursuant to the  
39 certification standards for these facilities promulgated by the  
40 department.

1 (e)

2 (f) “Commercial cannabis activity” means any cultivation,  
3 possession, manufacture, processing, storing, laboratory testing,  
4 labeling, transporting, distribution, or sale of cannabis or cannabis  
5 product, or any ~~Internet platform that facilitates any of these~~  
6 ~~functions for the purpose of selling medical cannabis or medical~~  
7 ~~cannabis products to qualified patients or caregivers, technology~~  
8 ~~platform that enables qualified patients or primary caregivers to~~  
9 ~~arrange for or facilitate any of the above-described functions with~~  
10 ~~a third party, except as set forth in Section 19316.~~

11 (f)

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

14 (g)

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

19 (h)

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

28 (i)

29 (j) “Director” means the director of the Office of ~~Marijuana~~  
30 *Medical Cannabis Regulation*.

31 (j)

32 (k) “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.~~ *physical retail*  
36 *establishment operating from a fixed location, including mobile*  
37 *deliveries originating from the location, that makes retail sales of*  
38 *medical cannabis or medical cannabis products.*

39 (k)

- 1 (l) “Dispensing” means any activity involving the retail sale of  
2 medical cannabis or medical cannabis products from a dispensary.
- 3 (m) “Distribution” means the first sale of cannabis in this state.  
4 Distribution does not include the sale of cannabis from a cultivator  
5 to a distributor.
- 6 (n) “Distributor” means a person who is engaged in the business  
7 of purchasing medical cannabis in this state from a licensed  
8 cultivator and who then distributes the medical cannabis to a  
9 manufacturer or dispensary.
- 10 ~~(t)~~
- 11 (o) “Dried flower” means all dead medical cannabis that has  
12 been harvested, dried, cured, or otherwise ~~processed~~ processed,  
13 excluding leaves and stems.
- 14 ~~(m)~~
- 15 (p) “Edible cannabis product” means manufactured cannabis  
16 that is intended to be used, in whole or in part, for human  
17 consumption, including, but not limited to, chewing gum.
- 18 ~~(n)~~
- 19 (q) “Fund” means the Medical Cannabis Regulation Fund  
20 established pursuant to Section 19361.
- 21 ~~(o)~~
- 22 (r) “Identification program” means the universal identification  
23 certificate program for licensees.
- 24 ~~(p)~~
- 25 (s) “Labor peace agreement” means an agreement between a  
26 licensee and a bona fide labor organization that, at a minimum,  
27 protects the state’s proprietary interests by prohibiting labor  
28 organizations and members from engaging in picketing, work  
29 stoppages, boycotts, and any other economic interference with the  
30 applicant’s business. This agreement means that the applicant has  
31 agreed not to disrupt efforts by the bona fide labor organization  
32 to communicate with, and attempt to organize and represent, the  
33 applicant’s employees. The agreement shall provide a bona fide  
34 labor organization access at reasonable times to areas in which the  
35 applicant’s employees work, for the purpose of meeting with  
36 employees to discuss their right to representation, employment  
37 rights under state law, and terms and conditions of employment.  
38 This type of agreement shall not mandate a particular method of  
39 election or certification of the bona fide labor organization.
- 40 ~~(q)~~

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

5 (~~r~~)

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

11 (~~s~~)

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

22 (~~t~~)

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

29 (~~tt~~)

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

32 (~~v~~)

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

1 Division of Medical Cannabis Manufacturing and Testing within  
2 the State Department of Public Health.

3 ~~(w)~~

4 (z) “Live plants” means living medical cannabis flowers and  
5 plants, including seeds, immature plants, and vegetative stage  
6 plants.

7 ~~(x)~~

8 (aa) “Manufactured cannabis” means raw cannabis that has  
9 undergone a process whereby the raw agricultural product has  
10 been transformed into a concentrate, an edible product, or a topical  
11 product.

12 (ab) “*Manufacturing site*” means a location that produces,  
13 prepares, propagates, compounds, or processes medical cannabis  
14 or medical cannabis products, directly or indirectly, by extraction  
15 processes, independently by means of chemical synthesis, or by a  
16 combination of extraction and chemical synthesis, and is owned  
17 and operated by a licensee for these activities pursuant to this  
18 chapter.

19 ~~(y)~~

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

25 ~~(z)~~

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

30 ~~(aa)~~

31 (ae) “Office” means the *Governor’s Office of Marijuana*  
32 *Medical Cannabis Regulation*.

33 ~~(ab)~~

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

38 ~~(ae)~~

39 (ag) “Person” means an individual, firm, partnership, joint  
40 venture, association, corporation, limited liability company, estate,

1 trust, business trust, receiver, syndicate, or any other group or  
 2 combination acting as a unit and includes the plural as well as the  
 3 singular number.

4 ~~(ad)~~

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

7 ~~(ae)~~

8 (ai) “Topical cannabis” means a ~~manufactured~~ product intended  
 9 for external use.

10 ~~(af)~~

11 (aj) “Transport” means the ~~commercial~~ transfer of medical  
 12 cannabis or medical cannabis products from the *permitted* business  
 13 location of one licensee to *the permitted business location of*  
 14 another licensee, *or to dispensing facilities in the City of Los*  
 15 *Angeles*, for the purposes of conducting commercial cannabis  
 16 activity authorized by licensees pursuant to this chapter.

17

18

Article 2. Administration

19

20 19301. This chapter shall be known, and may be cited, as the  
 21 Medical Cannabis Regulation and Control Act.

22 19302. (a) There is hereby created within the office of the  
 23 Governor, the Governor’s Office of ~~Marijuana~~ *Medical Cannabis*  
 24 Regulation, under the supervision and control of the Director of  
 25 the Office of ~~Marijuana~~ *Medical Cannabis* Regulation, who shall  
 26 be appointed by the ~~Governor~~. *Governor, subject to Senate*  
 27 *confirmation*. The Governor shall appoint the director at a salary  
 28 to be fixed and determined by the director with the approval of the  
 29 Director of Finance. ~~The director shall serve in accordance with~~  
 30 ~~the State Civil Service Act (Part 2 (commencing with Section~~  
 31 ~~18500) of Division 5 of Title 2 of the Government Code).~~

32 (b) The director shall be the appointing power of all employees  
 33 within the office, and all heads of divisions, bureaus, and other  
 34 employees in the office shall be responsible to the director for the  
 35 proper carrying out of the duties and responsibilities of their  
 36 respective positions.

37 (c) In developing a regulatory framework pursuant to this  
 38 chapter, the director shall consult with state agencies possessing  
 39 expertise in licensure and enforcement, including, but not limited

1 to, the Department of Alcoholic Beverage Control and the  
2 Department of Consumer Affairs.

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

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

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

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

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

30 (A) Be administered by a person who is appointed by the ~~State~~  
31 ~~Board of Equalization~~. *Governor, subject to Senate confirmation.*

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

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

37 (A) Be administered by a person who is appointed by the  
38 ~~Governor~~. *Governor, subject to Senate confirmation.*

1 (B) Administer this chapter, as it pertains to manufacturing,  
2 testing, and certification of testing laboratories for medical cannabis  
3 and medical cannabis products.

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

7 (A) Be administered by a person who is appointed by the  
8 ~~Governor~~. *Governor, subject to Senate confirmation.*

9 (B) Administer this chapter as it pertains to cultivation of  
10 medical cannabis.

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

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

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

22 (5) The Department of Justice shall conduct the following  
23 activities:

24 (A) Perform criminal background checks of applicants for  
25 licensure.

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

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

30 19305. (a) The office and licensing authorities shall have the  
31 authority necessary for the implementation of this chapter,  
32 including, but not limited to, all of the following:

33 (1) Establishing rules or regulations necessary to carry out the  
34 purposes and intent of this chapter and to enable the office and  
35 licensing authorities to exercise the powers and perform the duties  
36 conferred by this chapter and in accordance with Chapter 3.5  
37 (commencing with Section 11340) of Part 1 of Division 3 of Title  
38 2 of the Government Code. These rules and regulations shall not  
39 limit the authority of a city, county, or city and county specified  
40 in Article 3 (commencing with Section 19307), or specified in

1 Section 7 of Article XI of the California Constitution, or any other  
2 law. For the performance of its duties, the office has the powers  
3 set forth in Article 2 (commencing with Section 11180) of Chapter  
4 2 of Part 1 of Division 3 of Title 2 of the Government Code. The  
5 office shall review all regulations and guidance promulgated by  
6 licensing authorities in the administration of this chapter to ensure  
7 no duplication, overlap, or inconsistent regulations occur between  
8 licensing authorities.

9 (2) *Prescribing, adopting, and enforcing emergency regulations*  
10 *as necessary to implement this chapter. Emergency regulations*  
11 *prescribed, adopted, or enforced pursuant to this section shall be*  
12 *adopted in accordance with Chapter 3.5 (commencing with Section*  
13 *11340) of Part 1 of Division 3 of Title 2 of the Government Code.*  
14 *For purposes of that chapter, including Section 11349.6 of the*  
15 *Government Code, the adoption of the regulation is an emergency*  
16 *and shall be considered by the Office of Administrative Law as*  
17 *necessary for the immediate preservation of the public peace,*  
18 *health and safety, and general welfare.*

19 ~~(2)~~

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

23 ~~(3)~~

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

26 ~~(4)~~

27 (5) Establishing standards for commercial cannabis activity.

28 ~~(5)~~

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

31 ~~(6)~~

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

34 ~~(7)~~

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

38 ~~(8)~~

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

1     ~~(9)~~

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

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

13     19306. (a) The office, by ~~March~~ *April* 1, 2016, shall convene  
14 a task force, which shall advise the office on the development of  
15 standards pursuant to this chapter. The task force shall be  
16 responsible for recommending to the office the appropriate roles  
17 of each state entity as it pertains to this chapter, and shall  
18 recommend guidelines on communication and information sharing  
19 between state entities, and with local agencies, for implementation  
20 of this chapter. Notwithstanding Section 10231.5 of the  
21 Government Code, the task force shall submit a report on these  
22 standards, determinations, and guidelines for implementation of  
23 this chapter to the Legislature and state entities affected by this  
24 chapter by August 1, 2016. The report submitted to the Legislature  
25 shall be submitted in compliance with Section 9795 of the  
26 Government Code.

27     (b) The task force shall be comprised of ~~representatives of~~  
28 ~~medical cannabis consumer advocates, environmental experts,~~  
29 ~~public health experts, medical cannabis industry representatives,~~  
30 ~~related regulatory authorities, labor, and law enforcement.~~ The  
31 task force may also be comprised of representatives of the State  
32 Board of Equalization and Attorney General, and other state  
33 agencies, as deemed appropriate. The task force shall have a  
34 minimum of nine members, with one-third of the members  
35 appointed by the California State Assembly, one-third of the  
36 members appointed by the California State Senate, and one-third  
37 of the members appointed by the Governor. If there is an unequal  
38 divide between these three entities, the Governor shall make  
39 appointments for the difference. *15 members, each of whom shall*  
40 *serve a two-year term, as follows:*

- 1 (1) Four members to be appointed by the Governor, as follows:  
2 (A) A member representing counties.  
3 (B) A member representing cities.  
4 (C) A member representing local law enforcement.  
5 (D) A member representing state law enforcement.  
6 (2) Three members to be appointed by the Assembly, as follows:  
7 (A) A member representing labor.  
8 (B) A member representing the medical cannabis industry.  
9 (C) A member with public health expertise.  
10 (3) Three members to be appointed by the Senate, as follows:  
11 (A) A member representing qualified medical cannabis patients  
12 and caregivers.  
13 (B) A member with environmental expertise.  
14 (C) A member representing physicians. This member shall have  
15 a minimum of two years experience recommending medical  
16 cannabis to qualified patients.  
17 (4) The director or chief of each of the following state agencies,  
18 or his or her designee:  
19 (A) The Department of Food and Agriculture.  
20 (B) State Department of Public Health.  
21 (C) State Board of Equalization.  
22 (D) Department of Justice.  
23 (E) Department of the California Highway Patrol.  
24 (c) Task force members shall serve on a voluntary basis and  
25 shall be responsible for costs associated with their participation in  
26 the task force. The licensing authorities shall not be responsible  
27 for travel costs incurred by task force members or otherwise  
28 compensating task force members for costs associated with their  
29 participation in the task force.  
30 (d) Each member shall only have one vote in determinations of  
31 the task force.

32  
33 Article 3. Enforcement and Local Control  
34

35 19307. (a) Each licensing authority shall work in conjunction  
36 with ~~law enforcement~~ local agencies for the purposes of  
37 implementing, administering, and enforcing this chapter, and any  
38 regulations adopted pursuant to this chapter and taking appropriate  
39 action against licensees and others who fail to comply with this  
40 chapter or the regulations adopted pursuant to this chapter.

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

12 (c) The regulatory directors, persons employed by the licensing  
13 authorities for the administration and enforcement of this chapter,  
14 peace officers listed in Section 830.1 of the Penal Code, *persons*  
15 *listed in Section 830.11 of the Penal Code*, and officers listed in  
16 Section 830.6 of the Penal Code, while acting in the course and  
17 scope of their employment as peace officers, may, in enforcing  
18 this chapter, visit and inspect the premises of a licensee ~~at any time~~  
19 ~~during which the licensee is acting pursuant to the state license.~~  
20 *pursuant to subdivision (f) of Section 19326.*

21 (d) Peace officers of the Department of the California Highway  
22 Patrol, members of the University of California and California  
23 State University police departments, and peace officers of the  
24 Department of Parks and Recreation, as defined in subdivisions  
25 (a), (b), (c), and (f) of Section 830.2 of the Penal Code, may, in  
26 enforcing this chapter, visit and inspect the premises of a licensee  
27 ~~at any time during which the licensee is acting pursuant to the state~~  
28 ~~license.~~ *pursuant to subdivision (f) of Section 19326.*

29 19308. (a) ~~The~~ By January 1, 2017, the office shall, in  
30 consultation with local governments, develop an enforcement  
31 framework that clarifies the enforcement roles of the state and  
32 local ~~governments.~~ *governments consistent with this chapter.* Local  
33 agencies are authorized to enforce any state statutory or regulatory  
34 standard.

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

39 19309. (a) For facilities issued a state license that are located  
40 within the incorporated area of a city, the city shall have full power

1 and authority to enforce this chapter and the rules, regulations, and  
2 standards promulgated by the office. ~~The Notwithstanding Sections~~  
3 ~~101375, 101400, and 101405 of the Health and Safety Code or~~  
4 ~~any contract entered into pursuant thereto, or any other law, the~~  
5 city shall further assume complete responsibility for any regulatory  
6 function relating to those licensees within the city limits that would  
7 otherwise be performed by the county or any county officer or  
8 employee, *including a county health officer*, without liability, cost,  
9 or expense to the county.

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

14 ~~(e) It is the intent of the Legislature in enacting this chapter to~~  
15 ~~provide for the statewide regulation of the commercial cannabis~~  
16 ~~activity and the enforcement of laws relating to commercial~~  
17 ~~cannabis activities without preempting city, county, or city and~~  
18 ~~county ordinances regulating or banning these activities. This~~  
19 ~~chapter is an exercise of the police powers of the state for the~~  
20 ~~protection of the safety, welfare, health, peace, and morals of the~~  
21 ~~people of the state.~~

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

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

38 ~~(d)~~

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

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

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

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

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

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

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

1     ~~19311. (a) Licensing authorities and any relevant local agency~~  
2 ~~may examine the books and records of a licensee and may visit~~  
3 ~~and inspect the premises of a licensee as the licensing authority or~~  
4 ~~local agency deems necessary to perform their duties under this~~  
5 ~~chapter or local ordinance.~~

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

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

17     19312. (a) This chapter shall in no way supersede the  
18 provisions of Measure D, approved by the voters of the City of  
19 Los Angeles on the May 21, 2013, ballot for the city, which ~~granted~~  
20 *provides potential limited immunity to medical cannabis businesses*  
21 ~~and dispensaries qualified immunity consistent with the as defined~~  
22 *by Measure D consistent with the terms of the measure and local*  
23 *ordinances. Notwithstanding the provisions of this part, cannabis*  
24 *businesses and dispensaries subject to the provisions of Measure*  
25 ~~D and its qualified immunity shall continue to be subject to the~~  
26 *within the City of Los Angeles shall continue to be subject to*  
27 *Measure D and any and all other applicable ordinances and*  
28 *regulations of the City of Los Angeles.*

29     (b) It is the intent of the Legislature to recognize the unique  
30 circumstances of the City of Los Angeles with respect to Measure  
31 D and associated rules related to commercial cannabis activity. *In*  
32 *light of these unique circumstances, the provisions of Sections*  
33 *19319 and 19338 shall apply in the City of Los Angeles.*

34     (c) *The State Board of Equalization shall enter into a*  
35 *memorandum of understanding with the City of Los Angeles to*  
36 *establish protocols for the following:*

37     (1) *Tracking businesses granted immunity pursuant to Measure*  
38 *D, as approved by the voters of the City of Los Angeles at the May*  
39 *21, 2013, general election.*

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

3 (3) *Allowing for the legal transfer of medical cannabis and*  
 4 *medical cannabis products from outside the jurisdiction of the City*  
 5 *of Los Angeles to within the city by licensees conducting*  
 6 *commercial cannabis activities outside of the city.*

7 19313. (a) The actions of a licensee or provisional licensee,  
 8 its employees, and its agents, that are permitted pursuant to both  
 9 a state license or provisional license and a license or permit issued  
 10 by the local jurisdiction following the requirements of the  
 11 applicable local ordinances, and that are conducted in accordance  
 12 with the requirements of this chapter and regulations adopted  
 13 pursuant to this chapter, are not unlawful under state law and shall  
 14 not be an offense subject to arrest, prosecution, or other sanction  
 15 under state law or be subject to a civil fine or be a basis for seizure  
 16 or forfeiture of assets under state law.

17 (b) The actions of a person who, in good faith and upon  
 18 investigation, allows his or her property to be used by a licensee  
 19 or provisional licensee, its employees, and its agents, as permitted  
 20 pursuant to both a state license and a license or permit issued by  
 21 the local jurisdiction following the requirements of the applicable  
 22 local ordinances, are not unlawful under state law and shall not be  
 23 an offense subject to arrest, prosecution, or other sanction under  
 24 state law, or be subject to a civil fine or be a basis for seizure or  
 25 forfeiture of assets under state law.

26 (c) Conduct that is within the scope of a license issued pursuant  
 27 to this chapter and permitted by local ordinance but not fully in  
 28 compliance with this chapter shall be subject to the enforcement  
 29 provisions of this chapter and shall not be subject to the penal  
 30 provisions of state law generally prohibiting cannabis-related  
 31 activity, unless and until the license is revoked.

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

36 19314. (a) A person engaging in commercial cannabis activity  
 37 ~~and operating an unlicensed facility, building, structure, vehicle,~~  
 38 ~~mobile unit, or location in violation of~~ *without a license required*  
 39 *by this chapter shall be subject to civil penalties of up to twice the*  
 40 *amount of the license fee for each violation, and the office,*

1 licensing authority, or court may order the destruction of medical  
2 cannabis associated with that violation. Each day of operation shall  
3 constitute a separate violation of this section. All civil penalties  
4 imposed and collected pursuant to this section shall be deposited  
5 into the Medical Cannabis Fines and Penalties Account established  
6 pursuant to Section 19361. *A day of operation is defined to mean*  
7 *any period of time within a 24-hour period. This section shall not*  
8 *apply to unlicensed facilities in the City of Los Angeles.*

9 (b) If an action for civil penalties is brought by the Attorney  
10 General, the penalty collected shall be deposited into the General  
11 Fund. If the action is brought by a district attorney or county  
12 counsel, the penalty collected shall be paid to the treasurer of the  
13 county in which the judgment was entered. If the action is brought  
14 by a city attorney or city prosecutor, the penalty collected shall be  
15 paid to the treasurer of the city in which the judgment was entered.

16 (c) *Notwithstanding subdivision (a), criminal penalties shall*  
17 *continue to apply to an unlicensed person or entity engaging in*  
18 *commercial cannabis activity in violation of this chapter, including,*  
19 *but not limited to, those individuals covered under Section 11362.7*  
20 *of the Health and Safety Code.*

21 19315. (a) This chapter does not, nor do Article 2  
22 (commencing with Section 11357) and Article 2.5 (commencing  
23 with Section 11362.7) of Chapter 6 of Division 10 of the Health  
24 and Safety Code, prevent a city, county, or city and county from  
25 doing any of the following:

26 (1) Adopting local ordinances, *whether consistent or inconsistent*  
27 *with this chapter, that do the following:*

28 (A) Regulate the location, operation, or establishment of a  
29 licensee or a person that cultivates, processes, possesses, stores,  
30 manufactures, tests, transports, distributes, or sells medical  
31 cannabis.

32 (B) Prohibit ~~commercial~~ cannabis activity within their  
33 jurisdiction.

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

36 (3) Establishing a fee ~~or tax~~ for the operation ~~of a licensee within~~  
37 ~~its jurisdiction.~~ *within its jurisdiction of any of the following:*

38 (A) A licensee.

1 (B) Another person that cultivates, processes, possesses, stores,  
 2 manufactures, tests, transports, distributes, or sells medical  
 3 cannabis or medical cannabis products.

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

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

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

16

17

#### Article 4. Licensure

18

19 19316. (a) This chapter shall not apply to, and shall have no  
 20 diminishing effect on the protections granted to, a patient or a  
 21 primary caregiver pursuant to the Compassionate Use Act of 1996.

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

28 (2) A primary caregiver who cultivates, possesses, stores,  
 29 manufactures, transports, donates, or provides cannabis exclusively  
 30 for the personal medical purposes of no more than five specified  
 31 qualified patients for whom he or she is the primary caregiver  
 32 within the meaning of Section 11362.7 of the Health and Safety  
 33 Code but who does not receive remuneration for these activities  
 34 except for compensation in full compliance with subdivision (c)  
 35 of Section 11362.765 of the Health and Safety Code is not engaged  
 36 in commercial cannabis activity and is, therefore, exempt from the  
 37 licensure requirements of this chapter.

38 (c) Exemption from the license requirements of this chapter  
 39 shall not limit or prevent a city, county, or city and county from  
 40 regulating or banning the cultivation, storage, manufacture,

1 transport, provision, or other activity by the exempt person, or  
2 impair the enforcement of that regulation or ban.

3 19317. The state shall have the right and authority to conduct  
4 state licensure activities and to regulate commercial cannabis  
5 activity pursuant to this chapter. Local governments have the right  
6 and authority to ~~grant permits and regulate commercial cannabis~~  
7 activity within their ~~jurisdiction~~ *jurisdiction, including granting*  
8 *or refusing to grant permits* pursuant to local ordinances. In the  
9 exercise of these rights and powers, the state and each of its  
10 agencies, and all local agencies, are hereby deemed not to be  
11 engaged in activities requiring licensure under this chapter.

12 19318. (a) Licensing authorities ~~shall~~ *may* issue state licenses  
13 *only* to qualified applicants engaging in commercial cannabis  
14 activity pursuant to this chapter. ~~Beginning~~ *Except as specified in*  
15 *Section 19318.1, beginning* January 1, 2018, no person shall engage  
16 in commercial cannabis activity without possessing a state license  
17 and a local permit. For purposes of this section, “state license”  
18 includes a provisional license issued pursuant to Article 6  
19 (commencing with Section 19330).

20 (b) Local permits shall be determined by local ordinances.  
21 Licensing authorities issuing state licenses shall have sole authority  
22 to revoke a state license. Local agencies issuing local permits shall  
23 have sole authority to revoke a local permit.

24 (c) *Each applicant for a state license shall provide notice to*  
25 *every affected local jurisdiction at the same time the state*  
26 *application is filed. The office shall confirm with the applicant a*  
27 *list of each affected local jurisdictions, including those jurisdictions*  
28 *affected by potential deliveries by the applicant.*

29 (e)

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

35 (d)

36 (e) Even if a state license has been granted pursuant to this  
37 chapter, a facility shall not operate in a local jurisdiction that  
38 prohibits the establishment of that type of business. A facility shall  
39 not commence activity under the authority of a state license until  
40 the applicant has obtained, in addition to the state license, a license

1 or permit from the local jurisdiction in which he or she proposes  
 2 to operate, following the requirements of the applicable local  
 3 ordinances.

4 (e)

5 (f) If a local government agency notifies the office or a licensing  
 6 authority and provides evidence that a licensee or applicant within  
 7 its jurisdiction is in violation of local ordinances relating to  
 8 commercial cannabis activities, the licensing authority shall ~~revoke~~  
 9 ~~the state license~~ *schedule a hearing to determine whether the*  
 10 *evidence is sufficient to constitute grounds for the revocation of*  
 11 *the license* within 20 working days.

12 (f)

13 (g) Revocation of ~~either~~ a state *license* or local license or permit  
 14 shall terminate the ability of a medical cannabis business to operate  
 15 within California.

16 19318.5. (a) *A licensing authority shall not issue a license to*  
 17 *an applicant who proposes to operate within the City of Los*  
 18 *Angeles, regardless of the activity for which the license is sought.*

19 (b) *A medical cannabis business, as defined by Measure D,*  
 20 *within the City of Los Angeles shall comply with all standards and*  
 21 *regulations applicable to the commercial cannabis activity or*  
 22 *activities engaged in by that medical cannabis business with*  
 23 *respect to all of the following:*

24 (1) *Standards for the production, labeling, and manufacture of*  
 25 *medical cannabis and medical cannabis products, in accordance*  
 26 *with Article 7 (commencing with Section 19332) and Article 10*  
 27 *(commencing with Section 19342).*

28 (2) *Standards regarding the application of pesticides, in*  
 29 *accordance with Article 7 (commencing with Section 19332).*

30 (3) *Regulations to be promulgated by the State Board of*  
 31 *Equalization, in accordance with Article 8 (commencing with*  
 32 *Section 19334), governing dispensing facilities and transporters*  
 33 *to the extent that those regulations relate to health and safety*  
 34 *standards, environmental standards, worker protections, or*  
 35 *security requirements.*

36 (4) *Security measures regarding transported medical cannabis,*  
 37 *in accordance with Section 19337.*

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

1 (c) *The City of Los Angeles shall have the full power, authority,*  
2 *and discretion to enforce all standards and regulations required*  
3 *by this section.*

4 19319. (a) ~~On or before July 1, 2017, a~~ A licensing authority  
5 shall promulgate regulations for implementation and enforcement  
6 of this chapter, including, but not limited to, all of the following:

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

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

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

13 (4) Application, licensing, and renewal forms and fees. *All fees*  
14 *shall be established on a scaled basis, depending on the size or*  
15 *tier of the license.*

16 (5) Time periods, not to exceed 90 days, by which the licensing  
17 authority shall approve or deny an application for a state license.  
18 The failure of the licensing authority to act upon an application  
19 for licensure within the time prescribed shall not be deemed  
20 approval of the application.

21 (6) Qualifications for licensees.

22 (7) Security requirements, including, but not limited to,  
23 procedures for limiting access to facilities and for the screening  
24 of employees. *All screening processes shall adhere to guidance*  
25 *and best practices established by the United States Equal*  
26 *Employment Opportunity Commission, including, but not limited*  
27 *to, those on hiring practices relating to the consideration of arrest*  
28 *and conviction records in employment decisions under Title VII*  
29 *of the Civil Rights Act of 1964.*

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

35 (9) *Develop procedures to ensure each licensee holds and*  
36 *maintains a seller's permit required pursuant to Part 1*  
37 *(commencing with Section 6001) of Division 2 of the Revenue and*  
38 *Taxation Code.*

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

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

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

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

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

14 ~~(g) Each licensing authority shall adopt regulations as needed~~  
15 ~~to implement the relevant licensing program within one year~~  
16 ~~following the establishment of provisional licenses, pursuant to~~  
17 ~~Section 19330.~~ The regulations shall not limit the authority of a  
18 city, county, or city and county pursuant to Section 7 of Article  
19 XI of the California Constitution or any other law. The regulations  
20 shall do all of the following:

21 (1) Establish procedures for approval, *renewal*, or denial of  
22 applications for state licensure for each and every aspect of  
23 commercial cannabis activity, including, but not limited to,  
24 cultivation, possession, manufacture, processing, storing, laboratory  
25 testing, labeling, transporting, distribution, and sale of cannabis.

26 (2) Establish applicant qualifications.

27 (3) Establish state licensee employee qualifications, including,  
28 but not limited to, training and screening requirements. *All*  
29 *screening processes shall adhere to guidance and best practices*  
30 *established by the United States Equal Employment Opportunity*  
31 *Commission, including, but not limited to, those relating to hiring*  
32 *practices on the consideration of arrest and conviction records in*  
33 *employment decisions under Title VII of the Civil Rights Act of*  
34 *1964.*

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, managing,  
39 and disposing of contaminated, adulterated, deteriorated, or excess  
40 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 officer  
19 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)~~

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

28 ~~(5)~~

29 (4) Provide evidence that the applicant and owner have been  
30 legal full-time residents of the state for not less than ~~two~~ four years.

31 *For purposes of this paragraph, "applicant" means the owner or*  
32 *owners of a proposed facility, including all persons or entities*  
33 *having an ownership interest other than a security interest, lien,*  
34 *or encumbrance on property that will be used by the facility.*

35 ~~(6)~~

36 (5) Provide detailed operating procedures, in writing, for the  
37 proposed facility, which shall include, but not be limited to,  
38 procedures for facility and operational security, prevention of  
39 diversion, employee screening, storage of medical cannabis,  
40 personnel policies, and recordkeeping procedures. *All screening*

1 *processes shall adhere to guidance and best practices established*  
2 *by the United States Equal Employment Opportunity Commission,*  
3 *including, but not limited to, those relating to hiring practices on*  
4 *the consideration of arrest and conviction records in employment*  
5 *decisions under Title VII of the Civil Rights Act of 1964.*

6 ~~(7)~~

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

8 (A) For purposes of this paragraph, "applicant" means the owner  
9 or owners of a proposed facility, including all persons or entities  
10 having an ownership interest other than a security interest, lien,  
11 or encumbrance on property that will be used by the facility. If the  
12 owner is an entity, fingerprints shall be submitted for each person  
13 participating in the direction, control, or management of, or having  
14 a financial interest in, the proposed facility.

15 (B) The applicant shall electronically submit to the Department  
16 of Justice fingerprint images and related information required by  
17 the Department of Justice for the purpose of obtaining information  
18 as to the existence and content of a record of state or federal  
19 convictions and arrests, and information as to the existence and  
20 content of a record of state or federal convictions and arrests for  
21 which the Department of Justice establishes that the person is free  
22 on bail or on his or her own recognizance, pending trial or appeal.

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

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

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

32 ~~(8) If applicable, provide~~

33 (7) *Provide documentation issued by the local jurisdiction in*  
34 *which the proposed business is operating or will operate certifying*  
35 *that the applicant is or will be in compliance with all local*  
36 *ordinances and regulations, including, but not limited to, an entity*  
37 *granted immunity under Measure D, approved by the voters of the*  
38 *City of Los Angeles at the May 21, 2013, general election.*  
39 *regulations.*

40 ~~(9)~~

1 (8) Provide evidence of the legal right to occupy and use an  
2 established location, including that, if the proposed facility is a  
3 cultivator or a dispensary, that the proposed facility is located  
4 beyond at least a 600-foot radius from a school, or, if applicable,  
5 an immunity from prosecution for that occupancy or use pursuant  
6 to Measure D, approved by the voters of the City of Los Angeles  
7 at the May 21, 2013, general election. *location.*

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

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

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

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

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

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

32 (12) Provide any other information required by the licensing  
33 authority.

34 (13) For an applicant seeking a cultivation license, provide a  
35 statement declaring the applicant is an “agricultural employer,” as  
36 defined in the Alatorre-Zenovich-Dunlap-Berman Agricultural  
37 Labor Relations Act of 1975 (Part 3.5 (commencing with Section  
38 1140) of Division 2 of the Labor Code), to the extent not prohibited  
39 by law.

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

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

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

- 17 (1) Cultivation.
- 18 (2) Extraction and infusion methods.
- 19 (3) The transportation process.
- 20 (4) Inventory procedures.
- 21 (5) Quality control procedures.

22 19321. (a) Upon receipt of an application for licensure and  
 23 the applicable fee, each licensing authority shall make a thorough  
 24 investigation to determine whether the applicant and the premises  
 25 for which a state license is applied qualify for the state license and  
 26 whether this chapter has been complied with, and shall investigate  
 27 all matters connected therewith that may affect the public welfare  
 28 and morals.

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

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

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

- 1 (1) An entity making or authorizing in any manner or by any  
2 means a written or oral statement that is untrue or misleading and  
3 that is known, or that by exercise of reasonable care should be  
4 known, to be untrue or misleading.
- 5 (2) Conduct that constitutes fraud.
- 6 (3) Conduct constituting gross negligence.
- 7 (4) Failure to comply with the provisions of this chapter or any  
8 rule or regulation adopted pursuant to this chapter.
- 9 (5) Conduct that constitutes grounds for denial of licensure  
10 pursuant to Chapter 2 (commencing with Section 480) of Division  
11 1.5.
- 12 (6) Local agencies have notified the licensing authority or the  
13 office and provided evidence that a licensee or applicant within  
14 its jurisdiction is in violation of local ordinances relating to medical  
15 cannabis activities.
- 16 (7) The applicant fails to meet the requirements of this chapter  
17 or any regulation adopted pursuant to this chapter or any applicable  
18 city, county, or city and county ordinance or regulation. If a local  
19 government adopts an ordinance or resolution authorizing medical  
20 cannabis to be cultivated, manufactured, stored, distributed, or  
21 sold within its jurisdiction, it ~~shall~~ *may* submit to the office  
22 documentation detailing their renewal requirements. *Failure to*  
23 *submit an ordinance or resolution to the office shall not impair*  
24 *the enforceability of the ordinance or resolution. Ordinances or*  
25 *resolutions that are not submitted pursuant to this subdivision*  
26 *shall not be considered in denial of licensure pursuant to this*  
27 *chapter.*
- 28 (8) Granting or continuation of a state license would be contrary  
29 to the ~~public welfare or morals~~. *public's safety.*
- 30 (9) The applicant holding or seeking a state license has ~~violated~~  
31 ~~any law prohibiting conduct~~ *been convicted of a misdemeanor*  
32 *involving moral turpitude, excluding misdemeanors*  
33 *involving marijuana.*
- 34 (10) The application has failed to state with sufficient specificity  
35 the jurisdiction and location at which the applicant proposes to  
36 establish operations.
- 37 (11) The applicant, or any of its officers, directors, or owners,  
38 is under 21 years of age.
- 39 (12) The applicant fails to provide notarized written proof that  
40 the owner of real property or landlord has acknowledged and

1 consented to its tenant's proposed cultivation or dispensing of  
2 medical cannabis or medical cannabis products.

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

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

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

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

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

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

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

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

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

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

10 19322. (a) *A licensing authority may refuse to issue, reinstate,*  
11 *or renew a state license, or may suspend a state license for failure*  
12 *of a licensee to resolve all outstanding final liabilities, including,*  
13 *but not limited to, taxes, additions to tax, penalties, interest, and*  
14 *fees that have been assessed by the State Board of Equalization.*

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

20 (2) *All state licenses issued with the same personnel of record*  
21 *that have been assessed an outstanding liability covered by this*  
22 *section shall be suspended until the debt has been satisfied or until*  
23 *the indebted personnel of record disassociate themselves from the*  
24 *licensee.*

25 (b) *The refusal to issue a state license or the suspension of a*  
26 *state license as provided by this section shall occur only if the*  
27 *licensing authority has mailed a notice, prior to the refusal or*  
28 *suspension, that indicates that the state license will be refused or*  
29 *suspended by a date certain. This preliminary notice shall be*  
30 *mailed to the licensee at least 60 days before the date certain.*

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

35 19323. (a) *Provided the applicant has not committed an act or*  
36 *crime constituting grounds for the denial of licensure under Section*  
37 *19321, a licensing authority may issue a state license and send a*  
38 *proof of issuance to the applicant.*

1 (b) A licensing authority shall, by regulation, prescribe  
 2 conditions upon which a person whose state license has previously  
 3 been denied, suspended, or revoked, may be issued a state license.  
 4 19324. The office may adopt regulations to limit the number  
 5 of state licenses issued pursuant to this chapter upon a finding that  
 6 the otherwise unrestricted issuance of state licenses is dangerous  
 7 to the ~~public~~ *public's* health and safety.

8  
 9 Article 5. Regulation of Medical Cannabis

10  
 11 19325. (a) Except as provided in Section 11362.5 ~~of, and~~  
 12 ~~Article 2.5 (commencing with Section 11362.7) of Chapter 6 of~~  
 13 ~~Division 10 of, of the Health and Safety Code and Section 19316,~~  
 14 a person shall not sell, *distribute, provide, or donate* medical  
 15 cannabis *or medical cannabis products* to a patient or caregiver  
 16 other than at a licensed dispensing facility or through delivery  
 17 from a licensed dispensing facility.

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

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

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

31 ~~(e) A licensed manufacturer may obtain medical cannabis from~~  
 32 ~~a licensed cultivator and may furnish medical cannabis products~~  
 33 ~~to a licensed dispensary.~~

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

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

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

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

27 ~~(f)~~

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

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

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

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

40 ~~(g)~~

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

3 ~~(h)~~

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

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

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

- 14 (1) The name and address of the supplier.
- 15 (2) The dates on which the product was received.
- 16 (3) The amounts, form, and batch and lot number.
- 17 (4) The location of the cultivation site.
- 18 (5) The name of the employee who received the product.
- 19 (6) Records demonstrating compliance by the licensee with state  
 20 and federal rules and regulations regarding reporting and taxation  
 21 of income received.

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

25 (c) Records shall be kept for a minimum of seven ~~years~~. *years*  
 26 following approval of a state license.

27 (d) The office, *the local enforcement agency designated in*  
 28 *accordance with Section 19309, and any other* appropriate state  
 29 or local agency may examine the books and records of a state  
 30 licensee and may visit and inspect the premises of a state licensee,  
 31 as the office or state or local agency deems necessary to perform  
 32 its duties under this chapter. *All inspections shall be conducted*  
 33 *during standard business hours of the licensed facility.*

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

37 ~~The office~~ *office, the local enforcement agency designated*  
 38 *pursuant to Section 19309, or any other* state or local agency  
 39 may enter and inspect the premises of a facility issued a state  
 40 license between the hours of 8 a.m. and 8 p.m. on any day that the

1 facility is open, or at any reasonable time, to ensure compliance  
2 and enforcement of the provisions of this chapter or a local  
3 ordinance.

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

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

13 (i) All ~~cultivation~~ *cultivator, distributor,* and dispensing  
14 licensees shall be subject to ~~an annual audit, inspection,~~ as specified  
15 by the licensing authority, in order to ensure ~~proper documentation~~  
16 ~~is kept at each site or facility. The reasonable costs of the audit~~  
17 ~~shall be paid for by the licensee. compliance with this chapter,~~  
18 ~~including, but not limited to, maintaining proper documentation~~  
19 ~~at each site or facility.~~

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

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

24 (2) ~~Type 6A, 6B, 7A, and 7B licensees may apply for type 1,~~  
25 ~~1A, and 5 licenses or type 10, 10D, 11, 11D, 12, and 12D licenses.~~

26 (3) ~~Type 10, 11, and 12 licensees may apply for type 1, 1A, and~~  
27 ~~5 licenses or type 6A, 6B, 7A, and 7B licenses.~~

28 (4) ~~Type 10D, 11D, and 12D licensees may apply for type 6A,~~  
29 ~~6B, 7A, and 7B licenses.~~

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

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

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

36 ~~19327. (a) A licensee may only hold a state license in up to~~  
37 ~~two separate license categories, as follows:~~

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

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

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

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

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

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

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

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

23 19327.2. *A licensee with a Type 10 or Type 10A state license*  
24 *shall not also be licensed as a retailer of alcoholic beverages*  
25 *pursuant to Division 9 (commencing with Section 23000).*

26 19328. Each licensing authority shall make recommendations  
27 to the Legislature pertaining to the establishment of an appeals  
28 and judicial review process for persons aggrieved by a final  
29 decision of the licensing authority.

30 19329. This chapter and Article 2 (commencing with Section  
31 11357) and Article 2.5 (commencing with Section 11362.7) of  
32 Chapter 6 of Division 10 of the Health and Safety Code ~~do not~~  
33 *shall not interfere with an employer's rights and obligations to*  
34 *maintain a drug and alcohol free workplace or require an employer*  
35 *to permit or accommodate the use, consumption, possession,*  
36 *transfer, display, transportation, sale, or growth of cannabis in the*  
37 *workplace or affect the ability of employers to have policies*  
38 ~~restricting~~ *prohibiting the use of cannabis by employees and*  
39 *prospective employees, or prevent employers from complying with*  
40 *state or federal law.*

1 Article 6. Provisional Licensing  
2

3 19330. (a) Each licensing authority shall, as soon as practicable  
4 following January 1, 2016, allow a qualified applicant for licensure  
5 to apply ~~for and for~~, receive, *and renew* a provisional license to  
6 engage in commercial cannabis activity so as to ensure an adequate  
7 supply of medical cannabis upon full implementation of this  
8 chapter. *The provisional license shall have a scheduled expiration*  
9 *date, as determined by the licensing authority.*

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

14 (c) Each licensing authority shall, if the applicant meets all the  
15 requirements in this section, issue a provisional license to  
16 individuals and entities that the licensing authority determines  
17 were, during the three months prior to ~~January~~ *March* 1, 2016,  
18 regularly cultivating, processing, manufacturing, transporting, or  
19 distributing medical cannabis collectively or cooperatively in full  
20 compliance with any applicable local ordinance, and to continue  
21 to do so until the licensee's application for a state license has been  
22 approved or denied under this chapter, but no later than 90 days  
23 after the licensing authority begins accepting applications for  
24 regular state licenses. The licensing authority may consult with  
25 relevant local agencies in making a determination on whether a  
26 provisional license applicant is in compliance with applicable  
27 ordinances. *Priority for provisional licensure shall be given to*  
28 *those businesses in compliance with local ordinances prior to*  
29 *September 1, 2015.*

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

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

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

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

1 (4) For the three months prior to ~~January~~ *March* 1, 2016, the  
2 quantity of cannabis cultivated, processed, manufactured, tested,  
3 transported, or sold at a location, and the quantity expected to be  
4 cultivated, processed, manufactured, tested, transported, or sold  
5 from ~~January~~ *March* 1, 2016, to ~~July~~ *September* 1, 2016, inclusive.  
6 The licensee shall make its records of current activity, and activity  
7 for the three months prior to ~~January~~ *March* 1, 2016, available to  
8 the licensing authority upon request.

9 (5) For an applicant seeking a ~~cultivation or dispensary license,~~  
10 *license to cultivate, distribute, or dispense medical cannabis,* a  
11 notarized statement from the owner of real property or landlord  
12 where the ~~cultivation or dispensing of commercial cannabis~~  
13 *licensed* activities will occur, as proof to demonstrate the landowner  
14 has acknowledged and consented to permit ~~cultivation or~~  
15 ~~dispensary~~ *the proposed* activities to be conducted on the property  
16 by the tenant applicant.

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

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

32 ~~(g) Entities that are provided immunity under Measure D,~~  
33 ~~approved by the voters of the City of Los Angeles at the May 21,~~  
34 ~~2013, general election, shall be considered the equivalent of entities~~  
35 ~~that are registered, permitted, or licensed as a medical cannabis~~  
36 ~~business, dispensary, or other entity involved in providing medical~~  
37 ~~cannabis to patients under a local ordinance and shall be considered~~  
38 ~~in compliance with a local ordinance for the purposes of this~~  
39 ~~section.~~

40 (h)

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

5 (i)

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

12 (i) *A provisional license issued pursuant to this section shall*  
13 *automatically terminate upon a licensing agency's issuance of a*  
14 *regular state license.*

15  
16 Article 7. Licensed Cultivation Sites

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

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

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

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

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

5 (c) State licenses to be issued by the Division of Medical  
6 Cannabis Cultivation are as follows:

7 (1) Type 1, or “specialty outdoor,” for outdoor cultivation of  
8 less than 5,000 square feet of total ~~area canopy size~~ on one  
9 ~~property. Maximum of 50 mature plants on the property. premises.~~

10 (2) Type 1A, or “specialty indoor,” for indoor cultivation of  
11 less than 5,000 square feet of total ~~area canopy size~~ on one  
12 ~~property. Maximum of 50 mature plants on the property. premises.~~

13 (3) Type 2, or “small outdoor,” for outdoor cultivation between  
14 5,001 and 10,000 square feet of total ~~area canopy size~~ on one  
15 ~~property. Maximum of 99 mature plants on the property. premises.~~

16 (4) Type 2A, or “small indoor,” for indoor cultivation between  
17 5,001 and 10,000 square feet of total ~~area canopy size~~ on one  
18 ~~property. Maximum of 99 mature plants on the property. premises.~~

19 (5) Type 3, or ~~“medium outdoor,”~~ “outdoor,” for outdoor  
20 cultivation between 10,001 and ~~30,000~~ 44,000 square feet of total  
21 ~~area canopy size~~ on one ~~property. Maximum of 299 mature plants~~  
22 ~~on the property. premises.~~ The Division of Medical Cannabis  
23 Cultivation shall limit the number of licenses allowed of this type.

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

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

34 (8)  
35 (6) Type ~~5~~, 4, or “nursery,” for cultivation of medical cannabis  
36 solely as a nursery. Type ~~5~~ 4 licensees may transport live plants.

37 (d) All license fees collected by the division pursuant to this  
38 chapter shall be deposited into the Medical Cannabis Cultivation  
39 Fees Account, which is hereby established within the fund. All  
40 moneys within this account are available upon appropriation by

1 the Legislature to the division solely for the purposes of fully  
2 funding and administering this chapter, including, but not limited  
3 to, the costs incurred by the division for its administrative expenses  
4 and costs and the costs of regulation.

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

8 *19333. An employee engaged in commercial cannabis*  
9 *cultivation activity shall be subject to Wage Order 4-2001 of the*  
10 *Industrial Welfare Commission.*

11  
12 Article 8. Licensed ~~Dispensing Facilities~~ *Distributors,*  
13 *Dispensaries, and Transporters*  
14

15 19334. (a) The State Board of Equalization shall promulgate  
16 regulations governing the licensing and regulation of ~~wholesalers,~~  
17 *distributors,* dispensing facilities, and transporters. State  
18 enforcement shall be conducted in coordination with local  
19 authorities.

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

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

29 ~~(1) Type 9, or “wholesale,” for the storage of medical cannabis~~  
30 ~~or medical cannabis products. Maximum storage shall be two~~  
31 ~~pounds of dried flower or 200 individual units per medical cannabis~~  
32 ~~product.~~

33 ~~(2)~~  
34 ~~(1) Type 10, or “small dispensary,” for dispensaries with 1-50~~  
35 ~~employees, including management. “dispensary,” for the retail~~  
36 ~~of medical cannabis or medical cannabis products. This license~~  
37 ~~shall allow for delivery upon local approval.~~

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

1 (2) Type 10A or “special dispensary status,” for dispensers  
 2 who have no more than three licensed dispensary facilities. This  
 3 license shall allow for delivery with local approval.

4 ~~(4)~~

5 (3) Type 11, or “medium dispensary,” for dispensaries with  
 6 ~~51-100 employees, including management.~~ “distributor,” for the  
 7 processing and certification of the content of all medical cannabis  
 8 or medical cannabis products that are transported or delivered  
 9 by licensees. A Type 11 licensee shall not hold a license in any  
 10 other license category and shall not own, or have an ownership  
 11 interest in, a facility licensed pursuant to this chapter other than  
 12 a security interest, lien, or encumbrance on property that is used  
 13 by a licensee.

14 ~~(5) Type 11D, or “medium dispensary-delivery,” for dispensaries~~  
 15 ~~with the same restrictions as Type 11; also allows for delivery.~~

16 ~~(6)~~

17 (4) Type 12, or “large dispensary,” for dispensaries with 100  
 18 employees or more, including management. “transport,” for  
 19 transporters of medical cannabis or medical cannabis products.

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

22 ~~(8) Type 13, or “transport,” for transporters of medical cannabis~~  
 23 ~~and medical cannabis products.~~

24 19334.5. (a) The State Board of Equalization shall adopt a  
 25 medical cannabis and medical cannabis products track and trace  
 26 process for reporting the movement of cannabis items throughout  
 27 the distribution chain that also employs secure packaging and that  
 28 is capable of providing information that captures, at a minimum,  
 29 all of the following:

- 30 (1) The licensee receiving the product.
- 31 (2) The transaction date.
- 32 (3) Any other information deemed necessary by the State Board  
 33 of Equalization for the taxation and regulation of medical cannabis  
 34 and medical cannabis products.

35 (b) It is the intent of the Legislature, in subsequent legislation,  
 36 to adequately fund the medical cannabis and medical cannabis  
 37 products track and trace process.

38 19335. (a) The provisions of Chapter 4 (commencing with  
 39 Section 55121) of Part 30 of Division 2 of the Revenue and  
 40 Taxation Code shall apply with respect to the State Board of

1 *Equalization's collection of the fees, civil fines, and penalties*  
2 *imposed pursuant to this chapter.*

3 *(b) The provisions of Chapter 8 (commencing with Section*  
4 *55381) of Part 30 of Division 2 of the Revenue and Taxation Code*  
5 *shall apply with respect to the disclosure of information under this*  
6 *chapter.*

7  
8  
9

Article 9. Licensed Transporters

10 19336. (a) A licensee authorized to transport, or transport and  
11 deliver, medical cannabis and medical cannabis products shall do  
12 so only as set forth in this chapter.

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

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

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

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

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

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

36 *19336.5. An entity licensed pursuant to Section 19332, 19334,*  
37 *or 19342 may transport between licensees medical cannabis or*  
38 *medical cannabis products with a total retail value less than the*  
39 *statewide monetary threshold, which shall be adopted by regulation*

1 *by the licensing authority after review by the task force and the*  
2 *office.*

3 19337. (a) Transported and delivered medical cannabis or  
4 medical cannabis products shall be transported only in a storage  
5 compartment that is securely affixed to the interior of the  
6 transporting vehicle and that is not visible from outside the vehicle.  
7 This requirement shall only apply to licensees transporting medical  
8 cannabis or medical cannabis products with a total retail value of  
9 at least an amount equal to a statewide monetary threshold, which  
10 shall be adopted by regulation by the licensing authority after  
11 review by the task force and the office.

12 (b) ~~A—~~*Except as provided in Section 19340, a vehicle*  
13 *transporting medical cannabis or medical cannabis products shall*  
14 *travel only directly between licensed facilities, unless otherwise*  
15 *authorized under its license. All transport and deliveries shall be*  
16 *conducted between 8:00 a.m. and 8:00 p.m. Transportation and*  
17 *delivery of shipments do not have to be completed in a single day.*

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

27 (d) Each transport or delivery team member shall possess  
28 documentation of licensing and a government-issued identification  
29 card at all times when transporting or delivering medical cannabis  
30 and shall produce it upon the request of agents of any ~~regulatory~~  
31 *licensing authority or a law enforcement official.*

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

34 19337.1. *Notwithstanding Section 19337, a licensed transporter*  
35 *may transport medical cannabis products to an unlicensed*  
36 *dispensing facility within the City of Los Angeles, provided the*  
37 *following requirements are met:*

38 (a) *The licensed transporter shall comply with subdivisions (b)*  
39 *and (c) of Section 19336, except that, in complying with paragraph*  
40 *(2) of subdivision (b), the licensed transporter shall securely*

1 *transmit the manifest to the licensing authority and the unlicensed*  
2 *dispensing facility that will receive the medical cannabis products.*

3 *(b) The licensed transporter shall record and maintain, in both*  
4 *physical and electronic format, the following information with*  
5 *respect to the delivery of medical cannabis products to the*  
6 *unlicensed dispensing facility:*

7 *(1) The date of delivery.*

8 *(2) The address of delivery.*

9 *(3) The name of the individual who completed the delivery.*

10 *(4) The name of the individual at the facility who received the*  
11 *delivery.*

12 *(5) The name of the owner or operator of the facility.*

13 *(6) The name of the facility, as reflected on any signage.*

14 *(7) The quantity, or weight, and variety of all medical cannabis*  
15 *products delivered.*

16 *(8) The source of all medical cannabis delivered.*

17 *(9) The monetary amount charged and received for all medical*  
18 *cannabis products delivered.*

19 *(c) The recorded information specified in subdivision (b) shall*  
20 *be transmitted within five days to the City of Los Angeles, in a*  
21 *manner to be determined and specified by the City of Los Angeles.*

22 *(d) The records required by this section shall be maintained*  
23 *and made available in accordance with the provisions of Section*  
24 *19326.*

25 19338. (a) The licensing authority shall develop a database  
26 containing the electronic shipping manifests, which shall include,  
27 but not be limited to, the following information:

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

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

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

31 (4) The actual time of arrival.

32 (5) A categorization of the product.

33 (b) The database shall be designed to flag irregularities for a  
34 ~~regulatory~~ *licensing* authority to investigate. An authorized  
35 enforcement authority may, at any time, inspect shipments and  
36 request documentation for current inventory.

37 19339. (a) This chapter shall not be construed to authorize or  
38 permit a licensee to transport or deliver, or cause to be transported  
39 or delivered, cannabis or cannabis products outside the state, unless  
40 authorized by federal law.

1 (b) A local jurisdiction shall not prevent transportation of  
 2 medical cannabis or medical cannabis products on public roads  
 3 by a licensee transporting medical cannabis or medical cannabis  
 4 products that acts in compliance with this chapter and applicable  
 5 local ordinances. *chapter.*

6 (c) *A local jurisdiction shall not prevent delivery of medical*  
 7 *cannabis or medical cannabis products on public roads by a*  
 8 *licensee that acts in compliance with this chapter and applicable*  
 9 *local ordinances.*

10 19340. (a) All mobile, vehicular, and ~~Internet-based delivery~~  
 11 ~~services technology platforms that enable qualified patients or~~  
 12 ~~primary caregivers to arrange for any of the above-described~~  
 13 ~~functions with a third party~~ are prohibited, except as authorized  
 14 by this chapter.

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

17 (1) The city, county, or city and county in which the premises  
 18 of the licensee is located, and in which each delivery is made, must  
 19 specifically permit delivery service by ordinance referring to this  
 20 section.

21 (2) All employees delivering medical cannabis or medical  
 22 cannabis products must carry a current license authorizing those  
 23 services with them during deliveries, and must present that license  
 24 upon request to state and local law enforcement, employees of  
 25 regulatory authorities, and other state and local agencies enforcing  
 26 this chapter.

27 (3) *Delivery of medical cannabis or medical cannabis products*  
 28 *pursuant to this section shall comply with subdivision (c) of Section*  
 29 *19336 and subdivisions (a), (c), and (d) of Section 19337.*

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

33 (d) Whenever a licensing authority has knowledge that a licensee  
 34 has transported or delivered, or arranged or facilitated the transport  
 35 or delivery of, medical cannabis or medical cannabis products in  
 36 violation of this chapter, the licensing authority shall summarily  
 37 suspend that facility’s license and shall without delay commence  
 38 proceedings for the revocation of the license in accordance with  
 39 this chapter.

1 (e) All license fees collected by the licensing authority pursuant  
2 to this chapter shall be deposited into the Medical Cannabis Retail  
3 Fees Account, which is hereby established within the fund. All  
4 moneys within the Medical Cannabis Retail Fees Account are  
5 available upon appropriation to the State Board of Equalization,  
6 solely for the purposes of fully funding and administering this  
7 chapter, including, but not limited to, the costs incurred by the  
8 board for its administrative expenses and costs and the costs of  
9 regulation.

10 *19341. Notwithstanding any other law or the wage orders of*  
11 *the Industrial Welfare Commission, a driver employed to transport*  
12 *medical cannabis or medical cannabis products shall be entitled*  
13 *to overtime pay pursuant to Section 510 of the Labor Code.*

14  
15 Article 10. Licensed Manufacturers and Certified Laboratories

16  
17 19342. (a) The Division of Medical Cannabis Manufacturing  
18 and Testing within the State Department of Public Health shall  
19 promulgate regulations governing the licensing of cannabis  
20 manufacturers.

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

22 ~~(1) Type 6A, or “small manufacturing level 1,” for~~  
23 ~~manufacturing sites that use a maximum of XXX pounds of~~  
24 ~~medical cannabis each year to produce medical cannabis products,~~  
25 ~~using nonvolatile solvents.~~

26 ~~(2) Type 6B, or “small manufacturing level 2,” for~~  
27 ~~manufacturing sites that use a maximum of XXX pounds of~~  
28 ~~medical cannabis each year to produce medical cannabis products,~~  
29 ~~using volatile solvents.~~

30 ~~(3) Type 7A, or “large manufacturing level 1,” for~~  
31 ~~manufacturing sites that use a maximum of XXX pounds of~~  
32 ~~medical cannabis each year to produce medical cannabis products,~~  
33 ~~using nonvolatile solvents. The division shall limit the number of~~  
34 ~~licenses of this type.~~

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

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

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

6 ~~(5)~~

7 (3) Type 8, or “testing,” for testing of medical cannabis and  
8 medical cannabis products. Type 8 licensees shall have their  
9 facilities certified according to regulations set forth by the division.  
10 A Type 8 licensee shall not hold a license in another license  
11 category of this chapter and shall not own or have ownership  
12 interest in a facility licensed pursuant to this chapter, other than  
13 a security interest, lien, or encumbrance on property that will be  
14 used by the licensee.

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

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

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

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

36 19344. (a) A laboratory certified by the department to perform  
37 random sample testing of *medical cannabis or medical cannabis*  
38 *products* shall not ~~acquire, process, possess, store, transfer,~~  
39 ~~transport, or dispense medical cannabis for any purpose other than~~  
40 ~~those authorized by Article 2.5 (commencing with Section 11362.7)~~

1 of Chapter 6 of Division 10 of the Health and Safety Code. *acquire*  
2 *or receive medical cannabis or medical cannabis products except*  
3 *from a licensed facility in accordance with this chapter, and shall*  
4 *not distribute, sell, deliver, transfer, transport, or dispense medical*  
5 *cannabis or medical cannabis products except to the licensed*  
6 *facility from which the medical cannabis or medical cannabis*  
7 *products were acquired or received. All transfer or transportation*  
8 *shall be performed pursuant to a specified chain of custody*  
9 *protocol.*

10 ~~(b) A laboratory certified by the department to perform random~~  
11 ~~sample testing of medical cannabis products shall not acquire,~~  
12 ~~process, possess, store, transfer, transport, or dispense medical~~  
13 ~~cannabis plants or medical cannabis products except through a~~  
14 ~~patient, primary caregiver, or a facility issued a state license. All~~  
15 ~~transfer or transportation shall be performed pursuant to a specified~~  
16 ~~chain of custody protocol.~~

17 ~~(e)~~

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

27 ~~(d)~~

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

32 ~~(e)~~

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

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

3 19345. (a) The Division of Medical Cannabis Manufacturing  
4 and Testing within the State Department of Public Health shall  
5 promulgate the following standards:

6 (1) Health and safety standards applicable to all medical  
7 cannabis, and medical cannabis products, including maximum  
8 potency ~~standards.~~ *standards for medical cannabis products.*

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

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

14 (1) Prescribe sanitation standards ~~analogous~~ *equivalent* to the  
15 California Retail Food Code (Part 7 (commencing with Section  
16 113700) of Division 104 of the Health and Safety Code) for food  
17 preparation, storage, handling, and sale of edible medical cannabis  
18 products. For purposes of this chapter, edible medical cannabis  
19 products are deemed to be unadulterated food products.

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

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

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

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

38 19346. (a) Prior to sale or distribution at a licensed dispensing  
39 ~~facility, edible facility or an unlicensed dispensing facility in the~~  
40 *City of Los Angeles*, medical cannabis products shall be labeled

1 and in a tamper-evident package. Labels and packages of ~~edible~~  
2 medical cannabis products shall meet the following requirements:

3 (1) ~~Edible medical~~ *Medical* cannabis packages and labels shall  
4 not be made to be attractive to children.

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

8 (A) Manufacture date and source.

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

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

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

14 (E) ~~Net~~ *For packages containing only dried cannabis, the net*  
15 *weight of medical cannabis in the package.*

16 (F) A warning if nuts or other known allergens are ~~used and the~~  
17 ~~total weight, in ounces or grams, of medical cannabis in the~~  
18 ~~package used.~~

19 (G) List of pharmacologically active ingredients, including, but  
20 not limited to, ~~tetrahydrocannabinol (THC) and cannabidiol (CBD)~~  
21 *cannabinoid* content, the ~~THC cannabinoid~~ amount in milligrams  
22 per serving, servings per package, and the ~~THC cannabinoid~~  
23 amount in milligrams for the package total.

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

26 (I) Identification of the source and date of cultivation and  
27 manufacture.

28 ~~(J) The name and location of the licensed dispensing facility~~  
29 ~~providing the product.~~

30 ~~(K)~~

31 ~~(J)~~ The date of sale.

32 ~~(L)~~

33 ~~(K)~~ Any other requirement set by the department.

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

36

37 Article 11. Cannabis Employee Certification and Apprenticeship

38

39 19350. This article applies only to cultivation sites and  
40 dispensaries.

1 19351. The Division of Labor Standards Enforcement shall do  
2 all of the following:

3 (a) Maintain minimum standards for the competency and training  
4 of employees of a licensed cultivator or dispensary through a  
5 system of testing and certification.

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

9 (c) Adopt regulations as determined to be necessary to  
10 implement this article.

11 (d) Issue certification cards to employees certified pursuant to  
12 this article.

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

19 19352. (a) By January 1, 2017, the Division of Labor Standards  
20 Enforcement shall develop a certification program for cannabis  
21 employees. Commencing January 1, 2019, except as provided in  
22 subdivision (c), certification shall be required of all persons who  
23 perform work as cannabis employees.

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

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

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

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

1 19353. (a) The following shall constitute additional grounds  
2 for disciplinary proceedings, including suspension or revocation  
3 of the license issued pursuant to this chapter:

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

7 (2) The licensee willfully fails to provide adequate supervision  
8 of uncertified workers.

9 (3) The licensee willfully fails to provide adequate supervision  
10 of apprentices.

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

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

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

29  
30  
31

Article 12. Taxation

32 19355. The office and other state agencies may assist state  
33 taxation authorities in the development of uniform policies for the  
34 state taxation of state licensees.

35 ~~19356. (a) (1) In addition to any authority otherwise provided  
36 by law, the board of supervisors of a county may impose, by  
37 ordinance, a tax on the privilege of cultivating, dispensing,  
38 producing, processing, preparing, storing, providing, donating,  
39 selling, or distributing cannabis by a licensee operating pursuant  
40 to this chapter. The tax may be imposed for general governmental~~

1 purposes or for purposes specified in the ordinance by the board  
2 of supervisors.

3 (2) ~~The board of supervisors shall specify in the ordinance~~  
4 ~~proposing the tax the activities subject to the tax, the applicable~~  
5 ~~rate or rates, the method of apportionment, and the manner of~~  
6 ~~collection of the tax. A tax imposed pursuant to this section is a~~  
7 ~~tax and not a fee or special assessment, and the tax is not required~~  
8 ~~to be apportioned on the basis of benefit to any person or property~~  
9 ~~or be applied uniformly to all taxpayers or all real property.~~

10 (3) ~~A tax imposed by a county pursuant to this section by a~~  
11 ~~county may include a transactions and use tax imposed solely for~~  
12 ~~cannabis or cannabis products, which shall otherwise conform to~~  
13 ~~Part 1.6 (commencing with Section 7251) of Division 2 of the~~  
14 ~~Revenue and Taxation Code. Notwithstanding Section 7251.1 of~~  
15 ~~the Revenue and Taxation Code, the tax may be imposed at any~~  
16 ~~rate specified by the board of supervisors, and the tax rate~~  
17 ~~authorized by this section shall not be considered for purposes of~~  
18 ~~the combined tax rate limitation established by that section.~~

19 (4) ~~The tax authorized by this section may be imposed upon~~  
20 ~~any or all of the activities set forth in paragraph (1), regardless of~~  
21 ~~whether the activity is undertaken individually, collectively, or~~  
22 ~~cooperatively, and regardless of whether the activity is for~~  
23 ~~compensation or gratuitously, as determined by the board of~~  
24 ~~supervisors.~~

25 (5) ~~The board of supervisors shall specify whether the tax applies~~  
26 ~~throughout the entire county or within the unincorporated area of~~  
27 ~~the county.~~

28 (b) ~~In addition to any other method of collection authorized by~~  
29 ~~law, the board of supervisors may provide for the collection of the~~  
30 ~~tax imposed pursuant to this section in the same manner, and~~  
31 ~~subject to the same penalties and priority of lien, as other charges~~  
32 ~~and taxes fixed and collected by the county.~~

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

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

37 (e) ~~This section does not limit or prohibit the levy or collection~~  
38 ~~or any other fee, charge, or tax, or any license or service fee or~~  
39 ~~charge upon, or related to, the activities set forth in subdivision~~  
40 (a), ~~as otherwise provided by law. This section shall not be~~

1 ~~construed as a limitation upon the taxing authority of any county~~  
2 ~~as provided by other law.~~

3 *19356. It is the intent of the Legislature to grant authority to*  
4 *the board of supervisors of a county to impose appropriate taxes*  
5 *on facilities licensed pursuant to this chapter.*

6

7

Article 13. Funding

8

9 19360. Each licensing authority shall establish a scale of  
10 application, licensing, and renewal fees, based upon the cost of  
11 enforcing this chapter, as follows:

12 (a) Each licensing authority shall charge each licensee a  
13 licensure or renewal fee. The licensure or renewal fee shall be  
14 calculated to cover the costs of administering this chapter. The  
15 licensure fee may vary depending upon the varying costs associated  
16 with administering the various regulatory requirements of this  
17 chapter as they relate to the nature and scope of the different  
18 licensure activities, but shall not exceed the reasonable regulatory  
19 costs to the licensing authority.

20 (b) The total fees assessed pursuant to this chapter, including,  
21 but not limited to, provisional license fees set forth in Section  
22 19330, shall be set at an amount that will fairly and proportionately  
23 generate sufficient total revenue to fully cover the total costs of  
24 administering this chapter.

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

27 19361. (a) The Medical Cannabis Regulation Fund is hereby  
28 established within the State Treasury. Notwithstanding Section  
29 16305.7 of the Government Code, the fund shall include any  
30 interest and dividends earned on the moneys in the fund.

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

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

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

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

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

10 (d) (1) Funds for the establishment and support of the  
11 regulatory activities pursuant to this chapter may be advanced as  
12 a General Fund or special fund loan, and shall be repaid by the  
13 initial proceeds from fees collected pursuant to this chapter or any  
14 rule or regulation adopted pursuant to this chapter, by January 1,  
15 2022.

16 (2) *Funds advanced pursuant to this subdivision shall be*  
17 *appropriated to the office, which shall distribute the moneys to*  
18 *the appropriate licensing authorities, as necessary to implement*  
19 *the provisions of this chapter.*

20

21

#### Article 14. Reporting

22

23 19363. On or before March 1 of each year, the director shall  
24 prepare and submit to the Legislature an annual report on the  
25 office's activities and post the report on the office's Internet Web  
26 site. The report shall include, but not be limited to, the following  
27 information for the previous fiscal year:

28 (a) The amount of funds allocated and spent by the office and  
29 licensing authorities for medical cannabis licensing, enforcement,  
30 and administration.

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

33 (c) The average time for processing state license applications,  
34 by state license category.

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

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

Article 15. Privacy

1  
2  
3 19365. (a) Information identifying the names of patients, their  
4 medical conditions, or the names of their primary caregivers  
5 received and contained in records kept by the office or licensing  
6 authorities for the purposes of administering this chapter are  
7 confidential and shall not be disclosed pursuant to the California  
8 Public Records Act (Chapter 3.5 (commencing with Section 6250)  
9 of Division 7 of Title 1 of the Government Code), except as  
10 necessary for authorized employees of the State of California or  
11 any city, county, or city and county to perform official duties  
12 pursuant to this chapter, or a local ordinance.

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

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

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

20 (3) Verification of requests by state or local agencies to confirm  
21 licenses and certificates issued by the regulatory authorities or  
22 other state agency.

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

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

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

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

1 (b) This section shall remain in effect only until 180 days after  
2 the ~~Division of Medical Cannabis Regulation within the State~~  
3 ~~Board of Equalization~~ *Governor's Office of Medical Cannabis*  
4 *Regulation* posts a notice on its Internet Web site that the licensing  
5 authorities have commenced issuing provisional licenses pursuant  
6 to the Medical Cannabis Regulation and Control Act (Chapter 3.5  
7 (commencing with Section 19300) of Division 8 of the Business  
8 and Professions Code), and as of that date is repealed.

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

10 147.5. (a) By January 1, 2017, the Division of Occupational  
11 Safety and Health shall convene an advisory committee to evaluate  
12 whether there is a need to develop industry-specific regulations  
13 related to the activities of facilities issued a license pursuant to  
14 Chapter 3.5 (commencing with Section 19300) of Division 8 of  
15 the Business and Professions Code.

16 (b) By July 1, 2017, the advisory committee shall present to the  
17 board its findings and recommendations for consideration by the  
18 board. By July 1, 2017, the board shall render a decision regarding  
19 the adoption of industry-specific regulations pursuant to this  
20 section.

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

22 3094. The Division of Apprenticeship Standards shall  
23 investigate, approve, or reject applications for apprenticeship  
24 programs for employees of a licensee subject to Article 11  
25 (commencing with Section 19350) of Chapter 3.5 of Division 8  
26 of the Business and Professions Code. The Division of  
27 Apprenticeship Standards shall adopt regulations necessary to  
28 implement and regulate the establishment of the apprenticeship  
29 programs described in this section.

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

31 2402.5. The Department of the California Highway Patrol shall  
32 establish protocols to determine whether a driver is operating a  
33 vehicle under the influence of cannabis, and shall develop protocols  
34 setting forth best practices to assist law enforcement agencies. The  
35 costs to the Department of the California Highway Patrol of  
36 implementing this subdivision shall, upon appropriation by the  
37 Legislature, be paid for with appropriations from moneys in the  
38 Fines and Penalties Account of the Medical Cannabis Regulation  
39 Fund.

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

5 SEC. 12. The Legislature finds and declares that Section 6 of  
6 this act, which adds Chapter 3.5 (commencing with Section 19300)  
7 to Division 8 of the Business and Professions Code, imposes a  
8 limitation on the public’s right of access to the meetings of public  
9 bodies or the writings of public officials and agencies within the  
10 meaning of Section 3 of Article I of the California Constitution.  
11 Pursuant to that constitutional provision, the Legislature makes  
12 the following findings to demonstrate the interest protected by this  
13 limitation and the need for protecting that interest:

14 It is necessary to maintain the confidentiality of patient and  
15 physician information provided to the regulatory authorities in  
16 order to protect the private medical information of patients who  
17 use medical cannabis and to preserve the essential confidentiality  
18 of the physician and patient relationship.

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

28 However, if the Commission on State Mandates determines that  
29 this act contains other costs mandated by the state, reimbursement  
30 to local agencies and school districts for those costs shall be made  
31 pursuant to Part 7 (commencing with Section 17500) of Division  
32 4 of Title 2 of the Government Code.

O