

AMENDED IN ASSEMBLY MARCH 18, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1575

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

January 4, 2016

An act to amend Sections 19300, 19300.5, 19302, 19302.1, 19306, 19310, 19316, 19321, 19322, 19326, 19332, 19332.5, 19334, 19335, 19340, 19342, 19344, ~~and 19350~~ 19347, 19350, 19351, and 19360 of, to amend the heading of Article 5 (commencing with Section 19326) of Chapter 3.5 of Division 8 of, to amend the heading of Chapter 3.5 (commencing with Section 19300) of Division 8 of, to amend and add Section 19328 of, ~~and~~ to add Sections 19310.5, 19319.5, and 19322.5 to, and to repeal Section 19318 of, the Business and Professions Code, to amend Sections 12025 and 12029 of the Fish and Game Code, and to amend Sections 11352, 11362.765, 11362.775, 11362.777, and 11379 of the Health and Safety Code, relating to medical ~~marijuana~~: *cannabis*.

LEGISLATIVE COUNSEL'S DIGEST

AB 1575, as amended, Bonta. Medical ~~marijuana~~: *cannabis*.

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

This bill would *rename the act as the Medical Cannabis Regulation and Safety Act*. The bill would also require the Board of Equalization to form an advisory group made up of representatives from financial institutions, the medical ~~marijuana~~ *cannabis* industry, and state and

federal banking regulators to examine ~~strategies, such as the use of automated kiosks for accepting cash payments, strategies such as integrated point-of-sale systems with state track and trace systems, systems~~ and other measures that will improve financial monitoring of medical ~~marijuana~~ *cannabis* businesses. The bill would require the board, by July 1, 2017, to submit a report to the Legislature with proposed changes to state law or regulations that will improve financial monitoring of medical ~~marijuana~~ *cannabis* businesses and compliance with federal law. *The bill would require the Department of Business Oversight to create an enhanced financial monitoring certification for entities licensed under the act that further enables them to comply with federal banking regulations and would authorize the Department of Business Oversight to charge a fee for this certification, as specified.*

(2) Under the act, a city, county, or city and county is authorized to adopt an ordinance that establishes standards, requirements, and regulations for local licenses and permits for commercial marijuana activity that exceed statewide standards.

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

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

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

(4) The act generally establishes categories of licenses that may be issued and limits a licensee to holding a state license in up to 2 separate license categories. The act provides that, upon licensure, a business shall not be subject to that limitation in a jurisdiction that adopted a

local ordinance, prior to July 1, 2015, allowing or requiring qualified businesses to cultivate, manufacture, and dispense medical marijuana or medical marijuana products, with all commercial marijuana activity being conducted by a single qualified business. The act repeals these provisions on January 1, 2026.

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

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

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

(6) The act specifically establishes a “dispensary license,” to be issued by the ~~Department of Consumer Affairs, bureau~~, and requires a licensed dispensary to implement sufficient security measures, including, at a minimum, certain specified security measures, such as establishing limited access areas accessible only to authorized dispensary personnel. The act authorizes a dispensary to deliver in a city, county, or city and county that does not explicitly prohibit ~~it~~ *delivery* by local ordinance.

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

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

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

~~(8) The act makes a license valid for 12 months from the date of issuance and requires that a license be renewed annually.~~

~~This bill would, notwithstanding that provision, authorize the Bureau of Medical Marijuana Regulation to issue temporary permits for business events:~~

~~(9)~~

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

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

~~(10)~~

(9) Existing law authorizes the University of California to create the California Marijuana Research Program, the purpose of which is to develop and conduct studies intended to ascertain the general medical safety and efficacy of marijuana, and if found valuable, to develop medical guidelines for the appropriate administration and use of marijuana.

~~This bill would provide that it is not a violation of state law or any local ordinance or regulation for a business or research institution engaged that has state authorization to engage in the research of medical marijuana, cannabis, medical marijuana cannabis products, or devices used for the medical use of marijuana cannabis or marijuana cannabis products, to possess, transport, purchase, or otherwise obtain small amounts of medical marijuana cannabis or medical marijuana cannabis products to conduct research and development related to medical marijuana cannabis or medical marijuana cannabis products. The bill would require the Bureau of Medical Marijuana Regulation bureau to issue a medical marijuana research permit.~~ *promulgate regulations to establish minimum qualifications for state authorization to conduct research on medical cannabis and medical cannabis products and all related protocols, as specified.*

~~(11)~~

(10) Existing law imposes various civil penalties for a violation of specified provisions of law in connection with the production or cultivation of a controlled substance, including marijuana, on land under

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

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

(12)

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

This bill ~~would instead~~ *would, instead,* provide that the above exception is repealed one year after the bureau posts its notice on its Internet Web site. The bill would also specify that a collective or cooperative subject to this exception may operate on a for-profit basis, a not-for-profit basis, or any combination thereof. The bill would also specify that a licensee under the act may operate on a for-profit basis, a not-for-profit basis, or any combination thereof.

(13)

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

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

(14)

(13) Existing law makes it a crime to transport, import into this state, sell, furnish, administer, or give away, or offers to transport, import into this state, sell, furnish, administer, or give away, or attempt to import into this state or transport, or to transport for sale between counties of the state any controlled substance, including marijuana.

This bill would except from these provisions any commercial ~~marijuana~~ *cannabis* activity by a holder of a state license ~~under who is in full compliance with the Medical Marijuana Cannabis Regulation and Safety Act~~ *and all applicable local ordinances.*

(15)

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

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

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

1 SECTION 1. The heading of Chapter 3.5 (commencing with
2 Section 19300) of Division 8 of the Business and Professions Code
3 is amended to read:

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

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

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

12 ~~SECTION 1.~~

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

15 19300.5. For purposes of this chapter, the following definitions
16 shall apply:

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

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

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

2 (B) An “owner” means ~~any~~ a person having an aggregate
3 ownership interest, other than a security interest, lien, or
4 encumbrance, of 5 percent or more in the licensee ~~and~~ or who has
5 the power to direct, or cause to be directed, the management or
6 control of the licensee.

7 (2) If the applicant is a publicly traded company, “owner” means
8 the chief executive officer, ~~any~~ a member of the board of directors,
9 or ~~any~~ a person or entity with an aggregate ownership interest of
10 5 percent or more. If the applicant is a nonprofit entity, “owner”
11 means both the chief executive officer and any member of the
12 board of directors.

13 (c) “Batch” means a specific quantity of medical ~~marijuana~~
14 *cannabis* or medical ~~marijuana products~~ *cannabis product* that is
15 intended to have uniform character and quality, within specified
16 limits, and is produced according to a single manufacturing order
17 during the same cycle of manufacture.

18 (d) “Bureau” means the Bureau of Medical ~~Marijuana~~ *Cannabis*
19 Regulation within the Department of Consumer Affairs.

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

22 (f) “Cannabis” or “marijuana” means all parts of the plant
23 *Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis*,
24 whether growing or not; the seeds thereof; the resin, whether crude
25 or purified, extracted from any part of the plant; and every
26 compound, manufacture, salt, derivative, mixture, or preparation
27 of the plant, its seeds, or resin. “Cannabis” or “marijuana” also
28 means the separated resin, whether crude or purified, obtained
29 from marijuana. “Cannabis” or “marijuana” also means marijuana
30 as defined by Section 11018 of the Health and Safety Code as
31 enacted by Chapter 1407 of the Statutes of 1972. “Cannabis” or
32 “marijuana” does not include the mature stalks of the plant, fiber
33 produced from the stalks, oil or cake made from the seeds of the
34 plant, any other compound, manufacture, salt, derivative, mixture,
35 or preparation of the mature stalks (except the resin extracted
36 therefrom), fiber, oil, or cake, or the sterilized seed of the plant
37 ~~which~~ *that* is incapable of germination. For the ~~purpose~~ *purposes*
38 of this chapter, “cannabis” or “marijuana” does not mean
39 “industrial hemp” as defined by ~~Section 81000~~ of the Food and

1 ~~Agricultural Code~~ or Section 11018.5 of the Health and Safety
2 Code.

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

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

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

16 (j) “Chief” means Chief of the Bureau of Medical ~~Marijuana~~
17 *Cannabis* Regulation within the Department of Consumer Affairs.

18 (k) “Commercial ~~marijuana~~ *cannabis* activity” or “commercial
19 *marijuana activity*” includes cultivation, possession, manufacture,
20 processing, storing, laboratory testing, labeling, transporting,
21 distribution, or sale of medical ~~marijuana~~ *cannabis* or a medical
22 ~~marijuana~~ *cannabis* product, except as set forth in Section 19319,
23 related to qualifying patients and primary caregivers.

24 (l) “Cultivation” means any activity involving the planting,
25 growing, harvesting, drying, curing, grading, or trimming of
26 ~~marijuana~~ *cannabis*.

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

32 (n) “Cultivator” means a person that conducts the planting,
33 growing, harvesting, drying, curing, grading, or trimming of
34 medical *cannabis* and that holds both a valid state license and a
35 valid local license, permit, or other authorization.

36 ~~(m)~~

37 (o) “Delivery” means the commercial transfer of medical
38 ~~marijuana~~ *cannabis* or medical ~~marijuana~~ *cannabis* products from
39 a dispensary, up to an amount determined by the ~~bureau~~ *bureau*,
40 to a primary caregiver or qualified patient as defined in Section

1 11362.7 of the Health and Safety Code, or a testing laboratory.
 2 “Delivery” also includes the use by a dispensary of any technology
 3 platform owned and controlled by the dispensary, or independently
 4 licensed under this chapter, that enables qualified patients or
 5 primary caregivers to arrange for or facilitate the commercial
 6 transfer by a licensed dispensary of medical-~~marijuana~~ *cannabis*
 7 or medical-~~marijuana~~ *cannabis* products.

8 (n)

9 (p) “Dispensary” means a *commercial facility with a fixed*
 10 *location, whether or not there is direct access by customers, where*
 11 ~~medical-marijuana, medical marijuana products, or devices for the~~
 12 ~~use of medical marijuana or medical marijuana products~~ *cannabis*
 13 *or medical cannabis products* are offered, either individually or
 14 in any combination, for retail sale, including an establishment that
 15 delivers, ~~pursuant to express authorization unless expressly~~
 16 ~~prohibited~~ by local ordinance, medical-~~marijuana~~ *cannabis* and
 17 medical-~~marijuana~~ *cannabis* products as part of a retail sale.
 18 “Dispensary” ~~includes a virtual dispensary for purposes of~~
 19 ~~regulation.~~

20 (o)

21 (q) “Dispensing” means any activity involving the retail sale of
 22 medical-~~marijuana~~ *cannabis* or medical-~~marijuana~~ *cannabis*
 23 products from a dispensary.

24 (p)

25 (r) “Distribution” means the procurement, sale, and transport
 26 of medical-~~marijuana~~ *cannabis* and medical-~~marijuana~~ *cannabis*
 27 products between entities licensed pursuant to this chapter.

28 (q)

29 (s) “Distributor” means a person ~~licensed under this chapter to~~
 30 ~~engage~~ *engaged* in the business of purchasing medical-~~marijuana~~
 31 ~~cannabis~~ from a licensed cultivator, or medical-~~marijuana~~ *cannabis*
 32 products from a licensed manufacturer, for sale to a licensed
 33 ~~dispensary.~~ *dispensary and who holds a valid state license pursuant*
 34 *to this chapter and a valid local license, permit, or other*
 35 *authorization.*

36 (r)

37 (t) “Dried flower” means all dead medical-~~marijuana~~ *cannabis*
 38 that has been harvested, dried, cured, or otherwise processed,
 39 excluding leaves and stems.

40 (s)

- 1 (u) “~~Edible-marijuana cannabis product~~” or “*edible marijuana*
2 *product*” means manufactured ~~marijuana cannabis~~ that is intended
3 to be used, in whole or in part, for human consumption, including,
4 but not limited to, chewing gum. An edible medical ~~marijuana~~
5 *cannabis* product is not considered food as defined by Section
6 109935 of the Health and Safety Code or a drug as defined by
7 Section 109925 of the Health and Safety Code.
- 8 (t)
- 9 (v) “Fund” means the Medical ~~Marijuana Cannabis~~ Regulation
10 and Safety Act Fund established pursuant to Section 19351.
- 11 (tt)
- 12 (w) “Identification program” means the universal identification
13 certificate program for commercial medical ~~marijuana cannabis~~
14 activity authorized by this chapter.
- 15 (vv)
- 16 (x) “Labor peace agreement” means an agreement between a
17 licensee and a bona fide labor organization that, at a minimum,
18 protects the state’s proprietary interests by prohibiting labor
19 organizations and members from engaging in picketing, work
20 stoppages, boycotts, and any other economic interference with the
21 applicant’s business. This agreement means that the applicant has
22 agreed not to disrupt efforts by the bona fide labor organization
23 to communicate with, and attempt to organize and represent, the
24 applicant’s employees. The agreement shall provide a bona fide
25 labor organization access at reasonable times to areas in which the
26 applicant’s employees work, for the purpose of meeting with
27 employees to discuss their right to representation, employment
28 rights under state law, and terms and conditions of employment.
29 This type of agreement shall not mandate a particular method of
30 election or certification of the bona fide labor organization.
- 31 (y) “*Licensee*” means a person issued a state license under this
32 chapter to engage in commercial cannabis activity.
- 33 (ww)
- 34 (z) “Licensing authority” means the state agency responsible
35 for the issuance, renewal, or reinstatement of the license, or the
36 state agency authorized to take disciplinary action against the
37 ~~licensee~~. *licensee*.
- 38 (xx) “~~Cultivation site~~” means a facility where ~~medical marijuana~~
39 ~~is planted, grown, harvested, dried, cured, graded, or trimmed, or~~
40 ~~that does all or any combination of those activities, that holds a~~

1 ~~valid state license pursuant to this chapter, and that holds a valid~~
2 ~~local license or permit.~~

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

6 (ab) *“Lot” means a batch, or a specifically identified portion*
7 *of a batch, having uniform character and quality within specified*
8 *limits. In the case of medical cannabis or a medical cannabis*
9 *product produced by a continuous process, “lot” means a*
10 *specifically identified amount produced in a unit of time or a*
11 *quantity in a manner that ensures its having uniform character*
12 *and quality within specified limits.*

13 (ac) *“Manufactured cannabis” or “manufactured marijuana”*
14 *means raw cannabis that has undergone a process whereby the*
15 *raw agricultural product has been transformed into a concentrate,*
16 *an edible cannabis product, or a topical product.*

17 ~~(y)~~

18 (ad) *“Manufacturer” means a person that conducts the*
19 *production, preparation, propagation, or compounding of*
20 *manufactured medical ~~marijuana~~, cannabis, as described in*
21 *subdivision ~~(ae)~~, (ac), or medical ~~marijuana~~ cannabis products*
22 *either directly or indirectly or by extraction methods, or*
23 *independently by means of chemical synthesis or by a combination*
24 *of extraction and chemical synthesis at a fixed location that*
25 *packages or repackages medical ~~marijuana~~ cannabis or medical*
26 *~~marijuana~~ cannabis products or labels or relabels its container,*
27 *that holds a valid state license pursuant to this chapter, and that*
28 *holds a valid local ~~license or permit~~. license, permit, or other*
29 *authorization.*

30 ~~(z) “Testing laboratory” means a facility, entity, or site in the~~
31 ~~state that offers or performs tests of medical marijuana or medical~~
32 ~~marijuana products and that is both of the following:~~

33 ~~(1) Accredited by an accrediting body that is independent from~~
34 ~~all other persons involved in the medical marijuana industry in the~~
35 ~~state.~~

36 ~~(2) Registered with the State Department of Public Health.~~

37 (aa) *“Transporter” means a person issued a state license by the*
38 *bureau to transport medical marijuana or medical marijuana*
39 *products in an amount above a threshold determined by the bureau*

1 between facilities that have been issued a state license pursuant to
2 this chapter.

3 (ab) ~~“Licensee” means a person issued a state license under this~~
4 ~~chapter to engage in commercial marijuana activity.~~

5 (ac) ~~“Live plants” means living medical marijuana flowers and~~
6 ~~plants, including seeds, immature plants, and vegetative stage~~
7 ~~plants.~~

8 (ad) ~~“Lot” means a batch, or a specifically identified portion of~~
9 ~~a batch, having uniform character and quality within specified~~
10 ~~limits. In the case of medical marijuana or a medical marijuana~~
11 ~~product produced by a continuous process, “lot” means a~~
12 ~~specifically identified amount produced in a unit of time or a~~
13 ~~quantity in a manner that ensures its having uniform character and~~
14 ~~quality within specified limits.~~

15 (ae) ~~“Manufactured cannabis” or “manufactured marijuana”~~
16 ~~means raw marijuana that has undergone a process whereby the~~
17 ~~raw agricultural product has been transformed into a concentrate,~~
18 ~~an edible product, or a topical product.~~

19 (af)

20 (ae) “Manufacturing site” means a location that produces,
21 prepares, propagates, or compounds manufactured medical
22 ~~marijuana cannabis~~ or ~~medical-marijuana cannabis~~ products,
23 directly or indirectly, by extraction methods, independently by
24 means of chemical synthesis, or by a combination of extraction
25 and chemical synthesis, and is owned and operated by a licensee
26 ~~for these activities.~~ *person that holds a valid state license pursuant*
27 *to this chapter and a valid local license, permit, or other*
28 *authorization.*

29 (ag)

30 (af) “Medical cannabis,” “medical cannabis product,” “cannabis
31 product,” “medical marijuana,” “medical marijuana product,” or
32 “marijuana product” means a product containing ~~marijuana;~~
33 ~~cannabis~~, including, but not limited to, concentrates and
34 extractions, intended to be sold for use by ~~medical-marijuana~~
35 ~~cannabis~~ patients in California pursuant to the Compassionate Use
36 Act of 1996 (Proposition 215), found at Section 11362.5 of the
37 Health and Safety Code. For the purposes of this chapter, “medical
38 cannabis” or “medical marijuana” does not include “industrial
39 hemp” as defined by Section 81000 of the Food and Agricultural
40 Code or Section 11018.5 of the Health and Safety Code.

1 ~~(ah)~~
2 (ag) “Nursery” means a licensee that produces only clones,
3 immature plants, seeds, and other agricultural products used
4 specifically for the planting, propagation, and cultivation of medical
5 ~~marijuana: cannabis.~~

6 ~~(ai)~~
7 (ah) “Permit,” “local license,” or “local permit” means an
8 official document granted by a local jurisdiction that specifically
9 authorizes a person to conduct commercial-~~marijuana cannabis~~
10 activity in the local jurisdiction.

11 ~~(aj)~~
12 (ai) “Person” means an individual, firm, partnership, joint
13 venture, association, corporation, limited liability company, estate,
14 trust, business trust, receiver, syndicate, or any other group or
15 combination acting as a unit and includes the plural as well as the
16 singular number.

17 ~~(ak)~~
18 (aj) “~~State license,~~ “license,” or “~~registration~~ license” or
19 “license” means a state license issued pursuant to this chapter.

20 ~~(al)~~
21 (ak) “~~Topical cannabis~~” or “~~topical marijuana~~ product” means
22 a product ~~intended for external use: manufactured such that its~~
23 *final stage is in the form of a topical drug, as defined by the Center*
24 *for Drug Evaluation and Research under the federal Food and*
25 *Drug Administration.* A topical-~~marijuana~~ product is not considered
26 a drug as defined by Section 109925 of the Health and Safety
27 Code.

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

31 (1) Accredited by an accrediting body that is independent from
32 all other persons involved in the medical cannabis industry in the
33 state.

34 (2) Registered with the State Department of Public Health.

35 (am) “Transport” means the transfer of medical-~~marijuana~~
36 *cannabis* or medical-~~marijuana cannabis~~ products from the
37 permitted business location of one licensee to the permitted
38 business location of another licensee, for the purposes of
39 conducting commercial-~~marijuana cannabis~~ activity authorized
40 pursuant to this chapter.

1 (an) "Transporter" means a person issued a state license by
2 the bureau to transport medical cannabis or medical cannabis
3 products in an amount above a threshold determined by the bureau
4 between facilities that have been issued a state license pursuant
5 to this chapter.

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

8 19302. There is in the Department of Consumer Affairs the
9 Bureau of Medical-Marijuana Cannabis Regulation, under the
10 supervision and control of the director. The director shall
11 administer and enforce the provisions of this chapter.

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

14 19302.1. (a) The Governor shall appoint a chief of the bureau,
15 subject to confirmation by the Senate, at a salary to be fixed and
16 determined by the ~~director~~ Director of Consumer Affairs with the
17 approval of the Director of Finance. The chief shall serve under
18 the direction and supervision of the ~~director~~ Director of Consumer
19 Affairs and at the pleasure of the Governor.

20 (b) Every power granted to or duty imposed upon the director
21 under this chapter may be exercised or performed in the name of
22 the director by a deputy or assistant director or by the chief, subject
23 to conditions and limitations that the director may prescribe. In
24 addition to every power granted or duty imposed with this chapter,
25 the director shall have all other powers and duties generally
26 applicable in relation to bureaus that are part of the Department
27 of Consumer Affairs.

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

31 (d) The Department of Consumer Affairs shall have the sole
32 authority to create, issue, renew, discipline, suspend, or revoke
33 licenses for the transportation, storage unrelated to manufacturing
34 activities, distribution, and sale of medical-marijuana cannabis
35 within the state and to collect fees in connection with activities
36 the bureau regulates. The bureau may create licenses in addition
37 to those identified in this chapter that the bureau deems necessary
38 to effectuate its duties under this chapter.

39 (e) The Department of Food and Agriculture shall administer
40 the provisions of this chapter related to and associated with the

1 cultivation of medical cannabis. The Department of Food and
2 Agriculture ~~shall have the authority to~~ *may* create, issue, and
3 suspend or revoke cultivation licenses for violations of this chapter.
4 The

5 (f) *The* State Department of Public Health shall administer the
6 provisions of this chapter related to and associated with the
7 manufacturing and testing of medical cannabis. *The State*
8 *Department of Public Health may create, issue, and suspend or*
9 *revoke manufacturing and testing licenses for a violation of this*
10 *chapter.*

11 *SEC. 6. Section 19306 of the Business and Professions Code*
12 *is amended to read:*

13 19306. (a) The bureau may convene an advisory committee
14 to advise the bureau and licensing authorities on the development
15 of standards and regulations pursuant to this chapter, including
16 best practices and guidelines to ensure qualified patients have
17 adequate access to medical cannabis and medical cannabis
18 products. The advisory committee members shall be determined
19 by the chief.

20 (b) The advisory committee members may include, but *are not*
21 *be* limited to, representatives of the medical-~~marijuana~~ *cannabis*
22 industry, representatives of medical-~~marijuana~~ *cannabis* cultivators,
23 appropriate local and state agencies, appropriate local and state
24 law enforcement, physicians, environmental and public health
25 experts, and medical-~~marijuana~~ *cannabis* patient advocates.

26 *SEC. 7. Section 19310 of the Business and Professions Code*
27 *is amended to read:*

28 19310. The ~~department may~~ *licensing authority may*, on its
29 own motion at any time before a penalty assessment is placed into
30 effect and without any further proceedings, review the penalty,
31 but ~~such~~ *that* review shall be limited to its reduction.

32 ~~SEC. 2:~~

33 *SEC. 8. Section 19310.5 is added to the Business and*
34 *Professions Code, to read:*

35 19310.5. (a) It is the intent of the Legislature to enact a statute
36 that improves the medical-~~marijuana~~ *cannabis* industry's ability
37 to comply with federal law and regulations that would allow
38 improved access to ~~financial~~ *banking* services.

39 (b) (1) The State Board of Equalization shall form an advisory
40 group made up of representatives from financial institutions, the

1 medical-~~marijuana~~ *cannabis* industry, and state and federal banking
 2 regulators. By July 1, 2017, the board shall submit a report to the
 3 Legislature with proposed changes to state law or regulations that
 4 will improve financial monitoring of medical-~~marijuana~~ *cannabis*
 5 businesses and improve compliance with federal law.

6 (2) A report submitted pursuant to paragraph (1) shall be
 7 submitted in compliance with Section 9795 of the Government
 8 Code. The ~~requirement~~ *requirement* for submitting a report imposed
 9 in paragraph (1) is inoperative on July 1, 2021, pursuant to Section
 10 10231.5 of the Government Code.

11 (c) The advisory group shall examine strategies, such as the use
 12 of ~~automated kiosks for accepting cash payments~~, integrated
 13 point-of-sale systems with state track and trace ~~systems~~, *systems*
 14 and other measures that will improve financial monitoring of
 15 medical-~~marijuana~~ *cannabis* businesses.

16 (d) (1) *The Department of Business Oversight shall create an*
 17 *enhanced financial monitoring certification for entities licensed*
 18 *pursuant to this chapter that further enables those entities to*
 19 *comply with the federal banking regulations under the federal*
 20 *Bank Secrecy Act. The Department of Business Oversight shall*
 21 *consider including requirements to use electronic financial*
 22 *monitoring that enables real-time sales inventory tracking and*
 23 *other tools that allow a bank or credit union to readily access*
 24 *information they are required to monitor under the federal Bank*
 25 *Secrecy Act.*

26 (2) *The Department of Business Oversight may collect fees from*
 27 *applicants requesting the enhanced financial monitoring*
 28 *certification in an amount sufficient to fund the actual reasonable*
 29 *costs of implementing subdivision (d).*

30 ~~SEC. 3.~~

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

33 19316. (a) (1) Except as described in paragraph (2), and
 34 pursuant to Section 7 of Article XI of the California Constitution,
 35 a city, county, or city and county may adopt ordinances that
 36 establish additional standards, requirements, and regulations for
 37 local licenses and permits for commercial-~~marijuana~~ *cannabis*
 38 activity. ~~Any standards~~, *Standards*, requirements, and regulations
 39 regarding health and safety, testing, security, and worker

1 protections established by the state shall be the minimum standards
2 for all licensees statewide.

3 (2) Packaging safety standards shall be uniform across the state
4 and shall be established by the State Department of Public Health.

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

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

19 (c) Nothing in this chapter, or any regulations promulgated
20 thereunder, shall be deemed to limit the authority or remedies of
21 a city, county, or city and county under any provision of law,
22 including, but not limited to, Section 7 of Article XI of the
23 California Constitution.

24 *SEC. 10. Section 19318 of the Business and Professions Code*
25 *is repealed.*

26 ~~19318. (a) A person engaging in commercial cannabis activity~~
27 ~~without a license required by this chapter shall be subject to civil~~
28 ~~penalties of up to twice the amount of the license fee for each~~
29 ~~violation, and the court may order the destruction of medical~~
30 ~~cannabis associated with that violation in accordance with Section~~
31 ~~11479 of the Health and Safety Code. Each day of operation shall~~
32 ~~constitute a separate violation of this section. All civil penalties~~
33 ~~imposed and collected pursuant to this section by a licensing~~
34 ~~authority shall be deposited into the Medical Cannabis Fines and~~
35 ~~Penalties Account established pursuant to Section 19351.~~

36 ~~(b) If an action for civil penalties is brought against a licensee~~
37 ~~pursuant to this chapter by the Attorney General on behalf of the~~
38 ~~people, the penalty collected shall be deposited into the Medical~~
39 ~~Cannabis Fines and Penalties Account established pursuant to~~
40 ~~Section 19351. If the action is brought by a district attorney or~~

1 county counsel, the penalty collected shall be paid to the treasurer
 2 of the county in which the judgment was entered. If the action is
 3 brought by a city attorney or city prosecutor, the penalty collected
 4 shall be paid to the treasurer of the city or city and county in which
 5 the judgment was entered. If the action is brought by a city attorney
 6 and is adjudicated in a superior court located in the unincorporated
 7 area or another city in the same county, the penalty shall be paid
 8 one-half to the treasurer of the city in which the complaining
 9 attorney has jurisdiction and one-half to the treasurer of the county
 10 in which the judgment is entered.

11 (e) Notwithstanding subdivision (a), criminal penalties shall
 12 continue to apply to an unlicensed person engaging in commercial
 13 cannabis activity in violation of this chapter, including, but not
 14 limited to, those individuals covered under Section 11362.7 of the
 15 Health and Safety Code.

16 ~~SEC. 4.~~

17 *SEC. 11.* Section 19319.5 is added to the Business and
 18 Professions Code, to read:

19 19319.5. (a) (1) ~~It shall not be~~ *is not* a violation of this chapter
 20 or any other state law, ~~and it shall not be a violation of any local~~
 21 ~~ordinance or regulation~~ for a business or research institution
 22 engaged in the research of medical ~~marijuana~~, *cannabis*, medical
 23 ~~marijuana~~ *cannabis* products, or devices used for the medical use
 24 of ~~marijuana~~ *cannabis* or ~~marijuana~~ *cannabis* products, to possess,
 25 transport, purchase, or otherwise ~~obtain~~ *legally obtain, pursuant*
 26 *to this chapter*, small amounts of medical ~~marijuana~~ *cannabis* or
 27 medical ~~marijuana~~ *cannabis* products, as determined by the bureau
 28 but not to exceed eight ounces per month, as necessary to conduct
 29 research and development related to medical ~~marijuana~~ *cannabis*
 30 or medical ~~marijuana~~ *cannabis* products: *cannabis products in a city, county,*
 31 *or city and county that expressly authorizes that activity by local*
 32 *ordinance.*

33 (2) Medical ~~marijuana~~ *cannabis* or medical ~~marijuana~~ *cannabis*
 34 products subject to this section shall be obtained only from a ~~person~~
 35 ~~or entity licensed pursuant to this chapter~~, *licensee* who is permitted
 36 to provide or deliver the medical ~~marijuana~~ *cannabis* or medical
 37 ~~marijuana~~ *cannabis* product. ~~The A~~ *A* business or research institution
 38 shall *only* obtain a medical ~~marijuana~~ *cannabis* ~~research permit~~ *cannabis or*
 39 *medical cannabis products for research purposes pursuant to*
 40 *regulations established by the bureau* pursuant to subdivision (b).

1 (b) The bureau shall ~~issue a medical marijuana research permit~~
2 ~~to allow for permit holders to pursue the research described in~~
3 ~~subdivision (a). It is the intent of the Legislature to establish~~
4 ~~minimum requirements for the medical marijuana research permit,~~
5 ~~including promulgate regulations to establish minimum~~
6 ~~qualifications for state authorization to conduct research on~~
7 ~~medical cannabis or medical cannabis products and all related~~
8 ~~protocols. The regulations shall include, but not be limited to, the~~
9 following:

10 (1) The requirement for all ~~medical marijuana cannabis~~ and
11 ~~medical marijuana cannabis~~ products used ~~under a medical~~
12 ~~marijuana research permit to for research purposes~~ to be subject
13 to all requirements of the state's track and trace program
14 established pursuant to this chapter.

15 (2) The requirement that all applicants ~~for a medical marijuana~~
16 ~~research permit pursuing state authorization for research on~~
17 ~~medical cannabis or medical cannabis products~~ obtain permission
18 to operate from the local jurisdiction in which the applicant intends
19 to conduct the research. *A person shall not conduct research on*
20 *medical cannabis or medical cannabis products without approval*
21 *from both the state and the local jurisdiction in which the research*
22 *is being conducted.*

23 (3) The maximum amount of ~~medical marijuana cannabis~~ and
24 ~~medical marijuana cannabis~~ products that may be obtained per
25 month for research purposes. In no case shall a ~~permit holder~~ *person*
26 *approved to conduct research on medical cannabis and medical*
27 *cannabis products* obtain more than eight ounces per month for
28 research purposes.

29 ~~SEC. 5.~~

30 *SEC. 12.* Section 19321 of the Business and Professions Code
31 is amended to read:

32 19321. (a) The Department of Consumer Affairs, the
33 Department of Food and Agriculture, and the State Department of
34 Public Health shall promulgate regulations for implementation of
35 their respective responsibilities in the administration of this chapter.
36 *The secretary or director of each licensing authority may prescribe,*
37 *adopt, and enforce emergency regulations necessary to implement*
38 *this chapter.*

39 (b) Except as described in subdivision (e), a *state* license issued
40 pursuant to this section shall be valid for 12 months from the date

1 of issuance. The *state* license shall be renewed annually. Each
2 licensing authority shall establish procedures for the renewal of a
3 *state* license.

4 (c) Notwithstanding subdivision (a) of Section 19320, a facility
5 or entity that is operating in compliance with local zoning
6 ordinances and other state and local requirements on or before
7 January 1, 2018, may continue its operations until its application
8 for licensure is approved or denied pursuant to this chapter. In
9 issuing licenses, the licensing authority shall prioritize ~~any~~ a facility
10 or entity that can demonstrate to the *licensing* authority's
11 satisfaction that it was in operation and in good standing with the
12 local jurisdiction by January 1, 2016.

13 (d) Issuance of a state license or a determination of compliance
14 with local law by the licensing authority shall in no way limit the
15 ability of the City of Los Angeles to prosecute any person or entity
16 for a violation of, or otherwise enforce, Proposition D, approved
17 by the voters of the City of Los Angeles on the May 21, 2013,
18 ballot for the city, or the city's zoning laws. Nor may issuance of
19 a *state* license or determination of compliance with local law by
20 the licensing authority be deemed to establish, or be relied upon,
21 in determining satisfaction with the immunity requirements of
22 Proposition D or local zoning law, in court or in any other context
23 or forum.

24 ~~(e) The bureau may issue temporary permits for business events.
25 It is the intent of the Legislature to establish minimum standards
26 and requirements for temporary permits for medical marijuana and
27 medical marijuana products.~~

28 *SEC. 13. Section 19322 of the Business and Professions Code*
29 *is amended to read:*

30 19322. (a) A person or entity shall not submit an application
31 for a state license ~~issued by the department~~ pursuant to this chapter
32 unless that person or entity has received a license, permit, or
33 authorization ~~by~~ from a local jurisdiction. An applicant for any
34 type of state license issued pursuant to this chapter shall do all of
35 the following:

36 (1) Electronically submit to the Department of Justice fingerprint
37 images and related information required by the Department of
38 Justice for the purpose of obtaining information as to the existence
39 and content of a record of state or federal convictions and arrests,
40 and information as to the existence and content of a record of state

1 or federal convictions and arrests for which the Department of
2 Justice establishes that the person is free on bail or on his or her
3 own recognizance, pending trial or appeal.

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

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

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

13 (2) Provide documentation issued by the local jurisdiction in
14 which the proposed business is operating certifying that the
15 applicant is or will be in compliance with all local ordinances and
16 regulations.

17 (3) Provide evidence of the legal right to occupy and use the
18 proposed location. For an applicant seeking a cultivator, distributor,
19 manufacturing, or dispensary license, provide a statement from
20 the owner of real property or their agent where the cultivation,
21 distribution, manufacturing, or dispensing commercial medical
22 cannabis activities will occur, as proof to demonstrate the
23 landowner has acknowledged and consented to permit cultivation,
24 distribution, manufacturing, or dispensary activities to be conducted
25 on the property by the tenant applicant.

26 (4) If the application is for a cultivator or ~~a dispensary,~~
27 *dispensary license*, provide evidence that the proposed location is
28 located beyond at least a 600-foot radius from a school, as required
29 by Section 11362.768 of the Health and Safety Code.

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

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

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

39 (C) For purposes of this paragraph, “supervisor” means an
40 individual having authority, in the interest of the licensee, to hire,

1 transfer, suspend, lay off, recall, promote, discharge, assign,
2 reward, or discipline other employees, or responsibility to direct
3 them or to adjust their grievances, or effectively to recommend
4 such action, if, in connection with the foregoing, the exercise of
5 that authority is not of a merely routine or clerical nature, but
6 requires the use of independent judgment.

7 (7) Provide the applicant's *valid* seller's permit number issued
8 pursuant to Part 1 (commencing with Section 6001) of Division 2
9 of the Revenue and Taxation Code or indicate that the applicant
10 is currently applying for a seller's permit.

11 (8) Provide any other information required by the licensing
12 authority.

13 (9) For an applicant seeking a cultivation license, provide a
14 statement declaring the applicant is an "agricultural employer," as
15 defined in the Alatorre-Zenovich-Dunlap-Berman Agricultural
16 Labor Relations Act of 1975 (Part 3.5 (commencing with Section
17 1140) of Division 2 of the Labor Code), to the extent not prohibited
18 by law.

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

22 (11) Pay all applicable fees required for licensure by the
23 licensing authority.

24 (b) For applicants seeking licensure to cultivate, distribute, or
25 manufacture medical-~~cannabis~~, *cannabis or medical cannabis*
26 *products*, the application shall also include a detailed description
27 of the applicant's operating procedures for all of the following, as
28 required by the licensing authority:

29 (1) Cultivation.

30 (2) Extraction and infusion methods.

31 (3) The transportation process.

32 (4) Inventory procedures.

33 (5) Quality control procedures.

34 ~~SEC. 6.~~

35 *SEC. 14.* Section 19322.5 is added to the Business and
36 Professions Code, to read:

37 19322.5. A ~~licensee~~ *licensee* may operate as a for-profit
38 business, as a not-for-profit entity, or as a combination of both.

1 *SEC. 15. The heading of Article 5 (commencing with Section*
2 *19326) of Chapter 3.5 of Division 8 of the Business and Professions*
3 *Code is amended to read:*

4
5 Article 5. Medical-Marijuana Cannabis Regulation

6
7 ~~SEC. 7.~~

8 *SEC. 16. Section 19326 of the Business and Professions Code*
9 *is amended to read:*

10 19326. (a) A person other than a licensed transporter shall not
11 transport ~~medical-marijuana cannabis~~ or ~~medical-marijuana~~
12 ~~cannabis~~ products from one licensee to another licensee, unless
13 otherwise specified in this chapter.

14 ~~(b) All licensees holding cultivation or manufacturing licenses~~

15 ~~(b) (1) A cultivator or a manufacturer shall send all medical~~
16 ~~marijuana cannabis~~ and ~~medical-marijuana cannabis~~ products
17 cultivated or manufactured to a distributor, as defined in Section
18 19300.5, for quality assurance and inspection by the ~~Type 11~~
19 ~~licensee distributor~~ and for a batch testing by a ~~Type 8~~ licensee
20 ~~testing laboratory~~ prior to distribution to a ~~dispensary.~~ *dispensary,*
21 *except as provided in paragraph (2).* Those licensees holding a
22 Type 10A license in addition to a cultivation license or a
23 manufacturing license shall send ~~all medical-marijuana cannabis~~
24 and ~~medical-marijuana cannabis~~ products to a ~~Type 11 licensee~~
25 ~~distributor~~ for presale inspection and for a batch testing by a ~~Type~~
26 ~~8 licensee testing laboratory~~ prior to dispensing any product. The
27 licensing authority shall fine a licensee who violates this
28 subdivision in an amount determined by the licensing authority to
29 be reasonable.

30 ~~(2) A cultivator is not required to send medical cannabis to a~~
31 ~~distributor if the medical cannabis is to be used, sold, or otherwise~~
32 ~~distributed by methods approved pursuant to this chapter to a~~
33 ~~manufacturer for further manufacturing.~~

34 ~~(c) (1) Upon receipt of medical-marijuana cannabis or medical~~
35 ~~marijuana cannabis~~ products ~~by from a holder of a cultivation or~~
36 ~~manufacturing license, the Type 11 licensee cultivator or a~~
37 ~~manufacturer, the distributor shall first inspect the product to~~
38 ~~ensure the identity and quantity of the product and then ensure a~~
39 ~~random sample of the medical marijuana or medical marijuana~~
40 ~~product is tested by a Type 8 licensee prior to distributing the~~

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

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

30 (3) This section does not limit the ability of ~~licensed cultivators,~~
 31 ~~manufacturers, and dispensaries~~ *a cultivator, manufacturer, or*
 32 *dispensary* to directly enter into contracts with one another
 33 indicating the price and quantity of ~~medical marijuana cannabis~~
 34 or ~~medical marijuana cannabis~~ products to be distributed. However,
 35 a ~~Type 11 licensee~~ *distributor* responsible for executing the
 36 contract is authorized to collect a fee for the services rendered,
 37 including, but not limited to, costs incurred by a ~~Type 8 licensee,~~
 38 ~~testing laboratory,~~ as well as applicable state or local taxes and
 39 fees.

1 (d) ~~Medical-marijuana cannabis~~ and ~~medical-marijuana cannabis~~
2 products shall be tested by a ~~registered~~ testing laboratory, prior to
3 retail sale or dispensing, as follows:

4 (1) ~~Medical-marijuana cannabis~~ from dried flower shall, at a
5 minimum, be tested for concentration, pesticides, mold, and other
6 contaminants.

7 (2) ~~Medical-marijuana cannabis~~ extracts shall, at a minimum,
8 be tested for concentration and purity of the product.

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

14 (e) All commercial-~~marijuana cannabis~~ activity shall be
15 conducted between ~~licensees, when these are available.~~ licensees.

16 (f) *The bureau shall promulgate regulations relating to the*
17 *amounts of each batch of medical cannabis or medical cannabis*
18 *product that a cultivator or manufacturer is required to send to a*
19 *distributor for inspection and a testing laboratory for testing. The*
20 *regulations shall focus on reducing diversion, ensuring the quality*
21 *of the product for the health and safety of patients, and allowing*
22 *for efficiency in enforcement.*

23 ~~SEC. 8.~~

24 *SEC. 17.* Section 19328 of the Business and Professions Code
25 is amended to read:

26 19328. (a) Except as specified in paragraph (9), a licensee may
27 only hold a state license in up to two separate license categories,
28 as follows:

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

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

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

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

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

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

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

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

4 (9) A Type 10A licensee may apply for a Type 6 or 7 state
5 license and hold a 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B, 4 or
6 combination thereof if, under the 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B,
7 4 or combination of licenses thereof, no more than four acres of
8 total canopy size of cultivation by the licensee is occurring
9 throughout the state during the period that the respective licenses
10 are valid. All cultivation pursuant to this section shall comply with
11 local ordinances. By January 1, 2025, the bureau shall review the
12 appropriateness of continuing licensure under this paragraph and
13 shall ~~reports~~ *report* its recommendation for elimination or extension
14 of these provisions to the Legislature.

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

20 (c) (1) In a jurisdiction that adopted a local ordinance, prior to
21 July 1, 2015, allowing or requiring qualified businesses to cultivate,
22 manufacture, and dispense medical ~~marijuana cannabis~~ or medical
23 ~~marijuana cannabis~~ products, with all commercial ~~marijuana~~
24 ~~cannabis~~ activity being conducted by a single qualified business,
25 upon licensure that business shall not be subject to subdivision (a)
26 if it meets all of the following conditions:

27 (A) The business was cultivating, manufacturing, and dispensing
28 medical ~~marijuana cannabis~~ or medical ~~marijuana cannabis~~
29 products on July 1, 2015, and has continuously done so since that
30 date.

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

33 (C) The business is registered with the State Board of
34 ~~Equalization~~. *Equalization for tax purposes*.

35 (2) A business licensed pursuant to paragraph (1) is not required
36 to conduct all cultivation or manufacturing within the bounds of
37 a *single* local jurisdiction, but all cultivation and manufacturing
38 shall have commenced prior to July 1, 2015, and have been in full
39 compliance with applicable local ordinances.

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

3 ~~SEC. 9.~~

4 *SEC. 18.* Section 19328 is added to the Business and
5 Professions Code, to read:

6 19328. (a) A licensee may only hold a state license in up to
7 two separate license categories, as follows:

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

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

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

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

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

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

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

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

23 (9) A Type 10A licensee may apply for a Type 6 or 7 state
24 license and hold a 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B, 4 or
25 combination thereof if, under the 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B,
26 4 or combination of licenses thereof, no more than four acres of
27 total canopy size of cultivation by the licensee is occurring
28 throughout the state during the period that the respective licenses
29 are valid. All cultivation pursuant to this section shall comply with
30 local ordinances.

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

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

37 ~~SEC. 10.~~

38 *SEC. 19.* Section 19332 of the Business and Professions Code
39 Code, as added by Section 1 of Chapter 688 of the Statutes of 2015,
40 is amended to read:

1 19332. (a) The Department of Food and Agriculture shall
2 promulgate regulations governing the licensing of indoor and
3 outdoor cultivation sites.

4 (b) The Department of Pesticide Regulation, in consultation
5 with the Department of Food and Agriculture, shall develop
6 standards for the use of pesticides in cultivation, and maximum
7 tolerances for pesticides and other foreign object residue in
8 harvested ~~marijuana~~ *cannabis*.

9 (c) The State Department of Public Health shall develop
10 standards for the production and labeling of all edible medical
11 ~~marijuana~~ *cannabis* products.

12 (d) The Department of Food and Agriculture, in consultation
13 with the Department of Fish and Wildlife and the State Water
14 Resources Control Board, shall ensure that individual and
15 cumulative effects of water diversion and discharge associated
16 with cultivation do not affect the instream flows needed for fish
17 spawning, migration, and rearing, and the flows needed to maintain
18 natural flow variability.

19 (e) The Department of Food and Agriculture shall have the
20 authority necessary ~~for the implementation of~~ *to implement* the
21 regulations it adopts pursuant to this chapter. The regulations shall
22 do all of the following:

23 (1) Provide that weighing or measuring devices used in
24 connection with the sale or distribution of medical ~~marijuana~~
25 *cannabis* are required to meet standards equivalent to Division 5
26 (commencing with Section 12001).

27 (2) Require that ~~marijuana~~ *medical cannabis* cultivation by
28 licensees is conducted in accordance with state and local laws
29 related to land conversion, grading, electricity usage, water usage,
30 agricultural discharges, and similar matters. Nothing in this chapter,
31 and no regulation adopted by the department, shall be construed
32 to supersede or limit the authority of the State Water Resources
33 Control Board, regional water quality control boards, or the
34 Department of Fish and Wildlife to implement and enforce their
35 statutory obligations or to adopt regulations to protect water quality,
36 water supply, and natural resources.

37 (3) Establish procedures for the issuance and revocation of
38 unique identifiers for activities associated with a ~~marijuana~~ *medical*
39 *cannabis* cultivation license, pursuant to Article 8 (commencing
40 with Section 19337). All ~~marijuana~~ *medical cannabis* shall be

1 labeled with the unique identifier issued by the Department of
2 Food and Agriculture.

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

6 (f) The Department of Pesticide Regulation, in consultation with
7 the State Water Resources Control Board, shall promulgate
8 regulations that require that the application of pesticides or other
9 pest control in connection with the indoor or outdoor cultivation
10 of medical ~~marijuana~~ *cannabis* meets standards equivalent to
11 Division 6 (commencing with Section 11401) of the Food and
12 Agricultural Code and its implementing regulations.

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

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

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

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

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

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

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

38 (7) Type 3, or “outdoor,” for outdoor cultivation using no
39 artificial lighting from 10,001 square feet to one acre, inclusive,

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

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

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

14 (10) Type 4, or “nursery,” for cultivation of medical ~~marijuana~~
15 *cannabis* solely as a nursery. A Type 4 ~~licensees~~ *licensee* may
16 transport live immature plants, subject to the tracking, security,
17 and related requirements ~~of Sections 19334 to 19338, inclusive.~~
18 *in accordance with Article 7 (commencing with Section 19334),*
19 *Article 7.5 (commencing with Section 19335), and Article 8*
20 *(commencing with Section 19337).*

21 *SEC. 20. Section 19332 of the Business and Professions Code,*
22 *as added by Section 13 of Chapter 719 of the Statutes of 2015, is*
23 *amended to read:*

24 19332. (a) The Department of Food and Agriculture shall
25 promulgate regulations governing the licensing of indoor and
26 outdoor cultivation sites.

27 (b) The Department of Pesticide Regulation, in consultation
28 with the Department of Food and Agriculture, shall develop
29 standards for the use of pesticides in cultivation, and maximum
30 tolerances for pesticides and other foreign object residue in
31 harvested cannabis.

32 (c) The State Department of Public Health shall develop
33 standards for the production and labeling of all edible medical
34 cannabis products.

35 (d) The Department of Food and Agriculture, in consultation
36 with the Department of Fish and Wildlife and the State Water
37 Resources Control Board, shall ensure that individual and
38 cumulative effects of water diversion and discharge associated
39 with cultivation do not affect the instream flows needed for fish

1 spawning, migration, and rearing, and the flows needed to maintain
2 natural flow variability.

3 (e) The Department of Food and Agriculture shall have the
4 authority necessary ~~for the implementation of~~ *to implement* the
5 regulations it adopts pursuant to this chapter. The regulations shall
6 do all of the following:

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

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

21 (3) Establish procedures for the issuance and revocation of
22 unique identifiers for activities associated with a *medical* cannabis
23 cultivation license, pursuant to Article 8 (commencing with Section
24 19337). All *medical* cannabis shall be labeled with the unique
25 identifier issued by the Department of Food and Agriculture.

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

29 (f) The Department of Pesticide Regulation, in consultation with
30 the State Water Resources Control Board, shall promulgate
31 regulations that require that the application of pesticides or other
32 pest control in connection with the indoor or outdoor cultivation
33 of medical cannabis meets standards equivalent to Division 6
34 (commencing with Section 11401) of the Food and Agricultural
35 Code and its implementing regulations.

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

38 (1) Type 1, or “specialty outdoor,” for outdoor cultivation using
39 no artificial lighting of less than or equal to 5,000 square feet of

1 total canopy size on one premises, or up to 50 mature plants on
2 noncontiguous plots.

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

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

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

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

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

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

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

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

37 (10) Type 4, or “nursery,” for cultivation of medical cannabis
38 solely as a nursery. A Type 4-~~licensees~~ licensee may transport live
39 ~~plants~~ *immature plants, subject to the tracking, security, and*
40 *related requirements in accordance with Article 7 (commencing*

1 with Section 19334), Article 7.5 (commencing with Section 19335),
2 and Article 8 (commencing with Section 19337).

3 SEC. 21. Section 19332.5 of the Business and Professions Code
4 is amended to read:

5 19332.5. (a) Not later than January 1, 2020, the Department
6 of Food and Agriculture in conjunction with the bureau, shall make
7 available a certified organic designation and organic certification
8 program for medical-marijuana, *cannabis*, if permitted under
9 federal law and the National Organic Program (Section 6517 of
10 the federal Organic Foods Production Act of 1990 (7 U.S.C. Sec.
11 6501 et seq.)), and Article 7 (commencing with Section 110810)
12 of Chapter 5 of Part 5 of Division 104 of the Health and Safety
13 Code.

14 (b) The bureau may establish appellations of origin for ~~marijuana~~
15 *medical cannabis* grown in California.

16 (c) It is unlawful for medical ~~marijuana~~ *cannabis* to be marketed,
17 labeled, or sold as grown in a California county when the medical
18 ~~marijuana~~ *cannabis* was not grown in that county.

19 (d) It is unlawful to use the name of a California county in the
20 labeling, marketing, or packaging of medical ~~marijuana~~ *cannabis*
21 products unless the product was grown in that county.

22 ~~SEC. 11.~~

23 SEC. 22. Section 19334 of the Business and Professions Code
24 is amended to read:

25 19334. (a) State licenses to be issued by the Department of
26 Consumer Affairs are as follows:

27 (1) (A) “Dispensary,” as defined in this chapter. ~~This license~~
28 ~~shall allow for delivery pursuant to Section 19340.~~

29 ~~(B) “Virtual Dispensary” for a license to permit the retail sale~~
30 ~~of medical marijuana and medical marijuana products without the~~
31 ~~requirement of operating a storefront. All virtual dispensaries shall~~
32 ~~maintain a commercial facility at which all licensed activities are~~
33 ~~performed under the license, with the exception of direct delivery~~
34 ~~to a qualified patient or primary caregiver. Virtual dispensaries~~
35 ~~shall be subject to all of the provisions of this chapter that relate~~
36 ~~to dispensaries unless specifically excluded.~~

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

38 (i) “Storefront dispensary” for licensees who have a dispensary
39 with direct physical access for the public.

1 (ii) “Nonstorefront dispensary” for licensees who have a
2 dispensary that does not have a storefront with direct physical
3 access for the public.

4 (iii) “Special dispensary” for licensees who have no more than
5 three dispensary facilities.

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

9 (2) “Distributor,” or “Type 11 licensee,” for the distribution of
10 medical-marijuana cannabis and medical-marijuana cannabis
11 products from manufacturer to dispensary. A Type 11 licensee
12 distributor shall hold a Type 12, or transporter, license and register
13 each location where product is stored for the purposes of
14 distribution. A Type 11 licensee distributor shall not hold a license
15 in a cultivation, manufacturing, dispensing, or testing license
16 category and shall not own, or have an ownership interest in, a
17 facility licensed in those categories other than a security interest,
18 lien, or encumbrance on property that is used by a licensee. A Type
19 11 licensee distributor shall be bonded and insured at a minimum
20 level established by the licensing authority.

21 (3) ~~“Transport,”~~ “Transporter” or “Type 12 licensee” for
22 transporters of medical-marijuana cannabis or medical-marijuana
23 cannabis products between licensees. A Type 12 licensee
24 transporter shall be bonded and insured at a minimum level
25 established by the licensing authority.

26 (4) ~~“Special dispensary status” for dispensers who have no more~~
27 ~~than three licensed dispensary facilities. This license shall allow~~
28 ~~for delivery where expressly authorized by local ordinance.~~

29 (b) The bureau shall establish ~~minimum~~ both of the following:

30 (1) Minimum security requirements for the commercial
31 transportation and delivery of medical-marijuana cannabis and
32 medical-marijuana cannabis products.

33 (2) Advertising, marketing, signage, and other labeling
34 requirements and restrictions, including a prohibition on
35 advertising, marketing, and other promotion of the medical
36 cannabis or medical cannabis products provided by a person not
37 in full compliance with this chapter.

38 (c) A ~~licensed~~ dispensary shall implement sufficient security
39 measures to both deter and prevent unauthorized entrance into
40 areas containing medical-marijuana cannabis or medical-marijuana

1 ~~cannabis~~ products and theft of medical-~~marijuana~~ ~~cannabis~~ or
2 medical-~~marijuana~~ ~~cannabis~~ products at the dispensary. These
3 security measures shall include, but not be limited to, all of the
4 following:

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

8 (2) Establishing limited access areas accessible only to
9 authorized dispensary personnel.

10 (3) Storing all finished medical-~~marijuana~~ ~~cannabis~~ and medical
11 ~~marijuana~~ ~~cannabis~~ products in a secured and locked room, safe,
12 or vault, and in a manner as to prevent diversion, theft, and loss,
13 except for limited amounts of ~~marijuana~~ ~~cannabis~~ used for display
14 purposes, samples, or immediate sale.

15 (4) Requiring all medical-~~marijuana~~ ~~cannabis~~ and medical
16 ~~marijuana~~ ~~cannabis~~ products used for display purposes, samples,
17 or immediate sale to be stored out of reach of any individual who
18 is not employed by the dispensary.

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

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

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

26 (3) The loss or unauthorized alteration of records related to
27 ~~marijuana~~, ~~cannabis~~, registered qualifying patients, primary
28 caregivers, or dispensary employees or agents.

29 (4) Any other breach of security.

30 *SEC. 23. Section 19335 of the Business and Professions Code*
31 *is amended to read:*

32 19335. (a) The Department of Food and Agriculture, in
33 consultation with the bureau, shall establish a track and trace
34 program for reporting the movement of medical-~~marijuana~~ ~~cannabis~~
35 items throughout the distribution chain that utilizes a unique
36 identifier pursuant to Section 11362.777 of the Health and Safety
37 Code and secure packaging and is capable of providing information
38 that captures, at a minimum, all of the following:

39 (1) The licensee receiving the product.

40 (2) The transaction date.

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

4 (b) (1) The Department of Food and Agriculture shall create
5 an electronic database containing the electronic shipping ~~manifests~~
6 *manifests*, which shall include, but not be limited to, the following
7 information:

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

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

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

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

12 (E) A categorization of the product.

13 (F) The license number and the unique identifier pursuant to
14 Section 11362.777 of the Health and Safety Code issued by the
15 licensing authority for all licensees involved in the shipping
16 process, including cultivators, transporters, distributors, and
17 dispensaries.

18 (2) (A) The database shall be designed to flag irregularities for
19 all licensing authorities in this chapter to investigate.—~~All~~
20 *Notwithstanding Section 30, all* licensing authorities pursuant to
21 this chapter may access the database and share information related
22 to licensees under this chapter, including social security and
23 individual taxpayer ~~identifications notwithstanding Section 30.~~
24 *identifications.*

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

29 (3) Licensing authorities and state and local agencies may, at
30 any time, inspect shipments and request documentation for current
31 inventory.

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

34 (5) The Department of Food and Agriculture shall be authorized
35 to enter into memoranda of understandings with licensing
36 authorities for data sharing purposes, as deemed necessary by the
37 Department of Food and Agriculture.

38 (6) Information received and contained in records kept by the
39 Department of Food and Agriculture or licensing authorities for
40 the purposes of administering this section are confidential and

1 shall not be disclosed pursuant to the California Public Records
2 Act (Chapter 3.5 (commencing with Section 6250) of Division 7
3 of Title 1 of the Government Code), except as necessary for
4 authorized employees of the State of California or any city, county,
5 or city and county to perform official duties pursuant to this chapter
6 or a local ordinance.

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

11 ~~SEC. 12.~~

12 *SEC. 24.* Section 19340 of the Business and Professions Code
13 is amended to read:

14 19340. (a) Deliveries, as defined in this chapter, can only be
15 made by a dispensary and in a city, county, or city and county that
16 does not explicitly prohibit it by local ordinance.

17 (b) Upon approval of the licensing authority, a licensed
18 dispensary that delivers medical-~~marijuana~~ *cannabis* or medical
19 ~~marijuana~~ *cannabis* products shall comply with both of the
20 following:

21 (1) The city, county, or city and county in which the licensed
22 dispensary is located, and in which each delivery is made, do ~~not~~
23 *not, by ordinance*, explicitly ~~by ordinance~~ prohibit delivery.

24 (2) All employees of a dispensary delivering medical-~~marijuana~~
25 *cannabis* or medical-~~marijuana~~ *cannabis* products shall carry a
26 copy of the dispensary's current license authorizing those services
27 with them during deliveries and the employee's government-issued
28 identification, and shall present that license and identification upon
29 request to state and local law enforcement, employees of regulatory
30 authorities, and other state and local agencies enforcing this
31 chapter.

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

35 (d) During delivery, the licensee shall maintain a physical copy
36 of the delivery request and shall make it available upon request of
37 the licensing authority and law enforcement officers. The delivery
38 request documentation shall comply with state and federal law
39 regarding the protection of confidential medical information.

1 (e) The qualified patient or primary caregiver requesting the
2 delivery shall maintain a copy of the delivery request and shall
3 make it available, upon request, to the licensing authority and law
4 enforcement officers.

5 (f) A local jurisdiction shall not prevent carriage of medical
6 ~~marijuana cannabis~~ or medical ~~marijuana cannabis~~ products on
7 public roads by a licensee acting in compliance with this chapter.

8 (g) The bureau shall establish the following regulations
9 regarding the delivery of medical ~~marijuana cannabis~~ and medical
10 ~~marijuana cannabis~~ products:

11 (1) Employee training standards that ensure qualified patients
12 and primary caregivers have adequate information regarding the
13 medical ~~marijuana cannabis~~ or medical ~~marijuana cannabis~~
14 products that a dispensary delivers, and to provide employees with
15 information regarding state and federal laws and regulations.

16 (2) Protocols to provide qualified patients and primary caregivers
17 with information regarding laws, regulations, and policies relevant
18 to providing medical ~~marijuana cannabis~~ or medical ~~marijuana~~
19 ~~cannabis~~ products to qualified patients and primary caregivers in
20 the local jurisdiction in which the dispensary is located and the
21 area in which the medical ~~marijuana cannabis~~ or medical ~~marijuana~~
22 ~~cannabis~~ products are being delivered.

23 (3) A system for registering and maintaining the status of all
24 delivery personnel of dispensaries, including protocols for
25 suspending the registrations of individuals who move out of this
26 state, who discontinue employment at a dispensary, or who are
27 under suspension or inspection by a dispensary or local or state
28 law enforcement. This system shall be made available to local and
29 state law enforcement, qualified patients, primary caregivers, and
30 any other entity deemed appropriate by the bureau. Any fees
31 associated with registration of delivery personnel shall be set by
32 the bureau and shall not exceed the reasonable amount necessary
33 to cover the costs to regulate the delivery personnel and maintain
34 the system.

35 (4) The operating hours for delivery.

36 (5) A requirement that each dispensary employee who delivers
37 medical ~~marijuana cannabis~~ or medical ~~marijuana cannabis~~
38 products contract with only one dispensary at time.

39 (6) Minimum requirements for patient information that is stored
40 by each delivery operation, including, but not limited to, the contact

1 information for the patient and, if applicable, his or her primary
2 caregiver, the physician’s recommendation, and the condition for
3 which the medical-~~marijuana~~ *cannabis* or medical-~~marijuana~~
4 *cannabis* product is being recommended. All identifying
5 information obtained about a qualified patient or primary caregiver
6 shall be obtained and stored in compliance with ~~the privacy and~~
7 ~~security rules of the Health Insurance Portability and~~
8 ~~Accountability Act (HIPAA): the Confidentiality of Medical~~
9 ~~Information Act (Part 2.6 (commencing with Section 56) of Division~~
10 ~~I of the Civil Code) and all other privacy laws and regulations.~~

11 (h) The bureau shall establish requirements for all dispensary
12 employees who deliver medical-~~marijuana~~ *cannabis* or medical
13 ~~marijuana~~ *cannabis* products, including, but not limited to, the
14 following:

15 (1) Possession of a valid driver’s license issued by the
16 Department of Motor Vehicles.

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

18 (3) Provide the bureau with necessary automobile and insurance
19 information.

20 (4) Registration with the bureau.

21 ~~SEC. 13.~~

22 *SEC. 25.* Section 19342 of the Business and Professions Code
23 is amended to read:

24 19342. (a) For the purposes of testing medical-~~marijuana~~
25 *cannabis* or medical-~~marijuana~~ *cannabis* products, licensees shall
26 use a licensed testing laboratory that has adopted a standard
27 operating procedure using methods consistent with general
28 requirements for the competence of testing and calibration
29 activities, including sampling, using standard methods established
30 by the International Organization for Standardization, specifically
31 ISO/IEC 17020 and ISO/IEC 17025 to test medical-~~marijuana~~
32 *cannabis* and medical-~~marijuana~~ *cannabis* products that are
33 approved by an accrediting body that is a signatory to the
34 International Laboratory Accreditation Cooperation Mutual
35 Recognition Arrangement.

36 (b) An agent of a ~~licensed~~ testing laboratory shall obtain samples
37 according to a statistically valid sampling method for each lot.

38 (c) A ~~licensed~~ testing laboratory shall analyze samples according
39 to the following:

1 (1) In the final form which the patient will consume the medical
2 ~~marijuana cannabis~~ or medical ~~marijuana cannabis~~ product,
3 including moisture content and other attributes.

4 (2) A scientifically valid methodology approved by the
5 accrediting body.

6 (d) If a test result falls outside the specifications authorized by
7 law or regulation, the ~~licensed~~ testing laboratory shall follow a
8 standard operating procedure to confirm or refute the original
9 result.

10 (e) A ~~licensed~~ testing laboratory shall destroy the remains of
11 the sample of medical ~~marijuana cannabis~~ or medical ~~marijuana~~
12 ~~cannabis~~ product upon completion of the analysis.

13 ~~SEC. 14.~~

14 *SEC. 26.* Section 19344 of the Business and Professions Code
15 is amended to read:

16 19344. (a) A ~~licensed~~ testing laboratory shall issue a certificate
17 of analysis for each lot, with supporting data, to report both of the
18 following:

19 (1) Whether the chemical profile of the lot conforms to the
20 specifications of the lot for compounds, including, but not limited
21 to, all of the following:

22 (A) Tetrahydrocannabinol (THC).

23 (B) Tetrahydrocannabinolic Acid (THCA).

24 (C) Cannabidiol (CBD).

25 (D) Cannabidiolic Acid (CBDA).

26 (E) The terpenes described in the most current version of the
27 cannabis inflorescence monograph published by the American
28 Herbal Pharmacopoeia.

29 (F) Cannabigerol (CBG).

30 (G) Cannabinol (CBN).

31 (H) Any other compounds required by the State Department of
32 Public Health.

33 (2) That the presence of contaminants does not exceed the levels
34 that are the lesser of either the most current version of the American
35 Herbal Pharmacopoeia monograph or the State Department of
36 Public Health. For purposes of this paragraph, contaminants
37 includes, but is not limited to, all of the following:

38 (A) Residual solvent or processing chemicals.

39 (B) Foreign material, including, but not limited to, hair, insects,
40 or similar or related adulterant.

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

4 (D) Whether the batch is within specification for odor and
5 appearance.

6 (b) Residual levels of volatile organic compounds shall be below
7 those set by the State Department of Public Health.

8 *SEC. 27. Section 19347 of the Business and Professions Code*
9 *is amended to read:*

10 19347. (a) Prior to delivery or sale at a dispensary, medical
11 cannabis products shall be labeled and in a tamper-evident package.
12 Labels and packages of medical cannabis products shall meet the
13 following requirements:

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

16 (2) All medical cannabis product labels shall include the
17 following information, prominently displayed and in a clear and
18 legible font:

19 (A) Manufacture date and source.

20 (B) The statement “**SCHEDULE I CONTROLLED**
21 **SUBSTANCE.**”

22 (C) The statement “**KEEP OUT OF REACH OF CHILDREN**
23 **AND ANIMALS**” in bold print.

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

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

27 (F) The statement “**THIS PRODUCT MAY IMPAIR THE**
28 **ABILITY TO DRIVE OR OPERATE MACHINERY. PLEASE**
29 **USE EXTREME CAUTION.**”

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

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

33 (I) List of pharmacologically active ingredients, including, but
34 not limited to, tetrahydrocannabinol (THC), cannabidiol (CBD),
35 and other cannabinoid content, the THC and other cannabinoid
36 amount in milligrams per serving, servings per package, and the
37 THC and other cannabinoid amount in milligrams for the package
38 total.

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

1 (K) Identification of the source and date of cultivation and
2 manufacture.

3 (L) Any other requirement set by the ~~bureau~~. *State Department*
4 *of Public Health*.

5 (M) Information associated with the unique identifier issued by
6 the Department of Food and Agriculture pursuant to Section
7 11362.777 of the Health and Safety Code.

8 (b) Only generic food names may be used to describe edible
9 medical cannabis ~~products~~. *products, pursuant to regulations*
10 *promulgated by the State Department of Public Health*.

11 ~~SEC. 15.~~

12 *SEC. 28.* Section 19350 of the Business and Professions Code
13 is amended to read:

14 19350. Each licensing authority shall establish a scale of
15 application, licensing, and renewal fees, based upon the cost of
16 enforcing this chapter, as follows:

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

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

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

33 (d) The licensing authority shall deposit all fees collected
34 pursuant to this chapter in a fee account specific to that licensing
35 authority, to be established in the ~~Medical Marijuana Cannabis~~
36 *Regulation and Safety Act Fund*. Moneys in the licensing authority
37 fee accounts shall be used, upon appropriation of the Legislature,
38 by the designated licensing authority for the administration of this
39 chapter.

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

5 *SEC. 29. Section 19351 of the Business and Professions Code*
6 *is amended to read:*

7 19351. (a) The Medical ~~Marijuana~~ *Cannabis* Regulation and
8 Safety Act Fund is hereby established within the State Treasury.
9 Moneys in the fund shall be available upon appropriation by the
10 Legislature. Notwithstanding Section 16305.7 of the Government
11 Code, the fund shall include any interest and dividends earned on
12 the moneys in the fund.

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

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

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

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

37 (d) (1) The bureau shall establish a grant program to allocate
38 moneys from the Medical Cannabis Fines and Penalties Account
39 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 (3) The grant program established by this subdivision shall only
11 be implemented after the loan specified in ~~this section~~ *subdivision*
12 *(b)* is repaid.

13 *SEC. 30. Section 19360 of the Business and Professions Code*
14 *is amended to read:*

15 19360. (a) A person engaging in *commercial* cannabis activity
16 without a license and associated unique identifiers required by this
17 chapter shall be subject to civil penalties of up to twice the amount
18 of the license fee for each violation, and the ~~department,~~ *licensing*
19 *authority*, state or local authority, or court may order the destruction
20 of medical cannabis associated with that violation. Each day of
21 operation shall constitute a separate violation of this section. All
22 civil penalties imposed and collected pursuant to this section shall
23 be deposited into the ~~Marijuana Production and Environment~~
24 ~~Mitigation Fund~~ *established pursuant to Section 31013 of the*
25 ~~Revenue and Taxation Code.~~ *Medical Cannabis Fines and*
26 *Penalties Account, established pursuant to Section 19351.*

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

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

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

8 ~~SEC. 16.~~

9 *SEC. 31.* Section 12025 of the Fish and Game Code is amended
10 to read:

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

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

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

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

38 (4) A person who violates subdivision (a) of Section 374.3 of
39 the Penal Code in connection with the production or cultivation

1 of a controlled substance is subject to a civil penalty of not more
2 than forty thousand dollars (\$40,000) for each violation.

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

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

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

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

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

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

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

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

38 (A) A person who violates Section 1602 in connection with the
39 production or cultivation of a controlled substance is subject to a

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

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

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

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

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

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

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

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

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

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

1 (K) A person who violates Section 2002 in connection with the
2 production or cultivation of a controlled substance is subject to a
3 civil penalty of not more than eight thousand dollars (\$8,000) for
4 each violation.

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

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

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

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

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

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

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

37 (e) Civil penalties authorized pursuant to this section may be
38 imposed administratively by the department if all of the following
39 occur:

1 (1) The chief deputy director or law enforcement division
2 assistant chief in charge of ~~marijuana-related~~ *cannabis-related*
3 enforcement issues a complaint to any person or entity on which
4 an administrative civil penalty may be imposed pursuant to this
5 section. The complaint shall allege the act or failure to act that
6 constitutes a violation, any facts related to natural resources
7 impacts, the provision of law authorizing the civil penalty to be
8 imposed, and the proposed penalty amount.

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

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

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

37 (5) The department may adopt regulations to implement this
38 subdivision.

39 (f) All administrative penalties imposed or collected by the
40 department for a separate violation pursuant to this section shall

1 not be considered to be fines or forfeitures, as described in Section
 2 13003, and shall be deposited into the Timber Regulation and
 3 Forest Restoration Fund, created by Section 4629.3 of the Public
 4 Resources Code, to repay any unpaid balance of a loan authorized
 5 by subdivision (f) of Section 4629.6 of the Public Resources Code.
 6 Any remaining funds from administrative penalties collected
 7 pursuant to this section shall be apportioned in the following
 8 manner:

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

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

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

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

24 (i) This section does not apply to any activity in *full* compliance
 25 with the Medical ~~Marijuana~~ *Cannabis* Regulation and Safety Act
 26 (Chapter 3.5 (commencing with Section 19300) of Division 8 of
 27 the Business and Professions Code).

28 ~~SEC. 17.~~

29 *SEC. 32.* Section 12029 of the Fish and Game Code is amended
 30 to read:

31 12029. (a) The Legislature finds and declares all of the
 32 following:

33 (1) The environmental impacts associated with ~~marijuana~~
 34 *cannabis* cultivation have increased, and unlawful water diversions
 35 for ~~marijuana~~ *cannabis* irrigation have a detrimental effect on fish
 36 and wildlife and their habitat, which are held in trust by the state
 37 for the benefit of the people of the state.

38 (2) The remediation of existing ~~marijuana~~ *cannabis* cultivation
 39 sites is often complex and the permitting of these sites requires
 40 greater department staff time and personnel expenditures. The

1 potential for ~~marijuana~~ *cannabis* cultivation sites to significantly
2 impact the state’s fish and wildlife resources requires immediate
3 action on the part of the department’s lake and streambed alteration
4 permitting staff.

5 (b) In order to address unlawful water diversions and other
6 violations of the Fish and Game Code associated with ~~marijuana~~
7 *cannabis* cultivation, the department shall establish the watershed
8 enforcement program to facilitate the investigation, enforcement,
9 and prosecution of these offenses.

10 (c) The department, in coordination with the State Water
11 Resources Control Board, shall establish a permanent multiagency
12 task force to address the environmental impacts of ~~marijuana~~
13 *cannabis* cultivation. The multiagency task force, to the extent
14 feasible and subject to available ~~Resources~~, *resources*, shall expand
15 its enforcement efforts on a statewide level to ensure the reduction
16 of adverse impacts of ~~marijuana~~ *cannabis* cultivation on fish and
17 wildlife and their habitats throughout the state.

18 (d) In order to facilitate the remediation and permitting of
19 ~~marijuana~~ *cannabis* cultivation sites, the department shall adopt
20 regulations to enhance the fees on
21 medical-cannabis-cultivation-related activities subject to Section
22 1602 for ~~marijuana~~ *cannabis* cultivation sites that require
23 remediation. The fee schedule established pursuant to this
24 subdivision shall not exceed the fee limits in Section 1609.

25 ~~SEC. 18.~~

26 *SEC. 33.* Section 11352 of the Health and Safety Code is
27 amended to read:

28 11352. (a) Except as otherwise provided in this division, every
29 person who transports, imports into this state, sells, furnishes,
30 administers, or gives away, or offers to transport, import into this
31 state, sell, furnish, administer, or give away, or attempts to import
32 into this state or transport (1) any controlled substance specified
33 in subdivision (b), (c), or (e), or paragraph (1) of subdivision (f)
34 of Section 11054, specified in paragraph (14), (15), or (20) of
35 subdivision (d) of Section 11054, or specified in subdivision (b)
36 or (c) of Section 11055, or specified in subdivision (h) of Section
37 11056, or (2) any controlled substance classified in Schedule III,
38 IV, or V which is a narcotic drug, unless upon the written
39 prescription of a physician, dentist, podiatrist, or veterinarian
40 licensed to practice in this state, shall be punished by imprisonment

1 pursuant to subdivision (h) of Section 1170 of the Penal Code for
 2 three, four, or five years.

3 (b) Notwithstanding the penalty provisions of subdivision (a),
 4 any person who transports a controlled substances specified in
 5 subdivision (a) within this state from one county to another
 6 noncontiguous county shall be punished by imprisonment pursuant
 7 to subdivision (h) of Section 1170 of the Penal Code for three, six,
 8 or nine years.

9 (c) For purposes of this section, “transports” means to transport
 10 for sale.

11 (d) This section does not preclude or limit the prosecution of
 12 an individual for aiding and abetting the commission of, or
 13 conspiring to commit, or acting as an accessory to, any act
 14 prohibited by this section.

15 (e) This section does not apply to commercial—~~marijuana~~
 16 *cannabis* activity engaged in by a person or entity licensed pursuant
 17 to the Medical—~~Marijuana~~ *Cannabis* Regulation and Safety Act
 18 (Chapter 3.5 (commencing with Section 19300) of Division 8 of
 19 the Business and Professions—~~Code~~). *Code*) and who is in full
 20 compliance with that act and all applicable local ordinances.

21 ~~SEC. 19.~~

22 *SEC. 34.* Section 11362.765 of the Health and Safety Code is
 23 amended to read:

24 11362.765. (a) Subject to the requirements of this article, the
 25 individuals specified in subdivision (b) shall not be subject, on
 26 that sole basis, to criminal liability under Section 11357, 11358,
 27 11359, 11360, 11366, 11366.5, or 11570. However, nothing in
 28 this section shall authorize the individual to smoke or otherwise
 29 consume—~~marijuana~~ *cannabis* unless otherwise authorized by this
 30 article, nor shall anything in this section authorize any individual
 31 or group to cultivate or distribute—~~marijuana~~ *cannabis* in any
 32 manner other than as set forth in *this article*, the Medical—~~Marijuana~~
 33 *Cannabis* Regulation and Safety Act (Chapter 3.5 (commencing
 34 with Section 19300) of Division 8 of the Business and Professions
 35 ~~Code~~) *Code*), or as described in the Compassionate Use Act of
 36 1996.

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

38 (1) A qualified patient or a person with an identification card
 39 who transports or processes—~~marijuana~~ *cannabis* for his or her own
 40 personal medical use.

1 (2) A designated primary caregiver who transports, processes,
2 administers, delivers, or gives away ~~marijuana~~ *cannabis* for medical
3 purposes, in amounts not exceeding those established in subdivision
4 (a) of Section 11362.77, only to the qualified patient of the primary
5 caregiver, or to the person with an identification card who has
6 designated the individual as a primary caregiver.

7 (3) ~~Any~~ *An* individual who provides assistance to a qualified
8 patient or a person with an identification card, or his or her
9 designated primary caregiver, in administering medical ~~marijuana~~
10 *cannabis* to the qualified patient or person or acquiring the skills
11 necessary to cultivate or administer ~~marijuana~~ *cannabis* for medical
12 purposes to the qualified patient or person.

13 (c) A primary caregiver who receives compensation for actual
14 expenses, including reasonable compensation incurred for services
15 provided to an eligible qualified patient or person with an
16 identification card to enable that person to use ~~marijuana~~ *cannabis*
17 under this article, or for payment for out-of-pocket expenses
18 incurred in providing those services, or both, shall not, on the sole
19 basis of that fact, be subject to prosecution or punishment under
20 Section 11359 or 11360.

21 ~~SEC. 20.~~

22 *SEC. 35.* Section 11362.775 of the Health and Safety Code is
23 amended to read:

24 11362.775. (a) Subject to subdivision (b), qualified patients,
25 persons with valid identification cards, and the designated primary
26 caregivers of qualified patients and persons with identification
27 cards, who associate within the State of California in order
28 collectively or cooperatively to cultivate ~~marijuana~~ *cannabis* for
29 medical purposes, shall not solely on the basis of that fact be
30 subject to state criminal sanctions under Section 11357, 11358,
31 11359, 11360, 11366, 11366.5, or 11570. A collective or
32 cooperative that operates pursuant to this section may operate for
33 profit, not for profit, or any combination thereof.

34 (b) This section shall remain in effect only until one year after
35 the Bureau of Medical ~~Marijuana~~ *Cannabis* Regulation posts a
36 notice on its Internet Web site that the licensing authorities have
37 commenced issuing licenses pursuant to the Medical ~~Marijuana~~
38 *Cannabis* Regulation and Safety Act (Chapter 3.5 (commencing
39 with Section 19300) of Division 8 of the Business and Professions
40 Code), and is repealed upon that date.

1 SEC. 36. Section 11362.777 of the Health and Safety Code is
2 amended to read:

3 11362.777. (a) The Department of Food and Agriculture shall
4 establish a Medical Cannabis Cultivation Program to be
5 administered by the secretary and, except as specified in
6 subdivision (c), shall administer this section as it pertains to the
7 cultivation of medical ~~marijuana~~ *cannabis*. For purposes of this
8 section and Chapter 3.5 (commencing with Section 19300) of
9 Division 8 of the Business and Professions Code, medical cannabis
10 is an agricultural product.

11 (b) (1) A person or entity shall not cultivate medical ~~marijuana~~
12 *cannabis* without first obtaining both of the following:

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

16 (B) A state license issued by the department pursuant to this
17 section.

18 (2) A person or entity shall not submit an application for a state
19 license ~~issued by the department~~ pursuant to this section unless
20 that person or entity has received a license, permit, or other
21 entitlement, specifically permitting cultivation pursuant to these
22 provisions, from the city, county, or city and county in which the
23 cultivation will occur.

24 (3) A person or entity shall not submit an application for a state
25 license ~~issued by the department~~ pursuant to this section if the
26 proposed cultivation of ~~marijuana~~ *cannabis* will violate the
27 provisions of ~~any~~ a local ordinance or regulation, or if medical
28 ~~marijuana~~ *cannabis* is prohibited by the city, county, or city and
29 county in which the cultivation is proposed to occur, either
30 expressly or otherwise under principles of permissive zoning.

31 (c) (1) Except as otherwise specified in this subdivision, and
32 without limiting any other local regulation, a city, county, or city
33 and county, through its current or future land use regulations or
34 ordinance, may issue or deny a permit to cultivate medical
35 ~~marijuana~~ *cannabis* pursuant to this section. A city, county, or city
36 and county may inspect the intended cultivation site for suitability
37 before issuing a permit. After the city, county, or city and county
38 has approved a permit, the applicant shall apply for a state medical
39 ~~marijuana~~ *cannabis* cultivation license from the department. A
40 locally issued cultivation permit shall only become active upon

1 licensing by the department and receiving final local approval. A
2 person shall not cultivate medical-~~marijuana~~ *cannabis* before
3 obtaining both a *license or* permit from the city, county, or city
4 and county and a state medical-~~marijuana~~ *cannabis* cultivation
5 license from the department.

6 (2) A city, county, or city and county that issues or denies
7 conditional licenses to cultivate medical-~~marijuana~~ *cannabis*
8 pursuant to this section shall notify the department in a manner
9 prescribed by the secretary.

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

13 (d) (1) The secretary may prescribe, adopt, and enforce
14 regulations relating to the implementation, administration, and
15 enforcement of this ~~part, section,~~ including, but not limited to,
16 applicant requirements, collections, reporting, refunds, and appeals.

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

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

37 (e) (1) The department, in consultation with, but not limited
38 to, the Bureau of Medical-~~Marijuana~~ *Cannabis* Regulation, the
39 State Water Resources Control Board, and the Department of Fish
40 and Wildlife, shall implement a unique identification program for

1 medical ~~marijuana~~ *cannabis*. In implementing the program, the
2 department shall consider issues, including, but not limited to,
3 water use and environmental impacts. In implementing the
4 program, the department shall ensure that:

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

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

11 (2) The department shall establish a program for the
12 identification of permitted medical ~~marijuana~~ *cannabis* plants at
13 a cultivation site during the cultivation period. The unique identifier
14 shall be attached at the base of each plant. A unique identifier,
15 such as, but not limited to, a zip tie, shall be issued for each medical
16 ~~marijuana~~ *cannabis* plant.

17 (A) Unique identifiers ~~will~~ *shall* only be issued to those persons
18 appropriately licensed by this section.

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

22 (C) The department may charge a fee to cover the reasonable
23 costs of issuing the unique identifier and monitoring, tracking, and
24 inspecting each medical ~~marijuana~~ *cannabis* plant.

25 ~~(D) The department may promulgate regulations to implement~~
26 ~~this section.~~

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

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

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

38 (g) This section does not apply to a qualified patient cultivating
39 ~~marijuana~~ *cannabis* pursuant to Section 11362.5 if the area he or
40 she uses to cultivate ~~marijuana~~ *cannabis* does not exceed 100

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

19 ~~SEC. 21.~~

20 *SEC. 37.* Section 11379 of the Health and Safety Code is
21 amended to read:

22 11379. (a) Except as otherwise provided in subdivision (b)
23 and in Article 7 (commencing with Section 4110) of Chapter 9 of
24 Division 2 of the Business and Professions Code, every person
25 who transports, imports into this state, sells, furnishes, administers,
26 or gives away, or offers to transport, import into this state, sell,
27 furnish, administer, or give away, or attempts to import into this
28 state or transport any controlled substance which is (1) classified
29 in Schedule III, IV, or V and which is not a narcotic drug, except
30 subdivision (g) of Section 11056, (2) specified in subdivision (d)
31 of Section 11054, except paragraphs (13), (14), (15), (20), (21),
32 (22), and (23) of subdivision (d), (3) specified in paragraph (11)
33 of subdivision (c) of Section 11056, (4) specified in paragraph (2)
34 or (3) of subdivision (f) of Section 11054, or (5) specified in
35 subdivision (d) or (e), except paragraph (3) of subdivision (e), or
36 specified in subparagraph (A) of paragraph (1) of subdivision (f),
37 of Section 11055, unless upon the prescription of a physician,
38 dentist, podiatrist, or veterinarian, licensed to practice in this state,
39 shall be punished by imprisonment pursuant to subdivision (h) of

1 Section 1170 of the Penal Code for a period of two, three, or four
2 years.

3 (b) Notwithstanding the penalty provisions of subdivision (a),
4 any person who transports any controlled substances specified in
5 subdivision (a) within this state from one county to another
6 noncontiguous county shall be punished by imprisonment pursuant
7 to subdivision (h) of Section 1170 of the Penal Code for three, six,
8 or nine years.

9 (c) For purposes of this section, “transports” means to transport
10 for sale.

11 (d) Nothing in this section is intended to preclude or limit
12 prosecution under an aiding and abetting theory, accessory theory,
13 or a conspiracy theory.

14 (e) This section does not apply to commercial ~~marijuana~~
15 *cannabis* activity engaged in by a person or entity licensed pursuant
16 to the Medical ~~Marijuana~~ *Cannabis* Regulation and Safety Act
17 (Chapter 3.5 (commencing with Section 19300) of Division 8 of
18 the Business and Professions ~~Code~~). *Code*) and who is in full
19 compliance with that act and all applicable local ordinances.