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AMENDED IN ASSEMBLY APRIL 25, 2016

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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, *19345*, 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~~ *and 11362.777*, 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 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, in conjunction with the Department of Business Oversight, to form an advisory group made up of representatives from financial institutions, nonbank financial service providers, 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, in conjunction with the department, by July 1, 2017, to submit a report to the Legislature with recommendations that will improve financial monitoring of medical cannabis businesses. 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 act, with certain exceptions, provides a city full power and authority to enforce the provisions of the act for facilities issued a state license that are located within the incorporated area of a city, if delegated by the state.*

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. *The bill would authorize a city to contract in writing with the county in which it is located to arrange for the county to fulfill any regulatory functions relating to licensees within the city limits if the county agrees to assume such responsibility.*

(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~~, *plants to a licensed facility*, 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) The act prohibits a licensed testing laboratory from acquiring or receiving medical cannabis products except from a licensed facility and prohibits a licensed testing laboratory from distributing, delivering, transferring, transporting, or dispensing medical cannabis or medical cannabis products, as specified.

This bill would instead prohibit a licensed testing laboratory from transferring or transporting medical cannabis or medical cannabis products except to the licensed facility from which the medical cannabis or medical cannabis products were acquired or received.

~~(7)~~

(8) 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)~~

(9) 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)~~

(10) 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)~~

(11) 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)~~

(12) 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)~~

(13) 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, 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 additionally provide that a collective or cooperative that cultivates cannabis and manufactures medical cannabis products is not, solely on that basis, subject to certain criminal penalties if specified requirements are met, including that the collective or cooperative is in possession of a valid seller's permit issued by the State Board of Equalization.*

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)

(14) 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:

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

CHAPTER 3.5. MEDICAL CANNABIS REGULATION AND SAFETY
ACT

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

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

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

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

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

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

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

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

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

(c) “Batch” means a specific quantity of medical cannabis or medical cannabis product that is intended to have uniform character

1 and quality, within specified limits, and is produced according to
2 a single manufacturing order during the same cycle of manufacture.

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

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

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

25 (g) “Cannabis concentrate” or “marijuana concentrate” means
26 manufactured cannabis that has undergone a process to concentrate
27 the cannabinoid active ingredient, thereby increasing the product’s
28 potency. An edible medical cannabis product is not considered
29 food, as defined by Section 109935 of the Health and Safety Code,
30 or a drug, as defined by Section 109925 of the Health and Safety
31 Code.

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

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

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

(k) “Commercial cannabis activity” or “commercial marijuana activity” includes cultivation, possession, manufacture, processing, storing, laboratory testing, labeling, transporting, distribution, *provision, donation*, or sale of medical cannabis or a medical cannabis product, *regardless of whether the activity is undertaken on a for-profit or nonprofit basis, or any combination thereof, and regardless of whether the activity is for compensation or is gratuitous*, except as set forth in Section 19319, related to qualifying patients and primary caregivers.

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

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

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

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

(p) “Dispensary” means a commercial facility with a fixed location, whether or not there is direct access by customers, where medical cannabis or medical cannabis products are offered, either individually or in any combination, for retail sale, including an establishment that delivers, unless delivery is expressly prohibited by local ordinance, medical cannabis and medical cannabis products as part of a retail sale.

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

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

4 (s) “Distributor” means a person licensed under this chapter to
5 engage in the business of purchasing or taking custody of medical
6 cannabis from a licensed cultivator, or medical cannabis products
7 from a licensed manufacturer, for sale or transfer to a licensed
8 dispensary and who holds a valid state license pursuant to this
9 chapter and a valid local license, permit, or other authorization at
10 the physical location of the distributor.

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

14 (u) “Edible cannabis product” or “edible marijuana product”
15 means manufactured cannabis that is intended to be used, in whole
16 or in part, for human consumption, including, but not limited to,
17 chewing gum. An edible medical cannabis product is not
18 considered food as defined by Section 109935 of the Health and
19 Safety Code or a drug as defined by Section 109925 of the Health
20 and Safety Code.

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

23 (w) “Identification program” means the universal identification
24 certificate program for commercial medical cannabis activity
25 authorized by this chapter.

26 (x) “Labor peace agreement” means an agreement between a
27 licensee and a bona fide labor organization that, at a minimum,
28 protects the state’s proprietary interests by prohibiting labor
29 organizations and members from engaging in picketing, work
30 stoppages, boycotts, and any other economic interference with the
31 applicant’s business. This agreement means that the applicant has
32 agreed not to disrupt efforts by the bona fide labor organization
33 to communicate with, and attempt to organize and represent, the
34 applicant’s employees. The agreement shall provide a bona fide
35 labor organization access at reasonable times to areas in which the
36 applicant’s employees work, for the purpose of meeting with
37 employees to discuss their right to representation, employment
38 rights under state law, and terms and conditions of employment.
39 This type of agreement shall not mandate a particular method of
40 election or certification of the bona fide labor organization.

1 (y) “Licensee” means a person issued a state license under this
2 chapter to engage in commercial cannabis activity.

3 (z) “Licensing authority” means the state agency responsible
4 for the issuance, renewal, or reinstatement of the license, or the
5 state agency authorized to take disciplinary action against the
6 licensee.

7 (aa) “Live plants” means living medical cannabis flowers and
8 plants, including seeds, immature plants, and vegetative stage
9 plants.

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

17 (ac) “Manufactured medical cannabis” or “manufactured medical
18 marijuana” means raw cannabis that has undergone a process
19 whereby the raw agricultural product has been transformed into a
20 concentrate, an edible cannabis product, or a topical product.

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

31 (ae) “Manufacturing site” means a location that produces,
32 prepares, propagates, or compounds manufactured medical
33 cannabis or medical cannabis products, directly or indirectly, by
34 extraction methods, independently by means of chemical synthesis,
35 or by a combination of extraction and chemical synthesis, and is
36 owned and operated by a person that holds a valid state license
37 pursuant to this chapter and a valid local license, permit, or other
38 authorization.

39 (af) “Medical cannabis,” “medical cannabis product,” “cannabis
40 product,” “medical marijuana,” “medical marijuana product,” or

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

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

14 (ah) “Permit,” “local license,” or “local permit” means an
15 official document granted by a local jurisdiction that specifically
16 authorizes a person to conduct commercial cannabis activity in
17 the local jurisdiction.

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

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

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

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

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

36 (2) ~~Registered with the State Department of Public Health.~~
37 *Licensed pursuant to this chapter.*

38 (am) “Transport” means the transfer of medical cannabis or
39 medical cannabis products from the permitted business location
40 of one licensee to the permitted business location of another

1 licensee, for the purposes of conducting commercial cannabis
2 activity authorized pursuant to this chapter.

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

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

10 19302. (a) There is in the Department of Consumer Affairs
11 the Bureau of Medical Cannabis Regulation, under the supervision
12 and control of the director. The director shall administer and
13 enforce the provisions of this chapter.

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

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

18 19302.1. (a) The Governor shall appoint a chief of the bureau,
19 subject to confirmation by the Senate, at a salary to be fixed and
20 determined by the Director of Consumer Affairs with the approval
21 of the Director of Finance. The chief shall serve under the direction
22 and supervision of the Director of Consumer Affairs and at the
23 pleasure of the Governor.

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

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

35 (d) The Department of Consumer Affairs shall have the sole
36 authority to create, issue, renew, discipline, suspend, or revoke
37 licenses for the transportation, storage unrelated to manufacturing
38 activities, distribution, and sale of medical cannabis within the
39 state and to collect fees in connection with activities the bureau
40 regulates. The bureau may create licenses in addition to those

1 identified in this chapter that the bureau deems necessary to
2 effectuate its duties under this chapter.

3 (e) The Department of Food and Agriculture shall administer
4 the provisions of this chapter related to and associated with the
5 cultivation of medical cannabis. The Department of Food and
6 Agriculture may create, issue, and suspend or revoke cultivation
7 licenses for violations of this chapter.

8 (f) The State Department of Public Health shall administer the
9 provisions of this chapter related to and associated with the
10 manufacturing and testing of medical cannabis. The State
11 Department of Public Health may create, issue, and suspend or
12 revoke manufacturing and testing licenses for a violation of this
13 chapter. The State Department of Public Health shall seek and
14 include feedback from the scientific community and cannabis
15 testing industry when promulgating testing regulations. The State
16 Department of Public Health shall review and update medical
17 cannabis testing standards on an annual basis, incorporating new
18 testing technology, such as DNA testing for contaminants.

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

21 19306. (a) The bureau may convene an advisory committee
22 to advise the bureau and licensing authorities on the development
23 of standards and regulations pursuant to this chapter, including
24 best practices and guidelines to ensure qualified patients have
25 adequate access to medical cannabis and medical cannabis
26 products. The advisory committee members shall be determined
27 by the chief.

28 (b) The advisory committee members may include, but are not
29 limited to, representatives of the medical cannabis industry,
30 representatives of medical cannabis cultivators, appropriate local
31 and state agencies, appropriate local and state law enforcement,
32 physicians, environmental and public health experts, and medical
33 cannabis patient advocates.

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

36 19310. The licensing authority may, on its own motion at any
37 time before a penalty assessment is placed into effect and without
38 any further proceedings, review the penalty, but that review shall
39 be limited to its reduction.

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

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

(b) (1) The State Board of Equalization, in conjunction with the Department of Business Oversight, shall form an advisory group made up of representatives from financial institutions, nonbank financial service providers, the medical cannabis industry, law enforcement, and federal banking regulators. By July 1, 2017, the board, in conjunction with the department, shall submit a report to the Legislature with recommendations from the advisory group that will improve financial monitoring of medical cannabis businesses.

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

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

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

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

(2) Packaging safety standards shall be uniform across the state and shall be established by the State Department of Public ~~Health.~~ *Health, in accordance with Section 19347.*

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

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

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

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

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

28 19319.5. (a) It is not a violation of this chapter or any other
29 state law, for a business or research institution engaged in the
30 research of medical cannabis, medical cannabis products, or devices
31 used for the medical use of cannabis or cannabis products, to
32 possess, transport, purchase, or otherwise legally obtain from a
33 licensee who is permitted to provide or deliver medical cannabis
34 pursuant to subdivisions (n) and (o) of Section 19300.7, small
35 amounts of medical cannabis or medical cannabis products, not to
36 exceed eight ounces per month, as necessary to conduct research
37 and development related to medical cannabis or medical cannabis
38 products in a city, county, or city and county that expressly
39 authorizes that activity by local ordinance. A business or research
40 institution engaged in the research of medical cannabis shall obtain

1 written authorization from its local jurisdiction that the business
2 or institution has met all requirements of the local ordinance to
3 conduct research on medical cannabis, medical cannabis products,
4 or devices used for the medical use of cannabis or cannabis
5 products.

6 (b) It is not a violation of this chapter or any other state law for
7 a licensee, pursuant to subdivisions (n) and (o) of Section 19300.7,
8 to sell medical cannabis or medical cannabis products in an amount
9 not to exceed eight ounces per month to a business or research
10 institution engaged in the research of medical cannabis, if the
11 business or research institution provides to the licensee a copy of
12 the written authorization to conduct research within the business's
13 or institution's jurisdiction and a copy of the local ordinance. The
14 licensee shall keep on file that written authorization for at least
15 three years and make it available upon request to local authorities
16 for auditing purposes.

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

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

38 (b) Revocation of a local license, permit, or other authorization
39 shall terminate the ability of a medical cannabis business to operate
40 within that local jurisdiction until the local jurisdiction reinstates

1 or reissues the local license, permit, or other required authorization.
2 Local authorities shall notify the bureau upon revocation of a local
3 license. The bureau shall inform relevant licensing authorities.

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

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

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

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

24 19320. (a) Licensing authorities administering this chapter
25 may issue state licenses only to qualified applicants engaging in
26 commercial cannabis activity pursuant to this chapter. One year
27 after the Bureau of Medical Cannabis Regulation posts a notice
28 on its Internet Web site that the licensing authorities have
29 commenced issuing licenses, no person shall engage in commercial
30 cannabis activity without possessing both a state license and a
31 local permit, license, or other authorization. An entity seeking
32 licensure pursuant to this chapter shall obtain a local license,
33 permit, or other authorization prior to applying for state licensure.
34 State licensing entities shall not issue a license to any applicant
35 that is unable to provide documentation confirming authorization
36 to operate from the local government in which the applicant
37 proposes to operate. A licensee shall not commence activity under
38 the authority of a state license until the applicant has obtained, in
39 addition to the state license, a license or permit from the local

1 jurisdiction in which he or she proposes to operate, following the
2 requirements of the applicable local ordinance.

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

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

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

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

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

28 19321. (a) The Department of Consumer Affairs, the
29 Department of Food and Agriculture, and the State Department of
30 Public Health shall promulgate regulations for implementation of
31 their respective responsibilities in the administration of this chapter.
32 The secretary or director of each licensing authority may prescribe,
33 adopt, and enforce emergency regulations necessary to implement
34 this chapter.

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

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

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

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

23 19322. (a) A person or entity shall not submit an application
24 for a state license pursuant to this chapter unless that person or
25 entity first receives a license, permit, or authorization *specific to*
26 *commercial cannabis activity* from a local jurisdiction. An
27 applicant for any type of state license issued pursuant to this
28 chapter shall do all of the following:

29 (1) Electronically submit to the Department of Justice fingerprint
30 images and related information required by the Department of
31 Justice for the purpose of obtaining information as to the existence
32 and content of a record of state or federal convictions and arrests,
33 and information as to the existence and content of a record of state
34 or federal convictions and arrests for which the Department of
35 Justice establishes that the person is free on bail or on his or her
36 own recognizance, pending trial or appeal.

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

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

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

7 (2) Provide documentation issued by the local jurisdiction in
8 which the proposed business is operating certifying that the
9 applicant is or will be in compliance with all local ordinances and
10 regulations.

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

20 (4) If the application is for a cultivator or dispensary license,
21 provide evidence that the proposed location is located beyond at
22 least a 600-foot radius from a school, as required by Section
23 11362.768 of the Health and Safety Code.

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

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

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

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

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

5 (8) Provide any other information required by the licensing
6 authority.

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

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

16 (11) Pay all applicable fees required for licensure by the
17 licensing authority.

18 (b) For applicants seeking licensure to cultivate, distribute, or
19 manufacture medical cannabis or medical cannabis products, the
20 application shall also include a detailed description of the
21 applicant's operating procedures for all of the following, as
22 required by the licensing authority:

23 (1) Cultivation.

24 (2) Extraction and infusion methods.

25 (3) The transportation process.

26 (4) Inventory procedures.

27 (5) Quality control procedures.

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

30 19322.5. A licensee may operate as a for-profit business, as a
31 not-for-profit entity, or as a combination of both.

32 SEC. 17. The heading of Article 5 (commencing with Section
33 19326) of Chapter 3.5 of Division 8 of the Business and Professions
34 Code is amended to read:

35
36 Article 5. Medical Cannabis Regulation
37

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

1 19326. (a) A person other than a transporter shall not transport
2 medical cannabis or medical cannabis products from one licensee
3 to another licensee, unless otherwise specified in this chapter.

4 (b) (1) A cultivator or a manufacturer shall send medical
5 cannabis and medical cannabis products cultivated or manufactured
6 to a distributor, as defined in Section 19300.5, for quality assurance
7 and inspection by the distributor and for a batch testing by a testing
8 laboratory prior to distribution to a dispensary, except as provided
9 in paragraph (2). Those licensees holding a Type 10A license in
10 addition to a cultivation license or a manufacturing license shall
11 send medical cannabis and medical cannabis products to a
12 distributor for presale inspection and for a batch testing by a testing
13 laboratory prior to dispensing any product. The licensing authority
14 shall fine a licensee who violates this subdivision in an amount
15 determined by the licensing authority to be reasonable.

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

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

24 (2) Upon issuance of a certificate of analysis by the testing
25 laboratory that the product is fit for manufacturing or retail, the
26 cultivator or manufacturer shall send medical cannabis and medical
27 cannabis products from the approved associated batch to the
28 distributor. All medical cannabis and medical cannabis products
29 shall then undergo a quality assurance review by the distributor
30 prior to distribution to ensure the identity, quality, and content of
31 the medical cannabis or medical cannabis product, and for tracking
32 and taxation purposes by the state. Cultivators and manufacturers
33 shall package or seal all medical cannabis and medical cannabis
34 products in tamper-evident packaging and use a unique identifier,
35 as prescribed by the Department of Food and Agriculture, for the
36 purpose of identifying and tracking medical cannabis or medical
37 cannabis products. Medical cannabis and medical cannabis products
38 shall be labeled as required by Section 19347, except as otherwise
39 specified in this chapter. All packaging and sealing shall be
40 completed prior to medical cannabis or medical cannabis products

1 being transported or delivered to a licensee, qualified patient, or
2 caregiver, except as otherwise specified in this chapter. The bureau
3 shall specify the manner in which medical cannabis and medical
4 cannabis products meant for wholesale purposes shall be packaged
5 and sealed prior to transport, testing, quality assurance, quality
6 control testing, or distribution.

7 (3) This section does not limit the ability of a cultivator,
8 manufacturer, or dispensary to directly enter into contracts with
9 one another indicating the price and quantity of medical cannabis
10 or medical cannabis products to be distributed. However, a
11 distributor responsible for executing the contract is authorized to
12 collect a fee for the services rendered, including, but not limited
13 to, costs incurred by a testing laboratory, as well as applicable state
14 or local taxes and fees.

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

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

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

23 (3) This chapter shall not prohibit a licensee from performing
24 on-site testing for the purposes of quality assurance of the product
25 in conjunction with reasonable business operations. On-site testing
26 by the licensee shall not be certified by the State Department of
27 Public Health.

28 (e) All commercial cannabis activity shall be conducted between
29 licensees.

30 (f) The bureau shall promulgate regulations relating to the
31 amounts of each batch of medical cannabis or medical cannabis
32 product that a cultivator or manufacturer is required to send to a
33 distributor for inspection and a testing laboratory for testing. The
34 regulations shall focus on reducing diversion, ensuring the quality
35 of the product for the health and safety of patients, and allowing
36 for efficiency in enforcement.

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

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

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

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

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

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

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

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

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

(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

1 not be subject to subdivision (a) if it meets all of the following
2 conditions:

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

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

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

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

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

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

19 19328. (a) A licensee may only hold a state license in up to
20 two separate license categories, as follows:

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

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

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

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

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

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

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

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

36 (9) A Type 10A licensee may apply for a Type 6 or 7 state
37 license and hold a 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B, 4 or
38 combination thereof if, under the 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B,
39 4 or combination of licenses thereof, no more than four acres of
40 total canopy size of cultivation by the licensee is occurring

1 throughout the state during the period that the respective licenses
2 are valid. All cultivation pursuant to this section shall comply with
3 local ordinances.

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

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

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

13 19332. (a) The Department of Food and Agriculture shall
14 promulgate regulations governing the licensing of indoor and
15 outdoor cultivation sites.

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

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

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

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

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

38 (2) Require that medical cannabis cultivation by licensees is
39 conducted in accordance with state and local laws related to land
40 conversion, grading, electricity usage, water usage, agricultural

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

8 (3) Establish procedures for the issuance and revocation of
9 unique identifiers for activities associated with a medical cannabis
10 cultivation license, pursuant to Article 8 (commencing with Section
11 19337). All medical cannabis shall be labeled with the unique
12 identifier issued by the Department of Food and Agriculture.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

36 (f) The Department of Pesticide Regulation, in consultation with
37 the State Water Resources Control Board, shall promulgate
38 regulations that require that the application of pesticides or other
39 pest control in connection with the indoor or outdoor cultivation
40 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.

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

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

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

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

(9) Type 3B, or “mixed-light,” for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, between 10,001 and 22,000 square feet, inclusive, of total canopy

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

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

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

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

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

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

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

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

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

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

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

(i) “Storefront dispensary” for licensees who have a *brick and mortar* dispensary with direct physical access for the public.

(ii) “Nonstorefront dispensary” for licensees who have a *brick and mortar* dispensary that does not have a storefront with direct physical access for the public.

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

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

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

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

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

20 (1) Minimum security requirements for the commercial
21 transportation and delivery of medical cannabis and medical
22 cannabis products.

23 (2) Advertising, marketing, signage, and other labeling
24 requirements and restrictions, including a prohibition on
25 advertising, marketing, and other promotion of the medical
26 cannabis or medical cannabis products provided by a person
27 *engaging in commercial cannabis activity but not in full*
28 *compliance with this chapter.*

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

32 (B) One year after the bureau posts a notice on its Internet Web
33 site that the licensing authorities have commenced issuing licenses
34 pursuant to the ~~Medical Marijuana~~ *Cannabis* Regulation and Safety
35 Act, all advertisements for licensees under this chapter shall include
36 the valid state license number of the licensee.

37 (c) A dispensary shall implement sufficient security measures
38 to both deter and prevent unauthorized entrance into areas
39 containing medical cannabis or medical cannabis products and
40 theft of medical cannabis or medical cannabis products at the

1 dispensary. These security measures shall include, but not be
2 limited to, all of the following:

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

6 (2) Establishing limited access areas accessible only to
7 authorized dispensary personnel.

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

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

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

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

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

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

27 (4) Any other breach of security.

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

30 19335. (a) The Department of Food and Agriculture, in
31 consultation with the bureau, shall establish a track and trace
32 program for reporting the movement of medical cannabis items
33 throughout the distribution chain that utilizes a unique identifier
34 pursuant to Section 11362.777 of the Health and Safety Code and
35 secure packaging and is capable of providing information that
36 captures, at a minimum, all of the following:

37 (1) The licensee receiving the product.

38 (2) The transaction date.

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

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

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

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

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

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

12 (E) A categorization of the product.

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

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

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

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

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

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

37 (6) Information received and contained in records kept by the
38 Department of Food and Agriculture or licensing authorities for
39 the purposes of administering this section are confidential and
40 shall not be disclosed pursuant to the California Public Records

1 Act (Chapter 3.5 (commencing with Section 6250) of Division 7
2 of Title 1 of the Government Code), except as necessary for
3 authorized employees of the State of California or any city, county,
4 or city and county to perform official duties pursuant to this chapter
5 or a local ordinance.

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

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

12 19340. (a) Deliveries, as defined in this chapter, can only be
13 made by a dispensary and in a city, county, or city and county that
14 does not explicitly prohibit it by local ordinance.

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

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

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

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

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

37 (e) The qualified patient or primary caregiver requesting the
38 delivery shall maintain a copy of the delivery request and shall
39 make it available, upon request, to the licensing authority and law
40 enforcement officers.

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

4 (g) The bureau shall establish the following regulations
5 regarding the delivery of medical cannabis and medical cannabis
6 products:

7 (1) Employee training standards that ensure qualified patients
8 and primary caregivers have adequate information regarding the
9 medical cannabis or medical cannabis products that a dispensary
10 delivers, and to provide employees with information regarding
11 state and federal laws and regulations.

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

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

32 (4) The operating hours for delivery.

33 (5) A requirement that ~~each dispensary employee~~ *any person*
34 *who delivers medical cannabis or medical cannabis products be*
35 *employed by or contract with only one dispensary at a time.*

36 (6) Minimum requirements for patient information that is stored
37 by each delivery operation, including, but not limited to, the contact
38 information for the patient and, if applicable, his or her primary
39 caregiver, the physician's recommendation, and the identification
40 card issued pursuant to Article 2.5 (commencing with Section

1 11362.7) of Chapter 6 of Division 10 of the Health and Safety
2 Code. All identifying information obtained about a qualified patient
3 or primary caregiver shall be obtained and stored in compliance
4 with the Confidentiality of Medical Information Act (Part 2.6
5 (commencing with Section 56) of Division 1 of the Civil Code)
6 and all other privacy laws and regulations.

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

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

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

13 (3) Provide the bureau with necessary automobile and insurance
14 information.

15 (4) Registration with the bureau.

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

18 19342. (a) For the purposes of testing medical cannabis or
19 medical cannabis products, licensees shall use a licensed testing
20 laboratory that has adopted a standard operating procedure using
21 methods consistent with general requirements for the competence
22 of testing and calibration activities, including sampling, using
23 standard methods established by the International Organization
24 for Standardization, specifically ISO/IEC 17020 and ISO/IEC
25 17025 to test medical cannabis and medical cannabis products that
26 are approved by an accrediting body that is a signatory to the
27 International Laboratory Accreditation Cooperation Mutual
28 Recognition Arrangement.

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

31 (c) A testing laboratory shall analyze samples according to the
32 following:

33 (1) In the final form which the patient will consume the medical
34 cannabis or medical cannabis product, including moisture content
35 and other attributes.

36 (2) A scientifically valid methodology approved by the
37 accrediting body.

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

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

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

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

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

(A) Tetrahydrocannabinol (THC).

(B) Tetrahydrocannabinolic Acid (THCA).

(C) Cannabidiol (CBD).

(D) Cannabidiolic Acid (CBDA).

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

(F) Cannabigerol (CBG).

(G) Cannabinol (CBN).

(H) Any other compounds required by the State Department of 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.

1 *SEC. 29. Section 19345 of the Business and Professions Code*
2 *is amended to read:*

3 19345. (a) Except as provided in this chapter, a licensed testing
4 laboratory shall not acquire or receive medical cannabis or medical
5 cannabis products except from a licensed facility in accordance
6 with this chapter, and shall not ~~distribute, sell, deliver, transfer,~~
7 ~~transport, or dispense~~ *transfer or transport* medical cannabis or
8 medical cannabis products, *except to the licensed facility* from
9 which the medical cannabis or medical cannabis products were
10 acquired or received. All transfer or transportation shall be
11 performed pursuant to a specified chain of custody protocol.

12 (b) A licensed testing laboratory may receive and test samples
13 of medical cannabis or medical cannabis products from a qualified
14 patient or primary caregiver only if he or she presents his or her
15 valid recommendation for cannabis for medical purposes from a
16 physician. A licensed testing laboratory shall not certify samples
17 from a qualified patient or caregiver for resale or transfer to another
18 party or licensee. All tests performed by a licensed testing
19 laboratory for a qualified patient or caregiver shall be recorded
20 with the name of the qualified patient or caregiver and the amount
21 of medical cannabis or medical cannabis product received.

22 (c) The State Department of Public Health shall develop
23 procedures to ensure that testing of cannabis occurs prior to
24 ~~delivery~~ *transport* to dispensaries or any other business, specify
25 how often licensees shall test cannabis and that the cost of testing
26 shall be borne by the licensed cultivators, and require destruction
27 of harvested batches whose testing samples indicate noncompliance
28 with health and safety standards promulgated by the State
29 Department of Public Health, unless remedial measures can bring
30 the cannabis into compliance with quality assurance standards as
31 promulgated by the State Department of Public Health.

32 (d) The State Department of Public Health shall establish a
33 licensing fee, and laboratories shall pay a fee to be licensed.
34 Licensing fees shall not exceed the reasonable regulatory cost of
35 the licensing activities.

36 ~~SEC. 29.~~

37 *SEC. 30. Section 19347 of the Business and Professions Code*
38 *is amended to read:*

39 19347. (a) Prior to delivery or sale at a dispensary, medical
40 cannabis products shall be labeled and in a tamper-evident package.

- 1 Labels and packages of medical cannabis products shall meet the
2 following requirements:
- 3 (1) Medical cannabis packages and labels shall not be made to
4 be attractive to children.
- 5 (2) All medical cannabis product labels shall include the
6 following information, prominently displayed and in a clear and
7 legible font:
- 8 (A) Manufacture date and source.
- 9 (B) The statement “SCHEDULE I CONTROLLED
10 SUBSTANCE.”
- 11 (C) The statement “KEEP OUT OF REACH OF CHILDREN
12 AND ANIMALS” in bold print.
- 13 (D) The statement “FOR MEDICAL USE ONLY.”
- 14 (E) The statement “THE INTOXICATING EFFECTS OF THIS
15 PRODUCT MAY BE DELAYED BY UP TO TWO HOURS.”
- 16 (F) The statement “THIS PRODUCT MAY IMPAIR THE
17 ABILITY TO DRIVE OR OPERATE MACHINERY. PLEASE
18 USE EXTREME CAUTION.”
- 19 (G) For packages containing only dried flower, the net weight
20 of medical cannabis in the package.
- 21 (H) A warning if nuts or other known allergens are used.
- 22 (I) List of pharmacologically active ingredients, including, but
23 not limited to, tetrahydrocannabinol (THC), cannabidiol (CBD),
24 and other cannabinoid content, the THC and other cannabinoid
25 amount in milligrams per serving, servings per package, and the
26 THC and other cannabinoid amount in milligrams for the package
27 total.
- 28 (J) Clear indication, in bold type, that the product contains
29 medical cannabis.
- 30 (K) Identification of the source and date of cultivation and
31 manufacture.
- 32 (L) Any other requirement set by the State Department of Public
33 Health.
- 34 (M) Information associated with the unique identifier issued by
35 the Department of Food and Agriculture pursuant to Section
36 11362.777 of the Health and Safety Code.
- 37 (b) Only generic food names may be used to describe edible
38 medical cannabis products, pursuant to regulations promulgated
39 by the State Department of Public Health.

~~SEC. 30.~~

SEC. 31. Section 19350 of the Business and Professions Code is amended to read:

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

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

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

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

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

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

~~SEC. 31.~~

SEC. 32. Section 19351 of the Business and Professions Code is amended to read:

19351. (a) The Medical Cannabis Regulation and Safety Act Fund is hereby established within the State Treasury. Moneys in the fund shall be available upon appropriation by the Legislature. Notwithstanding Section 16305.7 of the Government Code, the

1 fund shall include any interest and dividends earned on the moneys
2 in the fund.

3 (b) (1) Funds for the establishment and support of the regulatory
4 activities pursuant to this chapter shall be advanced as a General
5 Fund or special fund loan, and shall be repaid by the initial
6 proceeds from fees collected pursuant to this chapter or any rule
7 or regulation adopted pursuant to this chapter, by January 1, 2022.
8 Should the initial proceeds from fees not be sufficient to repay the
9 loan, moneys from the Medical Cannabis Fines and Penalties
10 Account shall be made available to the bureau, by appropriation
11 of the Legislature, to repay the loan.

12 (2) Funds advanced pursuant to this subdivision shall be
13 appropriated to the bureau, which shall distribute the moneys to
14 the appropriate licensing authorities, as necessary to implement
15 the provisions of this chapter.

16 (3) The Director of Finance may provide an initial operating
17 loan from the General Fund to the Medical Cannabis Regulation
18 and Safety Act Fund that does not exceed ten million dollars
19 (\$10,000,000).

20 (c) Except as otherwise provided, all moneys collected pursuant
21 to this chapter as a result of fines or penalties imposed under this
22 chapter shall be deposited directly into the Medical Cannabis Fines
23 and Penalties Account, which is hereby established within the
24 fund, and shall be available, upon appropriation by the Legislature
25 to the bureau, for the purposes of funding the enforcement grant
26 program pursuant to subdivision (d).

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

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

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

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

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

1 ~~SEC. 32.~~

2 ~~SEC. 33.~~ Section 19360 of the Business and Professions Code
3 is amended to read:

4 19360. (a) A person engaging in commercial cannabis activity
5 without a license and associated unique identifiers required by this
6 chapter shall be subject to civil penalties of up to twice the amount
7 of the license fee for each violation, and the licensing authority,
8 state or local authority, or court may order the destruction of
9 medical cannabis associated with that violation. Each day of
10 operation shall constitute a separate violation of this section. All
11 civil penalties imposed and collected pursuant to this section shall
12 be deposited into the Medical Cannabis Fines and Penalties
13 Account, established pursuant to Section ~~19351~~. 19351, *except as*
14 *provided in subdivision (b).*

15 (b) If an action for civil penalties is brought against a licensee
16 pursuant to this chapter by the Attorney General, the penalty
17 collected shall be deposited into the Medical Cannabis Fines and
18 Penalties Account. If the action is brought by a district attorney
19 or county counsel, the penalty collected shall be paid to the
20 treasurer of the county in which the judgment was entered. If the
21 action is brought by a city attorney or city prosecutor, the penalty
22 collected shall be paid to the treasurer of the city or city and county
23 in which the judgment was entered. If the action is brought by a
24 city attorney and is adjudicated in a superior court located in the
25 unincorporated area or another city in the same county, the penalty
26 shall be paid one-half to the treasurer of the city in which the
27 complaining attorney has jurisdiction and one-half to the treasurer
28 of the county in which the judgment is entered.

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

34 ~~SEC. 33.~~

35 ~~SEC. 34.~~ Section 12025 of the Fish and Game Code is amended
36 to read:

37 12025. (a) In addition to any penalties imposed by any other
38 law, a person found to have violated the code sections described
39 in paragraphs (1) to (11), inclusive, in connection with the
40 production or cultivation of a controlled substance on land under

1 the management of the Department of Parks and Recreation, the
2 Department of Fish and Wildlife, the Department of Forestry and
3 Fire Protection, the State Lands Commission, a regional park
4 district, the United States Forest Service, or the United States
5 Bureau of Land Management, or within the respective ownership
6 of a timberland production zone, as defined in Chapter 6.7
7 (commencing with Section 51100) of Part 1 of Division 1 of Title
8 5 of the Government Code, of more than 50,000 acres, or while
9 trespassing on other public or private land in connection with the
10 production or cultivation of a controlled substance, shall be liable
11 for a civil penalty as follows:

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

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

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

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

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

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

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

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

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

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

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

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

23 (A) A person who violates Section 1602 in connection with the
24 production or cultivation of a controlled substance is subject to a
25 civil penalty of not more than eight thousand dollars (\$8,000) for
26 each violation.

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

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

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

39 (E) A person who violates paragraph (1) of subdivision (h) of
40 Section 374.3 of the Penal Code in connection with the production

1 or cultivation of a controlled substance is subject to a civil penalty
2 of not more than twenty thousand dollars (\$20,000) for each
3 violation.

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

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

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

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

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

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

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

31 (c) The civil penalty imposed for each separate violation
32 pursuant to this section is in addition to any other civil penalty
33 imposed for another violation of this section, or any violation of
34 any other law.

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

39 (1) Thirty percent shall be distributed to the county in which
40 the violation was committed pursuant to Section 13003. The county

1 board of supervisors shall first use any revenues from those
2 penalties to reimburse the costs incurred by the district attorney
3 or city attorney in investigating and prosecuting the violation.

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

7 (B) If the department receives reimbursement pursuant to this
8 paragraph for activities funded pursuant to subdivision (f) of
9 Section 4629.6 of the Public Resources Code, the reimbursement
10 funds shall be deposited into the Timber Regulation and Forest
11 Restoration Fund, created by Section 4629.3 of the Public
12 Resources Code, if there is an unpaid balance for a loan authorized
13 by subdivision (f) of Section 4629.6 of the Public Resources Code.

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

19 (e) Civil penalties authorized pursuant to this section may be
20 imposed administratively by the department if all of the following
21 occur:

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

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

1 a hearing is not requested within 20 days of service of the
2 complaint, in which case the order imposing the administrative
3 penalty shall become final.

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

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

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

20 (f) All administrative penalties imposed or collected by the
21 department for a separate violation pursuant to this section shall
22 not be considered to be fines or forfeitures, as described in Section
23 13003, and shall be deposited into the Timber Regulation and
24 Forest Restoration Fund, created by Section 4629.3 of the Public
25 Resources Code, to repay any unpaid balance of a loan authorized
26 by subdivision (f) of Section 4629.6 of the Public Resources Code.
27 Any remaining funds from administrative penalties collected
28 pursuant to this section shall be apportioned in the following
29 manner:

30 (1) Fifty percent shall be deposited into the Timber Regulation
31 and Forest Restoration Fund for grants authorized pursuant to
32 subdivision (h) of Section 4629.6 of the Public Resources Code,
33 with priority given to grants that improve forest health by
34 remediating former cannabis growing operations.

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

37 (g) Any civil penalty imposed pursuant to this section for the
38 violation of an offense described in paragraph (4), (5), or (6) of
39 subdivision (a) or subparagraph (D), (E), or (F) of paragraph (1)

1 of subdivision (b) for which the person was convicted shall be
2 offset by the amount of any restitution ordered by a criminal court.

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

6 (i) This section does not apply to any activity in full compliance
7 with the Medical Cannabis Regulation and Safety Act (Chapter
8 3.5 (commencing with Section 19300) of Division 8 of the Business
9 and Professions Code).

10 ~~SEC. 34.~~

11 *SEC. 35.* Section 12029 of the Fish and Game Code is amended
12 to read:

13 12029. (a) The Legislature finds and declares all of the
14 following:

15 (1) The environmental impacts associated with cannabis
16 cultivation have increased, and unlawful water diversions for
17 cannabis irrigation have a detrimental effect on fish and wildlife
18 and their habitat, which are held in trust by the state for the benefit
19 of the people of the state.

20 (2) The remediation of existing cannabis cultivation sites is
21 often complex and the permitting of these sites requires greater
22 department staff time and personnel expenditures. The potential
23 for cannabis cultivation sites to significantly impact the state’s fish
24 and wildlife resources requires immediate action on the part of the
25 department’s lake and streambed alteration permitting staff.

26 (b) In order to address unlawful water diversions and other
27 violations of the Fish and Game Code associated with cannabis
28 cultivation, the department shall establish the watershed
29 enforcement program to facilitate the investigation, enforcement,
30 and prosecution of these offenses.

31 (c) The department, in coordination with the State Water
32 Resources Control Board, shall establish a permanent multiagency
33 task force to address the environmental impacts of cannabis
34 cultivation. The multiagency task force, to the extent feasible and
35 subject to available resources, shall expand its enforcement efforts
36 on a statewide level to ensure the reduction of adverse impacts of
37 cannabis cultivation on fish and wildlife and their habitats
38 throughout the state.

39 (d) In order to facilitate the remediation and permitting of
40 cannabis cultivation sites, the department shall adopt regulations

1 to enhance the fees on medical-cannabis-cultivation-related
2 activities subject to Section 1602 for cannabis cultivation sites that
3 require remediation. The fee schedule established pursuant to this
4 subdivision shall not exceed the fee limits in Section 1609.

5 ~~SEC. 35.~~

6 *SEC. 36.* Section 52334 of the Food and Agricultural Code is
7 amended to read:

8 52334. (a) Notwithstanding any other law, on and after January
9 1, 2015, a city, county, or district, including a charter city or
10 county, shall not adopt or enforce an ordinance that regulates
11 plants, crops, or seeds without the consent of the secretary. An
12 ordinance enacted before January 1, 2015, shall be considered part
13 of the comprehensive program of the department and shall be
14 enforceable.

15 (b) An ordinance that regulates cannabis or marijuana as defined
16 in subdivision (f) of Section 19300.5 of the Business and
17 Professions Code, or medical cannabis or medical marijuana, as
18 defined in subdivision (ag) of Section 19300.5 of the Business and
19 Professions Code, shall not require the consent of the secretary.

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

22 ~~11352. (a) Except as otherwise provided in this division, every~~
23 ~~person who transports, imports into this state, sells, furnishes,~~
24 ~~administers, or gives away, or offers to transport, import into this~~
25 ~~state, sell, furnish, administer, or give away, or attempts to import~~
26 ~~into this state or transport (1) any controlled substance specified~~
27 ~~in subdivision (b), (c), or (e), or paragraph (1) of subdivision (f)~~
28 ~~of Section 11054, specified in paragraph (14), (15), or (20) of~~
29 ~~subdivision (d) of Section 11054, or specified in subdivision (b)~~
30 ~~or (e) of Section 11055, or specified in subdivision (h) of Section~~
31 ~~11056, or (2) any controlled substance classified in Schedule III,~~
32 ~~IV, or V which is a narcotic drug, unless upon the written~~
33 ~~prescription of a physician, dentist, podiatrist, or veterinarian~~
34 ~~licensed to practice in this state, shall be punished by imprisonment~~
35 ~~pursuant to subdivision (h) of Section 1170 of the Penal Code for~~
36 ~~three, four, or five years.~~

37 ~~(b) Notwithstanding the penalty provisions of subdivision (a),~~
38 ~~any person who transports a controlled substances specified in~~
39 ~~subdivision (a) within this state from one county to another~~
40 ~~noncontiguous county shall be punished by imprisonment pursuant~~

1 to subdivision (h) of Section 1170 of the Penal Code for three, six,
2 or nine years.

3 (e) For purposes of this section, “transports” means to transport
4 for sale.

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

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

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

17 11362.765. (a) Subject to the requirements of this article, the
18 individuals specified in subdivision (b) shall not be subject, on
19 that sole basis, to criminal liability under Section 11357, 11358,
20 11359, 11360, 11366, 11366.5, or 11570. However, nothing in
21 this section shall authorize the individual to smoke or otherwise
22 consume cannabis unless otherwise authorized by this article, nor
23 shall anything in this section authorize any individual or group to
24 cultivate or distribute cannabis in any manner other than as set
25 forth in this article, the Medical Cannabis Regulation and Safety
26 Act (Chapter 3.5 (commencing with Section 19300) of Division
27 8 of the Business and Professions Code), or as described in the
28 Compassionate Use Act of 1996.

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

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

33 (2) A designated primary caregiver who transports, processes,
34 administers, delivers, or gives away cannabis for medical purposes,
35 in amounts not exceeding those established in subdivision (a) of
36 Section 11362.77, only to the qualified patient of the primary
37 caregiver, or to the person with an identification card who has
38 designated the individual as a primary caregiver.

39 (3) An individual who provides assistance to a qualified patient
40 or a person with an identification card, or his or her designated

1 primary caregiver, in administering medical cannabis to the
2 qualified patient or person or acquiring the skills necessary to
3 cultivate or administer cannabis for medical purposes to the
4 qualified patient or person.

5 (c) A primary caregiver who receives compensation for actual
6 expenses, including reasonable compensation incurred for services
7 provided to an eligible qualified patient or person with an
8 identification card to enable that person to use cannabis under this
9 article, or for payment for out-of-pocket expenses incurred in
10 providing those services, or both, shall not, on the sole basis of
11 that fact, be subject to prosecution or punishment under Section
12 11359 or 11360.

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

15 11362.775. (a) Subject to subdivision—(b), (d), qualified
16 patients, persons with valid identification cards, and the designated
17 primary caregivers of qualified patients and persons with
18 identification cards, who associate within the State of California
19 in order collectively or cooperatively to cultivate cannabis for
20 medical purposes, shall not solely on the basis of that fact be
21 subject to state criminal sanctions under Section 11357, 11358,
22 11359, 11360, 11366, 11366.5, or 11570. A collective or
23 cooperative that operates pursuant to this section may operate for
24 profit, not for profit, or any combination thereof. A collective or
25 cooperative that operates for profit shall only retain the protections
26 of this section if it possesses a valid, Board of Equalization-issued
27 sellers permit and a valid local license, permit, or other
28 authorization.

29 (b) (1) It is unlawful to display an advertisement for qualified
30 patients, persons with valid identification cards, and the designated
31 primary caregivers of qualified patients and persons with
32 identification cards, who associate within the state in order
33 collectively or cooperatively to cultivate cannabis for medical
34 purposes, ~~without first verifying a to submit for placement an~~
35 ~~advertisement that fails to include in the text of the advertisement~~
36 ~~the collective or cooperative's valid State Board of Equalization~~
37 ~~issued seller's permit, permit number.~~

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

(3) For purposes of this section, “advertisement” means a notice, announcement, or information in a public medium, including but not limited to, television, Internet Web site, billboard, or printed publication, that promotes a location where medical cannabis is sold or dispensed or a service that is involved in the delivery of medical cannabis.

(c) A collective or cooperative that operates pursuant to this section and manufactures medical cannabis products shall not, solely on the basis of that fact, be subject to state criminal sanctions under Section 11379.6 if the collective or cooperative abides by all of the following requirements:

(1) Utilizes only nonvolatile solvents, as provided in the Medical Cannabis Regulation and Safety Act (Chapter 3.5 (commencing with Section 19300) of Division 8 of the Business and Professions Code) or any regulations adopted pursuant to that act.

(2) Is in possession of a valid sellers permit issued by the State Board of Equalization.

(3) Is in possession of a valid local license, permit, or other authorization specific to the manufacturing of medical cannabis products.

(4) For purposes of this subdivision, “manufacturing” includes compounding, converting, producing, deriving, processing, or preparing, either directly or indirectly by chemical extraction or independently by means of chemical synthesis, medical cannabis products.

(e)

(d) This section shall remain in effect only until one year 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 Medical Cannabis Regulation and Safety Act (Chapter 3.5 (commencing with Section 19300) of Division 8 of the Business and Professions Code), and is repealed upon that date.

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

11362.777. (a) The Department of Food and Agriculture shall establish a Medical Cannabis Cultivation Program to be administered by the secretary and, except as specified in subdivision (c), shall administer this section as it pertains to the cultivation of medical cannabis. For purposes of this section and

Chapter 3.5 (commencing with Section 19300) of Division 8 of the Business and Professions Code, medical cannabis is an agricultural product.

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

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

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

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

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

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

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

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

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

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

19 (3) The secretary may enter into a cooperative agreement with
20 a county agricultural commissioner to carry out the provisions of
21 this section, including, but not limited to, administration,
22 investigations, inspections, licensing and assistance pertaining to
23 the cultivation of medical cannabis. Compensation under the
24 cooperative agreement shall be paid from assessments and fees
25 collected and deposited pursuant to this section and shall provide
26 reimbursement to the county agricultural commissioner for
27 associated costs.

28 (e) (1) The department, in consultation with, but not limited
29 to, the Bureau of Medical Cannabis Regulation, the State Water
30 Resources Control Board, and the Department of Fish and Wildlife,
31 shall implement a unique identification program for medical
32 cannabis. In implementing the program, the department shall
33 consider issues, including, but not limited to, water use and
34 environmental impacts. In implementing the program, the
35 department shall ensure that:

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

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

3 (2) The department shall establish a program for the
4 identification of permitted medical cannabis plants at a cultivation
5 site during the cultivation period. The unique identifier shall be
6 attached at the base of each plant. A unique identifier, such as, but
7 not limited to, a zip tie, shall be issued for each medical cannabis
8 plant.

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

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

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

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

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

24 (2) Unique identifiers and associated identifying information
25 administered by a city, county, or city and county shall adhere to
26 the requirements set by the department and be the equivalent to
27 those administered by the department.

28 (g) This section does not apply to a qualified patient cultivating
29 cannabis pursuant to Section 11362.5 if the area he or she uses to
30 cultivate cannabis does not exceed 100 square feet and he or she
31 cultivates cannabis for his or her personal medical use and does
32 not sell, distribute, donate, or provide cannabis to any other person
33 or entity. This section does not apply to a primary caregiver
34 cultivating cannabis pursuant to Section 11362.5 if the area he or
35 she uses to cultivate cannabis does not exceed 500 square feet and
36 he or she cultivates cannabis exclusively for the personal medical
37 use of no more than five specified qualified patients for whom he
38 or she is the primary caregiver within the meaning of Section
39 11362.7 and does not receive remuneration for these activities,
40 except for compensation provided in full compliance with

1 subdivision (c) of Section 11362.765. For purposes of this section,
2 the area used to cultivate cannabis shall be measured by the
3 aggregate area of vegetative growth of live cannabis plants on the
4 premises. Exemption from the requirements of this section does
5 not limit or prevent a city, county, or city and county from
6 exercising its police authority under Section 7 of Article XI of the
7 California Constitution.

8 ~~SEC. 40. Section 11379 of the Health and Safety Code is~~
9 ~~amended to read:~~

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

30 ~~(b) Notwithstanding the penalty provisions of subdivision (a),~~
31 ~~any person who transports any controlled substances specified in~~
32 ~~subdivision (a) within this state from one county to another~~
33 ~~noncontiguous county shall be punished by imprisonment pursuant~~
34 ~~to subdivision (h) of Section 1170 of the Penal Code for three, six,~~
35 ~~or nine years.~~

36 ~~(c) For purposes of this section, "transports" means to transport~~
37 ~~for sale.~~

38 ~~(d) Nothing in this section is intended to preclude or limit~~
39 ~~prosecution under an aiding and abetting theory, accessory theory,~~
40 ~~or a conspiracy theory.~~

1 ~~(e) This section does not apply to commercial cannabis activity~~
2 ~~engaged in by a person or entity licensed pursuant to the Medical~~
3 ~~Cannabis Regulation and Safety Act (Chapter 3.5 (commencing~~
4 ~~with Section 19300) of Division 8 of the Business and Professions~~
5 ~~Code) and who is in full compliance with that act and all applicable~~
6 ~~local ordinances.~~

7 ~~SEC. 41.~~

8 *SEC. 40.* No reimbursement is required by this act pursuant to
9 Section 6 of Article XIII B of the California Constitution because
10 the only costs that may be incurred by a local agency or school
11 district will be incurred because this act creates a new crime or
12 infraction, eliminates a crime or infraction, or changes the penalty
13 for a crime or infraction, within the meaning of Section 17556 of
14 the Government Code, or changes the definition of a crime within
15 the meaning of Section 6 of Article XIII B of the California
16 Constitution.