

AMENDED IN ASSEMBLY APRIL 13, 2016

AMENDED IN ASSEMBLY APRIL 4, 2016

AMENDED IN ASSEMBLY MARCH 18, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1575

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

January 4, 2016

An act to amend Sections 19300, 19300.5, 19302, 19302.1, 19306, 19310, 19316, 19320, 19321, 19322, 19326, 19332, 19332.5, 19334, 19335, 19340, 19342, 19344, 19347, 19350, 19351, and 19360 of, to amend the heading of Article 5 (commencing with Section 19326) of Chapter 3.5 of Division 8 of, to amend the heading of Chapter 3.5 (commencing with Section 19300) of Division 8 of, to amend and add Section 19328 of, to add Sections 19310.5, 19319.5, and 19322.5 to, and to repeal Section 19318 of, the Business and Professions Code, to amend Sections 12025 and 12029 of the Fish and Game Code, to amend Section 52334 of the Food and Agricultural Code, and to amend Sections 11352, 11362.765, 11362.775, 11362.777, and 11379 of the Health and Safety Code, relating to medical cannabis.

LEGISLATIVE COUNSEL'S DIGEST

AB 1575, as amended, Bonta. Medical cannabis.

(1) Existing law, the Medical Marijuana Regulation and Safety Act, establishes the licensing and regulation of medical ~~marijuana~~ *marijuana* by the *Bureau of Medical Marijuana Regulation*. The act requires the Board of Equalization, in consultation with the Department of Food

and Agriculture, to adopt a system for reporting the movement of commercial cannabis and cannabis products.

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

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

The 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 Cannabis Regulation to specify the manner in which medical cannabis and medical cannabis products meant for wholesale purposes are required to be packaged and sealed prior to transport, testing, quality assurance, quality control testing, or distribution.

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

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

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

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

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

This bill would require dispensaries to implement the additional security measure of requiring all medical cannabis and medical cannabis products used for display purposes, samples, or immediate sale to be

stored out of reach of any individual who is not employed by the dispensary. The bill would require the bureau to establish specified regulations regarding delivery of medical cannabis and medical cannabis products by a dispensary and specified requirements for all dispensary employees who deliver medical cannabis or medical cannabis products.

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

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

(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 that has state authorization to engage in the research of medical cannabis, medical cannabis products, or devices used for the medical use of cannabis or cannabis products, to possess, transport, purchase, or otherwise obtain from a licensee who is authorized to provide or deliver medical cannabis small amounts of medical cannabis or medical cannabis products to conduct research and development related to medical cannabis or medical cannabis products. The bill would require a business or research institution engaged in the research of medical cannabis to obtain written authorization from its local jurisdiction that it has met all requirements of the local ordinance to conduct research on medical cannabis, medical cannabis products, or devices used for

the medical use of cannabis or cannabis products. The bill would provide that it is not a violation of state law for certain licensees to sell medical cannabis or medical cannabis products in an amount not to exceed 8 ounces per month to a business or research institution engaged in the research of medical cannabis if the business or research institution provides to the licensee a copy of the written authorization to conduct research within their jurisdiction and a copy of the local ordinance, and would require the licensee to keep on file that written authorization for at least 3 years and make it available upon request to local authorities for auditing purposes.

(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 Cannabis Regulation and Safety Act are not subject to the above-described civil penalties.

(11) The California Seed Law regulates seed sold in California, and prohibits a city, county, or district from adopting or enforcing an ordinance that regulates plants, crops, or seeds without the consent of the Secretary of Food and Agriculture.

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

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

This bill would, instead, provide that the above exception is repealed one year after the bureau posts its notice on its Internet Web site. The bill would also specify that a collective or cooperative subject to this

exception may operate on a for-profit basis, a not-for-profit basis, or any combination thereof. ~~thereof, but would provide the protections of the exception to for-profit collectives and cooperatives only if they have a valid Board of Equalization seller's permit and a valid local license, permit, or other authorization.~~ The bill would also specify that a licensee under the act may operate on a for-profit basis, a not-for-profit basis, or any combination thereof.

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

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

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

(14) 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 cannabis activity by a holder of a state license who is in full compliance with the

Medical Cannabis Regulation and Safety Act and all applicable local ordinances.

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

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

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

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

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

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

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

7
8 SEC. 2. Section 19300 of the Business and Professions Code
9 is amended to read:

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

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

14 19300.5. For purposes of this chapter, the following definitions
15 shall apply:

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

20 (b) "Applicant," for purposes of Article 4 (commencing with
21 Section 19319), means the following:

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

23 (B) An "owner" means a person having an aggregate ownership
24 interest, other than a security interest, lien, or encumbrance, of 5

1 percent or more in the licensee or who has the power to direct, or
2 cause to be directed, the management or control of the licensee.

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

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

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

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

17 (f) “Cannabis” or “marijuana” means all parts of the plant
18 *Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis*,
19 whether growing or not; the seeds thereof; the resin, whether crude
20 or purified, extracted from any part of the plant; and every
21 compound, manufacture, salt, derivative, mixture, or preparation
22 of the plant, its seeds, or resin. “Cannabis” or “marijuana” also
23 means the separated resin, whether crude or purified, obtained
24 from marijuana. “Cannabis” or “marijuana” also means marijuana
25 as defined by Section 11018 of the Health and Safety Code as
26 enacted by Chapter 1407 of the Statutes of 1972. “Cannabis” or
27 “marijuana” does not include the mature stalks of the plant, fiber
28 produced from the stalks, oil or cake made from the seeds of the
29 plant, any other compound, manufacture, salt, derivative, mixture,
30 or preparation of the mature stalks (except the resin extracted
31 therefrom), fiber, oil, or cake, or the sterilized seed of the plant
32 that is incapable of germination. For the purposes of this chapter,
33 “cannabis” or “marijuana” does not mean “industrial hemp” as
34 defined by Section 11018.5 of the Health and Safety Code.

35 (g) “Cannabis concentrate” or “marijuana concentrate” means
36 manufactured cannabis that has undergone a process to concentrate
37 the cannabinoid active ingredient, thereby increasing the product’s
38 potency. An edible medical cannabis product is not considered
39 food, as defined by Section 109935 of the Health and Safety Code,

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

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

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

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

11 (k) “Commercial cannabis activity” or “commercial marijuana
12 activity” includes cultivation, possession, manufacture, processing,
13 storing, laboratory testing, labeling, transporting, distribution, or
14 sale of medical cannabis or a medical cannabis product, except as
15 set forth in Section 19319, related to qualifying patients and
16 primary caregivers.

17 (l) “Cultivation” means any activity involving the planting,
18 growing, harvesting, drying, curing, grading, or trimming of
19 cannabis.

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

25 (n) “Cultivator” means a person that conducts the planting,
26 growing, harvesting, drying, curing, grading, or trimming of
27 medical cannabis and that holds both a valid state license and a
28 valid local license, permit, or other authorization.

29 (o) “Delivery” means the commercial transfer of medical
30 cannabis or medical cannabis products from a dispensary, up to
31 an amount determined by the bureau, to a primary caregiver or
32 qualified patient as defined in Section 11362.7 of the Health and
33 Safety Code, or a testing laboratory. “Delivery” also includes the
34 use by a dispensary of any technology platform owned and
35 controlled by the dispensary, or independently licensed under this
36 chapter, that enables qualified patients or primary caregivers to
37 arrange for or facilitate the commercial transfer by a licensed
38 dispensary of medical cannabis or medical cannabis products.

39 (p) “Dispensary” means a commercial facility with a fixed
40 location, whether or not there is direct access by customers, where

1 medical cannabis or medical cannabis products are offered, either
2 individually or in any combination, for retail sale, including an
3 establishment that delivers, unless delivery is expressly prohibited
4 by local ordinance, medical cannabis and medical cannabis
5 products as part of a retail sale.

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

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

11 (s) “Distributor” means a person licensed under this chapter to
12 engage in the business of purchasing or taking custody of medical
13 cannabis from a licensed cultivator, or medical cannabis products
14 from a licensed manufacturer, for sale or transfer to a licensed
15 dispensary and who holds a valid state license pursuant to this
16 chapter and a valid local license, permit, or other authorization at
17 the physical location of the distributor.

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

21 (u) “Edible cannabis product” or “edible marijuana product”
22 means manufactured cannabis that is intended to be used, in whole
23 or in part, for human consumption, including, but not limited to,
24 chewing gum. An edible medical cannabis product is not
25 considered food as defined by Section 109935 of the Health and
26 Safety Code or a drug as defined by Section 109925 of the Health
27 and Safety Code.

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

30 (w) “Identification program” means the universal identification
31 certificate program for commercial medical cannabis activity
32 authorized by this chapter.

33 (x) “Labor peace agreement” means an agreement between a
34 licensee and a bona fide labor organization that, at a minimum,
35 protects the state’s proprietary interests by prohibiting labor
36 organizations and members from engaging in picketing, work
37 stoppages, boycotts, and any other economic interference with the
38 applicant’s business. This agreement means that the applicant has
39 agreed not to disrupt efforts by the bona fide labor organization
40 to communicate with, and attempt to organize and represent, the

1 applicant's employees. The agreement shall provide a bona fide
2 labor organization access at reasonable times to areas in which the
3 applicant's employees work, for the purpose of meeting with
4 employees to discuss their right to representation, employment
5 rights under state law, and terms and conditions of employment.
6 This type of agreement shall not mandate a particular method of
7 election or certification of the bona fide labor organization.

8 (y) "Licensee" means a person issued a state license under this
9 chapter to engage in commercial cannabis activity.

10 (z) "Licensing authority" means the state agency responsible
11 for the issuance, renewal, or reinstatement of the license, or the
12 state agency authorized to take disciplinary action against the
13 licensee.

14 (aa) "Live plants" means living medical cannabis flowers and
15 plants, including seeds, immature plants, and vegetative stage
16 plants.

17 (ab) "Lot" means a batch, or a specifically identified portion of
18 a batch, having uniform character and quality within specified
19 limits. In the case of medical cannabis or a medical cannabis
20 product produced by a continuous process, "lot" means a
21 specifically identified amount produced in a unit of time or a
22 quantity in a manner that ensures its having uniform character and
23 quality within specified limits.

24 (ac) "Manufactured cannabis" or "manufactured marijuana"
25 means raw cannabis that has undergone a process whereby the raw
26 agricultural product has been transformed into a concentrate, an
27 edible cannabis product, or a topical product.

28 (ad) "Manufacturer" means a person that conducts the
29 production, preparation, propagation, or compounding of
30 manufactured medical cannabis, as described in subdivision (ac),
31 or medical cannabis products either directly or indirectly or by
32 extraction methods, or independently by means of chemical
33 synthesis or by a combination of extraction and chemical synthesis
34 at a fixed location that packages or repackages medical cannabis
35 or medical cannabis products or labels or relabels its container,
36 that holds a valid state license pursuant to this chapter, and that
37 holds a valid local license, permit, or other authorization.

38 (ae) "Manufacturing site" means a location that produces,
39 prepares, propagates, or compounds manufactured medical
40 cannabis or medical cannabis products, directly or indirectly, by

1 extraction methods, independently by means of chemical synthesis,
2 or by a combination of extraction and chemical synthesis, and is
3 owned and operated by a person that holds a valid state license
4 pursuant to this chapter and a valid local license, permit, or other
5 authorization.

6 (af) “Medical cannabis,” “medical cannabis product,” “cannabis
7 product,” “medical marijuana,” “medical marijuana product,” or
8 “marijuana product” means a product containing cannabis,
9 including, but not limited to, concentrates and extractions, intended
10 to be sold for use by medical cannabis patients in California
11 pursuant to the Compassionate Use Act of 1996 (Proposition 215),
12 found at Section 11362.5 of the Health and Safety Code. For the
13 purposes of this chapter, “medical cannabis” or “medical
14 marijuana” does not include “industrial hemp” as defined by
15 Section 81000 of the Food and Agricultural Code or Section
16 11018.5 of the Health and Safety Code.

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

21 (ah) “Permit,” “local license,” or “local permit” means an
22 official document granted by a local jurisdiction that specifically
23 authorizes a person to conduct commercial cannabis activity in
24 the local jurisdiction.

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

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

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

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

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

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

5 (am) “Transport” means the transfer of medical cannabis or
6 medical cannabis products from the permitted business location
7 of one licensee to the permitted business location of another
8 licensee, for the purposes of conducting commercial cannabis
9 activity authorized pursuant to this chapter.

10 (an) “Transporter” means a person issued a state license by the
11 bureau to transport medical cannabis or medical cannabis products
12 in an amount above a threshold determined by the bureau between
13 facilities that have been issued a state license pursuant to this
14 chapter.

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

17 19302. (a) There is in the Department of Consumer Affairs
18 the Bureau of Medical Cannabis Regulation, under the supervision
19 and control of the director. The director shall administer and
20 enforce the provisions of this chapter.

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

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

25 19302.1. (a) The Governor shall appoint a chief of the bureau,
26 subject to confirmation by the Senate, at a salary to be fixed and
27 determined by the Director of Consumer Affairs with the approval
28 of the Director of Finance. The chief shall serve under the direction
29 and supervision of the Director of Consumer Affairs and at the
30 pleasure of the Governor.

31 (b) Every power granted to or duty imposed upon the director
32 under this chapter may be exercised or performed in the name of
33 the director by a deputy or assistant director or by the chief, subject
34 to conditions and limitations that the director may prescribe. In
35 addition to every power granted or duty imposed with this chapter,
36 the director shall have all other powers and duties generally
37 applicable in relation to bureaus that are part of the Department
38 of Consumer Affairs.

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

4 (d) The Department of Consumer Affairs shall have the sole
5 authority to create, issue, renew, discipline, suspend, or revoke
6 licenses for the transportation, storage unrelated to manufacturing
7 activities, distribution, and sale of medical cannabis within the
8 state and to collect fees in connection with activities the bureau
9 regulates. The bureau may create licenses in addition to those
10 identified in this chapter that the bureau deems necessary to
11 effectuate its duties under this chapter.

12 (e) The Department of Food and Agriculture shall administer
13 the provisions of this chapter related to and associated with the
14 cultivation of medical cannabis. The Department of Food and
15 Agriculture may create, issue, and suspend or revoke cultivation
16 licenses for violations of this chapter.

17 (f) The State Department of Public Health shall administer the
18 provisions of this chapter related to and associated with the
19 manufacturing and testing of medical cannabis. The State
20 Department of Public Health may create, issue, and suspend or
21 revoke manufacturing and testing licenses for a violation of this
22 chapter. The State Department of Public Health shall seek and
23 include feedback from the scientific community and cannabis
24 testing industry when promulgating testing regulations. The State
25 Department of Public Health shall review and update medical
26 cannabis testing standards on an annual basis, incorporating new
27 testing technology, such as DNA testing for contaminants.

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

30 19306. (a) The bureau may convene an advisory committee
31 to advise the bureau and licensing authorities on the development
32 of standards and regulations pursuant to this chapter, including
33 best practices and guidelines to ensure qualified patients have
34 adequate access to medical cannabis and medical cannabis
35 products. The advisory committee members shall be determined
36 by the chief.

37 (b) The advisory committee members may include, but are not
38 limited to, representatives of the medical cannabis industry,
39 representatives of medical cannabis cultivators, appropriate local
40 and state agencies, appropriate local and state law enforcement,

1 physicians, environmental and public health experts, and medical
2 cannabis patient advocates.

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

5 19310. The licensing authority may, on its own motion at any
6 time before a penalty assessment is placed into effect and without
7 any further proceedings, review the penalty, but that review shall
8 be limited to its reduction.

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

11 19310.5. (a) It is the intent of the Legislature to enact a statute
12 that improves the medical cannabis industry's ability to comply
13 with federal law and regulations that would allow improved access
14 to banking services.

15 (b) (1) The State Board of Equalization shall form an advisory
16 group made up of representatives from financial institutions, the
17 medical cannabis industry, law enforcement, and state and federal
18 banking regulators. By July 1, 2017, the board shall submit a report
19 to the Legislature with proposed changes to state law or regulations
20 that will improve financial monitoring of medical cannabis
21 businesses and improve compliance with federal law.

22 (2) A report submitted pursuant to paragraph (1) shall be
23 submitted in compliance with Section 9795 of the Government
24 Code. The requirement for submitting a report imposed in
25 paragraph (1) is inoperative on July 1, 2021, pursuant to Section
26 10231.5 of the Government Code.

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

31 (d) (1) The Department of Business Oversight shall create an
32 enhanced financial monitoring certification for entities licensed
33 pursuant to this chapter that further enables those entities to comply
34 with the federal banking regulations under the federal Bank Secrecy
35 Act. The Department of Business Oversight shall consider
36 including requirements to use electronic financial monitoring that
37 enables real-time sales inventory tracking and other tools that allow
38 a bank or credit union to readily access information they are
39 required to monitor under the federal Bank Secrecy Act.

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

5 (3) After the Bureau of Medical Cannabis Regulation posts a
6 notice on its Internet Web site that the licensing authorities have
7 commenced issuing licenses pursuant to the Medical Cannabis
8 Regulation and Safety Act, a financial institution that provides
9 financial services customarily provided by financial institutions
10 to other entities to a current licensee under the Medical Cannabis
11 Regulation and Safety Act is exempt from any criminal law of this
12 state, provided that the financial institution has verified the licensee
13 has a valid license in good standing.

14 (4) The Bureau of Medical Cannabis Regulation may provide
15 information to a financial institution to verify the status of a
16 licensee.

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

19 19316. (a) (1) Except as described in paragraph (2), and
20 pursuant to Section 7 of Article XI of the California Constitution,
21 a city, county, or city and county may adopt ordinances that
22 establish additional standards, requirements, and regulations for
23 local licenses and permits for commercial cannabis activity.
24 Standards, requirements, and regulations regarding health and
25 safety, testing, security, and worker protections established by the
26 state shall be the minimum standards for all licensees statewide.

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

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

32 (b) For facilities issued a state license that are located within
33 the incorporated area of a city, the city shall have full power and
34 authority to enforce this chapter and the regulations promulgated
35 by the bureau or any licensing authority, if delegated by the state.
36 Notwithstanding Sections 101375, 101400, and 101405 of the
37 Health and Safety Code or any contract entered into pursuant
38 thereto, or any other law, the city shall further assume complete
39 responsibility for any regulatory function relating to those licensees
40 within the city limits that would otherwise be performed by the

1 county or any county officer or employee, including a county
2 health officer, without liability, cost, or expense to the county.

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

8 SEC. 10. Section 19318 of the Business and Professions Code
9 is repealed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Proposition D or local zoning law, in court or in any other context
2 or forum.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (8) Provide any other information required by the licensing
27 authority.

28 (9) For an applicant seeking a cultivation license, provide a
29 statement declaring the applicant is an “agricultural employer,” as
30 defined in the Alatorre-Zenovich-Dunlap-Berman Agricultural
31 Labor Relations Act of 1975 (Part 3.5 (commencing with Section
32 1140) of Division 2 of the Labor Code), to the extent not prohibited
33 by law.

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

37 (11) Pay all applicable fees required for licensure by the
38 licensing authority.

39 (b) For applicants seeking licensure to cultivate, distribute, or
40 manufacture medical cannabis or medical cannabis products, the

1 application shall also include a detailed description of the
2 applicant's operating procedures for all of the following, as
3 required by the licensing authority:

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

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

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

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

16
17 Article 5. Medical Cannabis Regulation
18

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

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

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

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

1 (c) (1) Upon receipt of medical cannabis or medical cannabis
2 products from a cultivator or a manufacturer, the distributor shall
3 first ensure a random sample of the medical cannabis or medical
4 cannabis product is tested by a testing laboratory.

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

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

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

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

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

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

11 (e) All commercial cannabis activity shall be conducted between
12 licensees.

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

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

22 19328. (a) Except as specified in paragraph (9), a licensee may
23 only hold a state license in up to two separate license categories,
24 as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 19328. (a) A licensee may only hold a state license in up to
2 two separate license categories, as follows:

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

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

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

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

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

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

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

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

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

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

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

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

35 19332. (a) The Department of Food and Agriculture shall
36 promulgate regulations governing the licensing of indoor and
37 outdoor cultivation sites.

38 (b) The Department of Pesticide Regulation, in consultation
39 with the Department of Food and Agriculture, shall develop
40 standards for the use of pesticides in cultivation, and maximum

1 tolerances for pesticides and other foreign object residue in
2 harvested cannabis.

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

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

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

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

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

30 (3) Establish procedures for the issuance and revocation of
31 unique identifiers for activities associated with a medical cannabis
32 cultivation license, pursuant to Article 8 (commencing with Section
33 19337). All medical cannabis shall be labeled with the unique
34 identifier issued by the Department of Food and Agriculture.

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

38 (f) The Department of Pesticide Regulation, in consultation with
39 the State Water Resources Control Board, shall promulgate
40 regulations that require that the application of pesticides or other

1 pest control in connection with the indoor or outdoor cultivation
2 of medical cannabis meets standards equivalent to Division 6
3 (commencing with Section 11401) of the Food and Agricultural
4 Code and its implementing regulations.

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

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

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

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

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

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

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

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

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

39 (9) Type 3B, or “mixed-light,” for cultivation using a
40 combination of natural and supplemental artificial lighting at a

1 maximum threshold to be determined by the licensing authority,
2 between 10,001 and 22,000 square feet, inclusive, of total canopy
3 size on one premises. The Department of Food and Agriculture
4 shall limit the number of licenses allowed of this type.

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

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

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

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

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

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

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

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

39 (2) Require that medical cannabis cultivation by licensees is
40 conducted in accordance with state and local laws related to land

conversion, grading, electricity usage, water usage, agricultural discharges, and similar matters. Nothing in this chapter, and no regulation adopted by the department, shall be construed to supersede or limit the authority of the State Water Resources Control Board, regional water quality control boards, or the Department of Fish and Wildlife to implement and enforce their statutory obligations or to adopt regulations to protect water quality, water supply, and natural resources.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 (4) Any other breach of security.

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

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

18 (1) The licensee receiving the product.

19 (2) The transaction date.

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

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

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

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

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

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

31 (E) A categorization of the product.

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

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

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

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

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

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

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

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

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

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

31 19340. (a) Deliveries, as defined in this chapter, can only be
32 made by a dispensary and in a city, county, or city and county that
33 does not explicitly prohibit it by local ordinance.

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

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

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

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

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

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

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

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

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

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

38 (3) A system for registering and maintaining the status of all
39 delivery personnel of dispensaries, including protocols for
40 suspending the registrations of individuals who move out of this

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

10 (4) The operating hours for delivery.

11 (5) A requirement that each dispensary employee who delivers
12 medical cannabis or medical cannabis products contract with only
13 one dispensary at time.

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

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

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

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

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

33 (4) Registration with the bureau.

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

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

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

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

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

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

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

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

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

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

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

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

30 (A) Tetrahydrocannabinol (THC).

31 (B) Tetrahydrocannabinolic Acid (THCA).

32 (C) Cannabidiol (CBD).

33 (D) Cannabidiolic Acid (CBDA).

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

37 (F) Cannabigerol (CBG).

38 (G) Cannabinol (CBN).

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

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

(A) Residual solvent or processing chemicals.

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

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

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

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

SEC. 29. Section 19347 of the Business and Professions Code is amended to read:

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

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

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

(A) Manufacture date and source.

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

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

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

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

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

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

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

4 (I) List of pharmacologically active ingredients, including, but
5 not limited to, tetrahydrocannabinol (THC), cannabidiol (CBD),
6 and other cannabinoid content, the THC and other cannabinoid
7 amount in milligrams per serving, servings per package, and the
8 THC and other cannabinoid amount in milligrams for the package
9 total.

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

12 (K) Identification of the source and date of cultivation and
13 manufacture.

14 (L) Any other requirement set by the State Department of Public
15 Health.

16 (M) Information associated with the unique identifier issued by
17 the Department of Food and Agriculture pursuant to Section
18 11362.777 of the Health and Safety Code.

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

22 SEC. 30. Section 19350 of the Business and Professions Code
23 is amended to read:

24 19350. Each licensing authority shall establish a scale of
25 application, licensing, and renewal fees, based upon the cost of
26 enforcing this chapter, as follows:

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

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

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

3 (d) The licensing authority shall deposit all fees collected
4 pursuant to this chapter in a fee account specific to that licensing
5 authority, to be established in the Medical Cannabis Regulation
6 and Safety Act Fund. Moneys in the licensing authority fee
7 accounts shall be used, upon appropriation of the Legislature, by
8 the designated licensing authority for the administration of this
9 chapter.

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

14 SEC. 31. Section 19351 of the Business and Professions Code
15 is amended to read:

16 19351. (a) The Medical Cannabis Regulation and Safety Act
17 Fund is hereby established within the State Treasury. Moneys in
18 the fund shall be available upon appropriation by the Legislature.
19 Notwithstanding Section 16305.7 of the Government Code, the
20 fund shall include any interest and dividends earned on the moneys
21 in the fund.

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

31 (2) Funds advanced pursuant to this subdivision shall be
32 appropriated to the bureau, which shall distribute the moneys to
33 the appropriate licensing authorities, as necessary to implement
34 the provisions of this chapter.

35 (3) The Director of Finance may provide an initial operating
36 loan from the General Fund to the Medical Cannabis Regulation
37 and Safety Act Fund that does not exceed ten million dollars
38 (\$10,000,000).

39 (c) Except as otherwise provided, all moneys collected pursuant
40 to this chapter as a result of fines or penalties imposed under this

chapter shall be deposited directly into the Medical Cannabis Fines and Penalties Account, which is hereby established within the fund, and shall be available, upon appropriation by the Legislature to the bureau, for the purposes of funding the enforcement grant program pursuant to subdivision (d).

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

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

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

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

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

SEC. 32. Section 19360 of the Business and Professions Code is amended to read:

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

(b) If an action for civil penalties is brought against a licensee pursuant to this chapter by the Attorney General, the penalty collected shall be deposited into the Medical Cannabis Fines and Penalties Account. If the action is brought by a district attorney or county counsel, the penalty collected shall be paid to the treasurer of the county in which the judgment was entered. If the action is brought by a city attorney or city prosecutor, the penalty collected shall be paid to the treasurer of the city or city and county in which the judgment was entered. If the action is brought by a

1 city attorney and is adjudicated in a superior court located in the
2 unincorporated area or another city in the same county, the penalty
3 shall be paid one-half to the treasurer of the city in which the
4 complaining attorney has jurisdiction and one-half to the treasurer
5 of the county in which the judgment is entered.

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

11 SEC. 33. Section 12025 of the Fish and Game Code is amended
12 to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (A) A person who violates Section 1602 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 (B) A person who violates Section 5650 in connection with the
6 production or cultivation of a controlled substance is subject to a
7 civil penalty of not more than twenty thousand dollars (\$20,000)
8 for each violation.

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

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

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

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

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

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

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

38 (J) A person who violates Section 2000 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 (K) A person who violates Section 2002 in connection with the
4 production or cultivation of a controlled substance is subject to a
5 civil penalty of not more than eight thousand dollars (\$8,000) for
6 each violation.

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

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

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

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

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

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

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

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

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

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

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

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

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

(f) All administrative penalties imposed or collected by the 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 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 Cannabis Regulation and Safety Act (Chapter
26 3.5 (commencing with Section 19300) of Division 8 of the Business
27 and Professions Code).

28 SEC. 34. Section 12029 of the Fish and Game Code is amended
29 to read:

30 12029. (a) The Legislature finds and declares all of the
31 following:

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

37 (2) The remediation of existing cannabis cultivation sites is
38 often complex and the permitting of these sites requires greater
39 department staff time and personnel expenditures. The potential
40 for cannabis cultivation sites to significantly impact the state’s fish

1 and wildlife resources requires immediate action on the part of the
2 department's lake and streambed alteration permitting staff.

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

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

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

22 SEC. 35. Section 52334 of the Food and Agricultural Code is
23 amended to read:

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

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

36 SEC. 36. Section 11352 of the Health and Safety Code is
37 amended to read:

38 11352. (a) Except as otherwise provided in this division, every
39 person who transports, imports into this state, sells, furnishes,
40 administers, or gives away, or offers to transport, import into this

1 state, sell, furnish, administer, or give away, or attempts to import
2 into this state or transport (1) any controlled substance specified
3 in subdivision (b), (c), or (e), or paragraph (1) of subdivision (f)
4 of Section 11054, specified in paragraph (14), (15), or (20) of
5 subdivision (d) of Section 11054, or specified in subdivision (b)
6 or (c) of Section 11055, or specified in subdivision (h) of Section
7 11056, or (2) any controlled substance classified in Schedule III,
8 IV, or V which is a narcotic drug, unless upon the written
9 prescription of a physician, dentist, podiatrist, or veterinarian
10 licensed to practice in this state, shall be punished by imprisonment
11 pursuant to subdivision (h) of Section 1170 of the Penal Code for
12 three, four, or five years.

13 (b) Notwithstanding the penalty provisions of subdivision (a),
14 any person who transports a controlled substances specified in
15 subdivision (a) within this state from one county to another
16 noncontiguous county shall be punished by imprisonment pursuant
17 to subdivision (h) of Section 1170 of the Penal Code for three, six,
18 or nine years.

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

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

25 (e) This section does not apply to commercial cannabis activity
26 engaged in by a person or entity licensed pursuant to the Medical
27 Cannabis Regulation and Safety Act (Chapter 3.5 (commencing
28 with Section 19300) of Division 8 of the Business and Professions
29 Code) and who is in full compliance with that act and all applicable
30 local ordinances.

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

33 11362.765. (a) Subject to the requirements of this article, the
34 individuals specified in subdivision (b) shall not be subject, on
35 that sole basis, to criminal liability under Section 11357, 11358,
36 11359, 11360, 11366, 11366.5, or 11570. However, nothing in
37 this section shall authorize the individual to smoke or otherwise
38 consume cannabis unless otherwise authorized by this article, nor
39 shall anything in this section authorize any individual or group to
40 cultivate or distribute cannabis in any manner other than as set

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

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

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

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

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

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

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

31 11362.775. (a) Subject to subdivision (b), qualified patients,
32 persons with valid identification cards, and the designated primary
33 caregivers of qualified patients and persons with identification
34 cards, who associate within the State of California in order
35 collectively or cooperatively to cultivate cannabis for medical
36 purposes, shall not solely on the basis of that fact be subject to
37 state criminal sanctions under Section 11357, 11358, 11359, 11360,
38 11366, 11366.5, or 11570. A collective or cooperative that operates
39 pursuant to this section may operate for profit, not for profit, or
40 any combination thereof. *A collective or cooperative that operates*

1 *for profit shall only retain the protections of this section if it*
2 *possesses a valid, Board of Equalization-issued sellers permit and*
3 *a valid local license, permit, or other authorization.*

4 (b) (1) It is unlawful to display an advertisement for qualified
5 patients, persons with valid identification cards, and the designated
6 primary caregivers of qualified patients and persons with
7 identification cards, who associate within the state in order
8 collectively or cooperatively to cultivate cannabis for medical
9 purposes, without first verifying a valid Board of Equalization
10 issued seller's permit.

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

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

19 (c) This section shall remain in effect only until one year after
20 the Bureau of Medical Cannabis Regulation posts a notice on its
21 Internet Web site that the licensing authorities have commenced
22 issuing licenses pursuant to the Medical Cannabis Regulation and
23 Safety Act (Chapter 3.5 (commencing with Section 19300) of
24 Division 8 of the Business and Professions Code), and is repealed
25 upon that date.

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

28 11362.777. (a) The Department of Food and Agriculture shall
29 establish a Medical Cannabis Cultivation Program to be
30 administered by the secretary and, except as specified in
31 subdivision (c), shall administer this section as it pertains to the
32 cultivation of medical cannabis. For purposes of this section and
33 Chapter 3.5 (commencing with Section 19300) of Division 8 of
34 the Business and Professions Code, medical cannabis is an
35 agricultural product.

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

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

1 (B) A state license issued by the department pursuant to this
2 section.

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

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

14 (c) (1) Except as otherwise specified in this subdivision, and
15 without limiting any other local regulation, a city, county, or city
16 and county, through its current or future land use regulations or
17 ordinance, may issue or deny a permit to cultivate medical cannabis
18 pursuant to this section. A city, county, or city and county may
19 inspect the intended cultivation site for suitability before issuing
20 a permit. After the city, county, or city and county has approved
21 a permit, the applicant shall apply for a state medical cannabis
22 cultivation license from the department. A locally issued cultivation
23 permit shall only become active upon licensing by the department
24 and receiving final local approval. A person shall not cultivate
25 medical cannabis before obtaining both a license or permit from
26 the city, county, or city and county and a state medical cannabis
27 cultivation license from the department.

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

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

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

39 (2) The secretary may prescribe, adopt, and enforce any
40 emergency regulations as necessary to implement this section. An

1 emergency regulation prescribed, adopted, or enforced pursuant
2 to this section shall be adopted in accordance with Chapter 3.5
3 (commencing with Section 11340) of Part 1 of Division 3 of Title
4 2 of the Government Code, and, for purposes of that chapter,
5 including Section 11349.6 of the Government Code, the adoption
6 of the regulation is an emergency and shall be considered by the
7 Office of Administrative Law as necessary for the immediate
8 preservation of the public peace, health and safety, and general
9 welfare.

10 (3) The secretary may enter into a cooperative agreement with
11 a county agricultural commissioner to carry out the provisions of
12 this section, including, but not limited to, administration,
13 investigations, inspections, licensing and assistance pertaining to
14 the cultivation of medical cannabis. Compensation under the
15 cooperative agreement shall be paid from assessments and fees
16 collected and deposited pursuant to this section and shall provide
17 reimbursement to the county agricultural commissioner for
18 associated costs.

19 (e) (1) The department, in consultation with, but not limited
20 to, the Bureau of Medical Cannabis Regulation, the State Water
21 Resources Control Board, and the Department of Fish and Wildlife,
22 shall implement a unique identification program for medical
23 cannabis. In implementing the program, the department shall
24 consider issues, including, but not limited to, water use and
25 environmental impacts. In implementing the program, the
26 department shall ensure that:

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

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

33 (2) The department shall establish a program for the
34 identification of permitted medical cannabis plants at a cultivation
35 site during the cultivation period. The unique identifier shall be
36 attached at the base of each plant. A unique identifier, such as, but
37 not limited to, a zip tie, shall be issued for each medical cannabis
38 plant.

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

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

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

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

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

14 (2) Unique identifiers and associated identifying information
15 administered by a city, county, or city and county shall adhere to
16 the requirements set by the department and be the equivalent to
17 those administered by the department.

18 (g) This section does not apply to a qualified patient cultivating
19 cannabis pursuant to Section 11362.5 if the area he or she uses to
20 cultivate cannabis does not exceed 100 square feet and he or she
21 cultivates cannabis for his or her personal medical use and does
22 not sell, distribute, donate, or provide cannabis to any other person
23 or entity. This section does not apply to a primary caregiver
24 cultivating cannabis pursuant to Section 11362.5 if the area he or
25 she uses to cultivate cannabis does not exceed 500 square feet and
26 he or she cultivates cannabis exclusively for the personal medical
27 use of no more than five specified qualified patients for whom he
28 or she is the primary caregiver within the meaning of Section
29 11362.7 and does not receive remuneration for these activities,
30 except for compensation provided in full compliance with
31 subdivision (c) of Section 11362.765. For purposes of this section,
32 the area used to cultivate cannabis shall be measured by the
33 aggregate area of vegetative growth of live cannabis plants on the
34 premises. Exemption from the requirements of this section does
35 not limit or prevent a city, county, or city and county from
36 exercising its police authority under Section 7 of Article XI of the
37 California Constitution.

38 SEC. 40. Section 11379 of the Health and Safety Code is
39 amended to read:

1 11379. (a) Except as otherwise provided in subdivision (b)
2 and in Article 7 (commencing with Section 4110) of Chapter 9 of
3 Division 2 of the Business and Professions Code, every person
4 who transports, imports into this state, sells, furnishes, administers,
5 or gives away, or offers to transport, import into this state, sell,
6 furnish, administer, or give away, or attempts to import into this
7 state or transport any controlled substance which is (1) classified
8 in Schedule III, IV, or V and which is not a narcotic drug, except
9 subdivision (g) of Section 11056, (2) specified in subdivision (d)
10 of Section 11054, except paragraphs (13), (14), (15), (20), (21),
11 (22), and (23) of subdivision (d), (3) specified in paragraph (11)
12 of subdivision (c) of Section 11056, (4) specified in paragraph (2)
13 or (3) of subdivision (f) of Section 11054, or (5) specified in
14 subdivision (d) or (e), except paragraph (3) of subdivision (e), or
15 specified in subparagraph (A) of paragraph (1) of subdivision (f),
16 of Section 11055, unless upon the prescription of a physician,
17 dentist, podiatrist, or veterinarian, licensed to practice in this state,
18 shall be punished by imprisonment pursuant to subdivision (h) of
19 Section 1170 of the Penal Code for a period of two, three, or four
20 years.

21 (b) Notwithstanding the penalty provisions of subdivision (a),
22 any person who transports any controlled substances specified in
23 subdivision (a) within this state from one county to another
24 noncontiguous county shall be punished by imprisonment pursuant
25 to subdivision (h) of Section 1170 of the Penal Code for three, six,
26 or nine years.

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

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

32 (e) This section does not apply to commercial cannabis activity
33 engaged in by a person or entity licensed pursuant to the Medical
34 Cannabis Regulation and Safety Act (Chapter 3.5 (commencing
35 with Section 19300) of Division 8 of the Business and Professions
36 Code) and who is in full compliance with that act and all applicable
37 local ordinances.

38 SEC. 41. No reimbursement is required by this act pursuant to
39 Section 6 of Article XIII B of the California Constitution because
40 the only costs that may be incurred by a local agency or school

1 district will be incurred because this act creates a new crime or
2 infraction, eliminates a crime or infraction, or changes the penalty
3 for a crime or infraction, within the meaning of Section 17556 of
4 the Government Code, or changes the definition of a crime within
5 the meaning of Section 6 of Article XIII B of the California
6 Constitution.

O