

AMENDED IN SENATE AUGUST 1, 2016

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AMENDED IN ASSEMBLY APRIL 13, 2016

AMENDED IN ASSEMBLY APRIL 4, 2016

AMENDED IN ASSEMBLY MARCH 18, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1575**

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

January 4, 2016

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An act to amend Sections ~~19300~~, 19300.5, 19302, 19302.1, ~~19306~~, ~~19310~~, 19316, *19317*, 19320, ~~19321~~, 19322, 19326, *19328*, 19332, ~~19332.5~~, 19334, ~~19335~~, 19340, ~~19342~~, *19341*, 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 14235.5, 19310.5, 19319.5, and 19322.5~~ *19322.5, and 19327.5* to, ~~and to repeal Section 19318 of,~~ the Business and Professions Code, to amend Sections ~~12025~~ and *Section* 12029 of the Fish and Game Code, to amend Section 52334 of the Food and Agricultural Code, and to amend Sections 11362.765, 11362.775, 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 requires the classification of goods and services to conform to the classifications adopted by the United States Patent and Trademark Office.

This bill would, notwithstanding that provision, for purposes of those marks for which a certificate of registration is issued on or after January 1, 2017, authorize the use of specified marks related to medical cannabis goods and services that are lawfully in commerce in the state.

(1)

(2) Existing law, the ~~Medical Marijuana Cannabis Regulation and Safety Act~~, establishes the licensing and regulation of ~~medical marijuana cannabis~~ by the Bureau of ~~Medical Marijuana Cannabis Regulation~~. The act requires the ~~Board of Equalization~~, in consultation with the Department of Food and Agriculture, *in consultation with the bureau*, to adopt a ~~system track and trace program~~ for reporting the movement of ~~commercial cannabis and cannabis products~~; *medical cannabis items throughout the distribution chain, as specified. The act defines various terms for these purposes.*

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 change certain definitions and make the bureau, commencing January 1, 2023, subject to review by the appropriate policy committees of the Legislature. The bill would also require the State 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)~~

(3) 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)~~

~~(4) Existing law requires a cultivator or manufacturer *cultivator, manufacturer, and all licensees holding a producing dispensary license in addition to a cultivator or manufacturing license* to send all medical marijuana *cannabis* and medical marijuana *cannabis* products cultivated and or manufactured to a distributor for *presale* quality assurance and inspection. *inspection by a distributor and for batch testing by a testing laboratory prior to distribution to a dispensary.* 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. *The bill would authorize the bureau to establish advertising, marketing,*

*signage, and other labeling requirements and restrictions, as specified, and to place conditions on a license restricting advertising, marketing, and other promotion by the licensee. The bill would require, one year after the bureau posts a notice on its Internet Web site that the licensing authorities have commenced issuing licenses, that all advertisements for licensees include the valid state license number of the licensee. The bill would prohibit a licensee from displaying an advertisement that shows the consumption of medical cannabis while driving or operating machinery.*

~~(4)~~

(5) 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~~ categories, *except as specified*. 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. would instead make the above provision regarding the exemption in a jurisdiction that adopted a local ordinance inoperative on 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 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.~~ *to both deter and prevent unauthorized entrance into areas containing medical cannabis or medical cannabis products and theft of medical cannabis or medical cannabis products at the dispensary, including, but not limited to,*

*establishing limited access areas accessible only to authorized dispensary personnel.*

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 requires the State Department of Public Health to promulgate regulations governing the licensing of manufacturers.*

*This bill would require the department to establish minimum security requirements for the storage of medical cannabis products at the manufacturing site.*

~~(7)~~

*(8) The act prohibits a licensed testing laboratory from acquiring or receiving medical cannabis products except from a ~~licensed facility licensee~~ 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~~ *from* the licensed ~~facility premises~~ from which the medical cannabis or medical cannabis products were acquired or received.

~~(8)~~

*(9) 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.

~~(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.~~

(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~~ *business, with a valid business licenses*, 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~~ *legally obtain, as specified*, 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~~ *a licensee* 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~~ *its* jurisdiction and a copy of the local ordinance, *zoning variance, conditional use permit, or other authorization*, 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. *The bill would require all medical cannabis or medical cannabis products subject to these provisions to be obtained from a licensee permitted to dispense or deliver the medical cannabis or medical cannabis product.*

~~(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.~~

~~(12)~~

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

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

~~(13)~~

~~(12) Under existing law, collectives and cooperatives that 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 collectively or cooperatively in order to cultivate cannabis for medical purposes 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 Cannabis 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 ~~sellers~~ *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~~ *\$500 for the first offense and \$1,000 for each subsequent offense*. 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.~~

(14)

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

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

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

(16)

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

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

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

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

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

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

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

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

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

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

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

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

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

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

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

1 ~~the chief executive officer and any member of the board of~~  
2 ~~directors.~~  
3 ~~(e) “Batch” means a specific quantity of medical cannabis or~~  
4 ~~medical cannabis product that is intended to have uniform character~~  
5 ~~and quality, within specified limits, and is produced according to~~  
6 ~~a single manufacturing order during the same cycle of manufacture.~~  
7 ~~(d) “Bureau” means the Bureau of Medical Cannabis Regulation~~  
8 ~~within the Department of Consumer Affairs.~~  
9 ~~(e) “Cannabinoid” or “phytocannabinoid” means a chemical~~  
10 ~~compound that is unique to and derived from cannabis.~~  
11 ~~(f) “Cannabis” or “marijuana” means all parts of the plant~~  
12 ~~*Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis*,~~  
13 ~~whether growing or not; the seeds thereof; the resin, whether crude~~  
14 ~~or purified, extracted from any part of the plant; and every~~  
15 ~~compound, manufacture, salt, derivative, mixture, or preparation~~  
16 ~~of the plant, its seeds, or resin. “Cannabis” or “marijuana” also~~  
17 ~~means the separated resin, whether crude or purified, obtained~~  
18 ~~from marijuana. “Cannabis” or “marijuana” also means marijuana~~  
19 ~~as defined by Section 11018 of the Health and Safety Code as~~  
20 ~~enacted by Chapter 1407 of the Statutes of 1972. “Cannabis” or~~  
21 ~~“marijuana” does not include the mature stalks of the plant, fiber~~  
22 ~~produced from the stalks, oil or cake made from the seeds of the~~  
23 ~~plant, any other compound, manufacture, salt, derivative, mixture,~~  
24 ~~or preparation of the mature stalks (except the resin extracted~~  
25 ~~therefrom), fiber, oil, or cake, or the sterilized seed of the plant~~  
26 ~~that is incapable of germination. For the purposes of this chapter,~~  
27 ~~“cannabis” or “marijuana” does not mean “industrial hemp” as~~  
28 ~~defined by Section 11018.5 of the Health and Safety Code.~~  
29 ~~(g) “Cannabis concentrate” or “marijuana concentrate” means~~  
30 ~~manufactured cannabis that has undergone a process to concentrate~~  
31 ~~the cannabinoid active ingredient, thereby increasing the product’s~~  
32 ~~potency. An edible medical cannabis product is not considered~~  
33 ~~food, as defined by Section 109935 of the Health and Safety Code,~~  
34 ~~or a drug, as defined by Section 109925 of the Health and Safety~~  
35 ~~Code.~~  
36 ~~(h) “Caregiver” or “primary caregiver” has the same meaning~~  
37 ~~as that term is defined in Section 11362.7 of the Health and Safety~~  
38 ~~Code.~~

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

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

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

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

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

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

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

37 (p) “Dispensary” means a commercial facility with a fixed  
38 location, whether or not there is direct access by customers, where  
39 medical cannabis or medical cannabis products are offered, either  
40 individually or in any combination, for retail sale, including an

1 establishment that delivers, unless delivery is expressly prohibited  
2 by local ordinance, medical cannabis and medical cannabis  
3 products as part of a retail sale.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

36 (ae) "Manufacturing site" means a location that produces,  
37 prepares, propagates, or compounds manufactured medical  
38 cannabis or medical cannabis products, directly or indirectly, by  
39 extraction methods, independently by means of chemical synthesis,  
40 or by a combination of extraction and chemical synthesis, and is

1 owned and operated by a person that holds a valid state license  
2 pursuant to this chapter and a valid local license, permit, or other  
3 authorization.

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

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

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

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

28 (aj) ~~“State license” or “license” means a state license issued~~  
29 ~~pursuant to this chapter.~~

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

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

38 (1) ~~Accredited by an accrediting body that is independent from~~  
39 ~~all other persons involved in the medical cannabis industry in the~~  
40 ~~state.~~

1 ~~(2) Licensed pursuant to this chapter.~~

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

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

12 ~~SEC. 4. Section 19302 of the Business and Professions Code~~  
13 ~~is amended to read:~~

14 ~~19302. (a) There is in the Department of Consumer Affairs~~  
15 ~~the Bureau of Medical Cannabis Regulation, under the supervision~~  
16 ~~and control of the director. The director shall administer and~~  
17 ~~enforce the provisions of this chapter.~~

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

20 ~~SEC. 5. Section 19302.1 of the Business and Professions Code~~  
21 ~~is amended to read:~~

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

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

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

39 ~~(d) The Department of Consumer Affairs shall have the sole~~  
40 ~~authority to create, issue, renew, discipline, suspend, or revoke~~

1 licenses for the transportation, storage unrelated to manufacturing  
 2 activities, distribution, and sale of medical cannabis within the  
 3 state and to collect fees in connection with activities the bureau  
 4 regulates. The bureau may create licenses in addition to those  
 5 identified in this chapter that the bureau deems necessary to  
 6 effectuate its duties under this chapter.

7 (e) ~~The Department of Food and Agriculture shall administer~~  
 8 ~~the provisions of this chapter related to and associated with the~~  
 9 ~~cultivation of medical cannabis. The Department of Food and~~  
 10 ~~Agriculture may create, issue, and suspend or revoke cultivation~~  
 11 ~~licenses for violations of this chapter.~~

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

23 SEC. 6. ~~Section 19306 of the Business and Professions Code~~  
 24 ~~is amended to read:~~

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

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

38 SEC. 7. ~~Section 19310 of the Business and Professions Code~~  
 39 ~~is amended to read:~~

1 19310. The licensing authority may, on its own motion at any  
2 time before a penalty assessment is placed into effect and without  
3 any further proceedings, review the penalty, but that review shall  
4 be limited to its reduction.

5 *SECTION 1. Section 14235.5 is added to the Business and*  
6 *Professions Code, to read:*

7 *14235.5. Notwithstanding Section 14235, for purposes of those*  
8 *marks for which a certificate of registration is issued on or after*  
9 *January 1, 2017, the following classifications may be used for*  
10 *marks related to medical cannabis goods and services that are*  
11 *lawfully in commerce in the State of California:*

12 (a) 500 for medical cannabis and medical cannabis products.

13 (b) 501 for services related to medical cannabis and medical  
14 cannabis products.

15 *SEC. 2. Section 19300.5 of the Business and Professions Code*  
16 *is amended to read:*

17 19300.5. For purposes of this chapter, the following definitions  
18 shall apply:

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

23 (b) “Applicant,” ~~for purposes of Article 4 (commencing with~~  
24 ~~Section 19320),~~ includes the following:

25 (1) Owner or owners of the proposed premises, including all  
26 persons or entities having ownership interest other than a security  
27 interest, lien, or encumbrance on property that will be used by the  
28 premises.

29 (2) ~~If the owner is an entity, “owner” includes within the entity~~  
30 ~~each person participating in the direction, control, or management~~  
31 ~~of, or having a financial interest in, the proposed premises.~~

32 (3) ~~If the applicant is a publicly traded company, “owner” means~~  
33 ~~the chief executive officer or any person or entity with an aggregate~~  
34 ~~ownership interest of 5 percent or more.~~

35 (2) *An “owner” means the chief executive officer, a member of*  
36 *the board of directors, a person having an aggregate ownership*  
37 *interest, other than a security interest, lien, or encumbrance, of*  
38 *10 percent or more in the licensee, or a person who has the power*  
39 *to direct, or cause to be directed, the management or control of*  
40 *the licensee. The applicant shall disclose all persons having an*

1 *aggregate ownership interest, other than a security interest, lien,*  
2 *or encumbrance, of 1 percent or more in the licensee, at the time*  
3 *of application.*

4 (c) “Batch” means a specific quantity of homogeneous medical  
5 cannabis or medical cannabis product and is one of the following  
6 types:

7 (1) “Harvest batch” means a specifically identified quantity of  
8 dried flower or trim, leaves, and other cannabis plant matter that  
9 is uniform in strain, harvested at the same time, and, if applicable,  
10 cultivated using the same pesticides and other agricultural  
11 chemicals, and harvested at the same time.

12 (2) “Manufactured cannabis batch” means either:

13 (A) An amount of cannabis concentrate or extract produced in  
14 one production cycle using the same extraction methods and  
15 standard operating procedures, and is from the same harvest batch.

16 (B) An amount of a type of manufactured cannabis produced  
17 in one production cycle using the same formulation and standard  
18 operating procedures.

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

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

23 (f) “Cannabis” means all parts of the plant *Cannabis sativa*  
24 *Linnaeus*, *Cannabis indica*, or *Cannabis ruderalis*, whether growing  
25 or not; the seeds thereof; the resin, whether crude or purified,  
26 extracted from any part of the plant; and every compound,  
27 manufacture, salt, derivative, mixture, or preparation of the plant,  
28 its seeds, or resin. “Cannabis” also means the separated resin,  
29 whether crude or purified, obtained from cannabis. “Cannabis”  
30 also means marijuana as defined by Section 11018 of the Health  
31 and Safety Code as enacted by Chapter 1407 of the Statutes of  
32 1972. “Cannabis” does not include the mature stalks of the plant,  
33 fiber produced from the stalks, oil or cake made from the seeds of  
34 the plant, any other compound, manufacture, salt, derivative,  
35 mixture, or preparation of the mature stalks (except the resin  
36 extracted therefrom), fiber, oil, or cake, or the sterilized seed of  
37 the plant which is incapable of germination. For the purpose of  
38 this chapter, “cannabis” does not mean “industrial hemp” as defined  
39 by Section 81000 of the Food and Agricultural Code or Section  
40 11018.5 of the Health and Safety Code.

1 (g) “Cannabis concentrate” means manufactured cannabis that  
2 has undergone a process to concentrate one or more active  
3 cannabinoids, thereby increasing the product’s potency. Resin  
4 from granular trichomes from a cannabis plant is a concentrate for  
5 purposes of this chapter. A cannabis concentrate is not considered  
6 food, as defined by Section 109935 of the Health and Safety Code,  
7 or a drug, as defined by Section 109925 of the Health and Safety  
8 Code.

9 (h) “Certificate of accreditation” means a certificate issued by  
10 an accrediting body to a testing laboratory.

11 (i) “Chief” means Chief of the Bureau of Medical Cannabis  
12 Regulation within the Department of Consumer Affairs.

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

22 (k) “Cultivation” means any activity involving the planting,  
23 growing, harvesting, drying, curing, grading, or trimming of  
24 medical cannabis.

25 (l) “Cultivation site” means a location where medical cannabis  
26 is planted, grown, harvested, dried, cured, graded, or trimmed, or  
27 that does all or any combination of those activities.

28 (m) “*Cultivator*” means a person that conducts the planting,  
29 growing, harvesting, drying, curing, grading, or trimming of  
30 medical cannabis.

31 ~~(m)~~

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

1 arrange for or facilitate the commercial transfer by a licensed  
2 dispensary of medical cannabis or medical cannabis products.

3 (n)

4 (o) “Dispensary” means a premises *with a fixed location,*  
5 *whether or not there is direct access by customers,* where medical  
6 ~~cannabis, cannabis or medical cannabis products, or devices for~~  
7 ~~the use of medical cannabis or medical cannabis~~ products are  
8 offered, either individually or in any combination, for retail sale,  
9 including an establishment that delivers, pursuant to Section 19340,  
10 medical cannabis and medical cannabis products as part of a retail  
11 sale.

12 (p)

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

15 (q)

16 (q) “Distribution” means the procurement, sale, and transport  
17 of medical cannabis and medical cannabis products between entities  
18 licensed pursuant to this chapter.

19 (r)

20 (r) “Distributor” means a person licensed under this chapter to  
21 engage in the business of purchasing *or taking custody of* medical  
22 cannabis from a licensed cultivator, or medical cannabis products  
23 from a licensed manufacturer, for sale *or transfer* to a licensed  
24 dispensary.

25 (s)

26 (s) “Dried flower” means all dead medical cannabis that has  
27 been harvested, dried, cured, or otherwise processed, excluding  
28 leaves and stems.

29 (t)

30 (t) “Edible cannabis product” means manufactured cannabis  
31 that is intended to be used, in whole or in part, for human  
32 consumption, including, but not limited to, chewing gum, but  
33 excluding products set forth in Division 15 (commencing with  
34 Section 32501) of the Food and Agricultural Code. An edible  
35 medical cannabis product is not considered food as defined by  
36 Section 109935 of the Health and Safety Code or a drug as defined  
37 by Section 109925 of the Health and Safety Code.

38 (u)

39 (u) “Fund” means the Medical Cannabis Regulation and Safety  
40 Act Fund established pursuant to Section 19351.

1     ~~(u)~~

2     (v) “Identification program” means the universal identification  
3 certificate program for commercial medical cannabis activity  
4 authorized by this chapter.

5     ~~(v)~~

6     (w) “Labeling” means any label or other written, printed, or  
7 graphic matter upon a medical cannabis product, or upon its  
8 container or wrapper, or that accompanies any medical cannabis  
9 product.

10    ~~(w)~~

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

26    ~~(x)~~

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

29    ~~(y)~~

30    (z) “Licensing authority” means the state agency responsible  
31 for the issuance, renewal, or reinstatement of the license.

32    ~~(z)~~

33    (aa) “Live plants” means living medical cannabis flowers and  
34 plants, including seeds, immature plants, and vegetative stage  
35 plants.

36    ~~(aa)~~

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

- 1     ~~(ab)~~
- 2     ~~(ac)~~ “Lot” means a batch or a specifically identified portion of
- 3 a batch.
- 4     ~~(ae)~~
- 5     ~~(ad)~~ “Manufactured cannabis” means raw cannabis that has
- 6 undergone a process whereby the raw agricultural product has
- 7 been transformed into a concentrate, an edible product, or a topical
- 8 product.
- 9     ~~(ae)~~
- 10    ~~(ae)~~ “Manufacturer” means a person that conducts the
- 11 production, preparation, propagation, or compounding of
- 12 manufactured medical cannabis, as described in subdivision (ae),
- 13 or medical cannabis products either directly or indirectly or by
- 14 extraction methods, or independently by means of chemical
- 15 synthesis or by a combination of extraction and chemical synthesis
- 16 at a fixed location that packages or repackages medical cannabis
- 17 or medical cannabis products or labels or relabels its container.
- 18    ~~(ae)~~
- 19    ~~(af)~~ “Manufacturing site” means the premises that produces,
- 20 prepares, propagates, or compounds manufactured medical
- 21 cannabis or medical cannabis products, directly or indirectly, by
- 22 extraction methods, independently by means of chemical synthesis,
- 23 or by a combination of extraction and chemical synthesis, and is
- 24 owned and operated by a licensee for these activities.
- 25    ~~(af)~~
- 26    ~~(ag)~~ “Medical cannabis,” “medical cannabis product,” or
- 27 “cannabis product” means a product containing cannabis, including,
- 28 but not limited to, concentrates and extractions, intended to be sold
- 29 for use by medical cannabis patients in California pursuant to the
- 30 Compassionate Use Act of 1996 (Proposition 215), found at Section
- 31 11362.5 of the Health and Safety Code. For the purposes of this
- 32 chapter, “medical cannabis” does not include “industrial hemp”
- 33 as defined by Section 81000 of the Food and Agricultural Code
- 34 or Section 11018.5 of the Health and Safety Code.
- 35    ~~(ag)~~
- 36    ~~(ah)~~ “Nursery” means a licensee that produces only clones,
- 37 immature plants, seeds, and other agricultural products used
- 38 specifically for the planting, propagation, and cultivation of medical
- 39 cannabis.
- 40    ~~(ah)~~

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

6 ~~(ai)~~

7 (aj) “Primary caregiver” has the same meaning as that term is  
8 defined in Section 11362.7 of the Health and Safety Code.

9 ~~(aj)~~

10 (ak) “State license” or “license” means a state license issued  
11 pursuant to this chapter.

12 ~~(ak)~~

13 (al) “Testing laboratory” means the premises where tests are  
14 performed on medical cannabis or medical cannabis products and  
15 that holds a valid certificate of accreditation.

16 ~~(al)~~

17 (am) “Topical cannabis” means a product *manufactured such*  
18 *that its final stage is in the form of a topical drug, as defined by*  
19 *the Center for Drug Evaluation and Research under the federal*  
20 *Food and Drug Administration, and intended for external use. A*  
21 *topical cannabis product is not considered a drug as defined by*  
22 *Section 109925 of the Health and Safety Code.*

23 ~~(am)~~

24 (an) “Transport” means the transfer of medical cannabis or  
25 medical cannabis products from the permitted business location  
26 of one licensee to the permitted business location of another  
27 licensee, for the purposes of conducting commercial cannabis  
28 activity authorized pursuant to this chapter.

29 ~~(an)~~

30 (ao) “Transporter” means a person who holds a license by the  
31 bureau to transport medical cannabis or medical cannabis products  
32 in an amount above a threshold determined by the bureau between  
33 ~~licensees that have been issued a license pursuant to this chapter.~~  
34 *licensees.*

35 *SEC. 3. Section 19302 of the Business and Professions Code*  
36 *is amended to read:*

37 19302. (a) There is in the Department of Consumer Affairs  
38 the Bureau of Medical Cannabis Regulation, under the supervision  
39 and control of the director. The director shall administer and  
40 enforce the provisions of this chapter related to the bureau.

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

3 SEC. 4. Section 19302.1 of the Business and Professions Code  
4 is amended to read:

5 19302.1. (a) The Governor shall appoint a chief of the bureau,  
6 subject to confirmation by the Senate, at a salary to be fixed and  
7 determined by the Director of Consumer Affairs with the approval  
8 of the Director of Finance. The chief shall serve under the direction  
9 and supervision of the director and at the pleasure of the Governor.

10 (b) Every power granted to or duty imposed upon the Director  
11 of Consumer Affairs under this chapter may be exercised or  
12 performed in the name of the director by a deputy or assistant  
13 director or by the chief, subject to conditions and limitations that  
14 the director may prescribe. In addition to every power granted or  
15 duty imposed with this chapter, the director shall have all other  
16 powers and duties generally applicable in relation to bureaus that  
17 are part of the Department of Consumer Affairs.

18 (c) The Director of Consumer Affairs may employ and appoint  
19 all employees necessary to properly administer the work of the  
20 bureau, in accordance with civil service laws and regulations. The  
21 Governor may also appoint a deputy chief and an assistant chief  
22 counsel to the bureau. These positions shall hold office at the  
23 pleasure of the Governor.

24 (d) The Department of Consumer Affairs shall have the sole  
25 authority to create, issue, renew, discipline, suspend, or revoke  
26 licenses for the transportation, storage unrelated to manufacturing  
27 activities, testing, distribution, and sale of medical cannabis within  
28 the state and to collect fees in connection with activities the bureau  
29 regulates. The bureau shall have the authority to create licenses in  
30 addition to those identified in this chapter that the bureau deems  
31 necessary to effectuate its duties under this chapter. *The State*  
32 *Department of Public Health shall seek and include feedback from*  
33 *the scientific community and cannabis testing industry when*  
34 *promulgating testing regulations. The State Department of Public*  
35 *Health shall review and update medical cannabis testing standards*  
36 *on an annual basis, incorporating new testing technology, such*  
37 *as DNA testing for contaminants.*

38 (e) The Department of Food and Agriculture shall administer  
39 the provisions of this chapter related to and associated with the  
40 cultivation of medical cannabis and will serve as lead agency for

1 the purpose of fulfilling the requirements of the California  
2 Environmental Quality Act (Division 13 (commencing with Section  
3 21000) of the Public Resources Code). The Department of Food  
4 and Agriculture shall have the authority to create, issue, renew,  
5 discipline, suspend, or revoke licenses for the cultivation of medical  
6 cannabis and to collect fees in connection with activities it  
7 regulates. The Department of Food and Agriculture shall have the  
8 authority to create licenses in addition to those identified in this  
9 chapter that it deems necessary to effectuate its duties under this  
10 chapter.

11 (f) The State Department of Public Health shall administer the  
12 provisions of this chapter related to and associated with the  
13 manufacturing of medical cannabis. The State Department of Public  
14 Health shall have the authority to create, issue, renew, discipline,  
15 suspend, or revoke licenses for the manufacturing of medical  
16 cannabis and medical cannabis products and to collect fees in  
17 connection with activities it regulates. The State Department of  
18 Public Health shall have the authority to create licenses in addition  
19 to those identified in this chapter that it deems necessary to  
20 effectuate its duties under this chapter.

21 ~~SEC. 8.~~

22 *SEC. 5.* Section 19310.5 is added to the Business and  
23 Professions Code, to read:

24 19310.5. (a) It is the intent of the Legislature to enact a statute  
25 that improves the medical cannabis industry's ability to comply  
26 with federal law and regulations that would allow improved access  
27 to banking services.

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

37 (2) A report submitted pursuant to paragraph (1) shall be  
38 submitted in compliance with Section 9795 of the Government  
39 Code. The requirement for submitting a report imposed in

1 paragraph (1) is inoperative on July 1, 2021, pursuant to Section  
2 10231.5 of the Government Code.

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

7 ~~SEC. 9.~~

8 SEC. 6. Section 19316 of the Business and Professions Code  
9 is amended to read:

10 19316. (a) (1) Pursuant to Section 7 of Article XI of the  
11 California Constitution, a city, county, or city and county may,  
12 except as described in paragraph (2), adopt ordinances that establish  
13 additional standards, requirements, and regulations for local  
14 licenses and permits for commercial cannabis activity. Standards,  
15 requirements, and regulations regarding health and safety, testing,  
16 security, and worker protections established by the state shall be  
17 the minimum standards for all licensees statewide.

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

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

24 (b) For facilities issued a state license that are located within  
25 the incorporated area of a city, the city shall have full power and  
26 authority to enforce this chapter and the regulations promulgated  
27 by the bureau or any licensing authority, if delegated by the state.  
28 Notwithstanding Sections 101375, 101400, and 101405 of the  
29 Health and Safety Code or any contract entered into pursuant  
30 thereto, or any other law, the city shall further assume complete  
31 responsibility for any regulatory function relating to those licensees  
32 within the city limits that would otherwise be performed by the  
33 county or any county officer or employee, including a county  
34 health officer, without liability, cost, or expense to the county. A  
35 city may contract in writing with the county in which it is located  
36 to arrange for the county to fulfill any regulatory functions relating  
37 to those licensees within the city limits if the county has agreed to  
38 assume such responsibility.

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

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

4 ~~SEC. 10. Section 19318 of the Business and Professions Code~~  
5 ~~is repealed.~~

6 *SEC. 7. Section 19317 of the Business and Professions Code*  
7 *is amended to read:*

8 19317. (a) ~~The~~ *Notwithstanding any other law, the actions of*  
9 a licensee, its employees, and its agents that are (1) permitted  
10 pursuant to both a state license and a license or permit issued by  
11 the local jurisdiction following the requirements of the applicable  
12 local ordinances, and (2) conducted in accordance with the  
13 requirements of this chapter and regulations adopted pursuant to  
14 this chapter, are not unlawful under state law and shall not be an  
15 offense subject to arrest, prosecution, or other sanction under state  
16 law, or be subject to a civil fine or be a basis for seizure or  
17 forfeiture of assets under state law.

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

26 ~~SEC. 11.~~

27 *SEC. 8. Section 19319.5 is added to the Business and*  
28 *Professions Code, to read:*

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

1 authorizes that activity by local ~~ordinance~~: *ordinance, zoning*  
 2 *variance, conditional use permit, or any other express written*  
 3 *authorization*. A business or research institution engaged in the  
 4 research of medical cannabis shall obtain written authorization  
 5 from its local jurisdiction that the business or institution has met  
 6 all requirements of the local ~~ordinance~~ *jurisdiction* to conduct  
 7 research on medical cannabis, medical cannabis products, or  
 8 devices used for the medical use of cannabis or cannabis products.

9 (b) (1) It is not a violation of this chapter or any other state  
 10 law for a licensee, pursuant to subdivisions (n) and (o) of Section  
 11 ~~19300.7~~, *licensee* to sell medical cannabis or medical cannabis  
 12 products in an amount not to exceed eight ounces per month to a  
 13 business or research institution engaged in the research of medical  
 14 cannabis, if the business or research institution provides to the  
 15 licensee a copy of the written authorization to conduct research  
 16 within the business's or institution's jurisdiction and a copy of the  
 17 local ~~ordinance~~: *ordinance, zoning variance, conditional use*  
 18 *permit, or any other express written authorization*. The licensee  
 19 shall keep on file that written authorization for at least three years  
 20 and make it available upon request to local authorities for auditing  
 21 purposes.

22 (2) *Medical cannabis or medical cannabis products subject to*  
 23 *this section shall only be obtained from a licensee who is permitted*  
 24 *under this chapter to dispense or deliver medical cannabis or*  
 25 *medical cannabis products.*

26 (3) *All medical cannabis and medical cannabis products*  
 27 *purchased for research purposes shall be subject to all*  
 28 *requirements of the track and trace program established pursuant*  
 29 *to Section 19335.*

30 (c) *Notwithstanding subdivisions (a) and (b), it shall not be a*  
 31 *violation of this chapter or any other state law for the California*  
 32 *Marijuana Research Program authorized under Section 11362.9*  
 33 *of the Health and Safety Code to obtain medical cannabis or*  
 34 *medical cannabis products from a licensee. All medical cannabis*  
 35 *and medical cannabis products obtained under this subdivision*  
 36 *shall be reported to the bureau and to the track and trace program*  
 37 *established pursuant to Section 19335.*

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

1     ~~19320. (a) Licensing authorities administering this chapter~~  
2 ~~may issue state licenses only to qualified applicants engaging in~~  
3 ~~commercial cannabis activity pursuant to this chapter. One year~~  
4 ~~after the Bureau of Medical Cannabis Regulation posts a notice~~  
5 ~~on its Internet Web site that the licensing authorities have~~  
6 ~~commenced issuing licenses, no person shall engage in commercial~~  
7 ~~cannabis activity without possessing both a state license and a~~  
8 ~~local permit, license, or other authorization. An entity seeking~~  
9 ~~licensure pursuant to this chapter shall obtain a local license,~~  
10 ~~permit, or other authorization prior to applying for state licensure.~~  
11 ~~State licensing entities shall not issue a license to any applicant~~  
12 ~~that is unable to provide documentation confirming authorization~~  
13 ~~to operate from the local government in which the applicant~~  
14 ~~proposes to operate. A licensee shall not commence activity under~~  
15 ~~the authority of a state license until the applicant has obtained, in~~  
16 ~~addition to the state license, a license or permit from the local~~  
17 ~~jurisdiction in which he or she proposes to operate, following the~~  
18 ~~requirements of the applicable local ordinance.~~

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

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

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

38     ~~(e) Nothing in this chapter shall be construed to supersede or~~  
39 ~~limit state agencies, including the State Water Resources Control~~

1 Board and Department of Fish and Wildlife, from establishing fees  
2 to support their medical cannabis regulatory programs.

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

6 19320.—(a) ~~Licensing authorities administering this chapter~~  
7 ~~may issue state licenses only to qualified applicants engaging in~~  
8 ~~commercial cannabis activity pursuant to this chapter. One year~~  
9 ~~after the Bureau of Medical Cannabis Regulation posts a notice~~  
10 ~~on its Internet Web site that the licensing authorities have~~  
11 ~~commenced issuing licenses, no person shall engage in commercial~~  
12 ~~cannabis activity without possessing both a state license and a~~  
13 ~~local permit, license, or other authorization. An entity seeking~~  
14 ~~licensure pursuant to this chapter shall obtain a local license,~~  
15 ~~permit, or other authorization prior to applying for state licensure.~~  
16 ~~State licensing entities shall not issue a license to any applicant~~  
17 ~~that is unable to provide documentation confirming authorization~~  
18 ~~to operate from the local government in which the applicant~~  
19 ~~proposes to operate. A licensee shall not commence activity under~~  
20 ~~the authority of a state license until the applicant has obtained, in~~  
21 ~~addition to the state license, a license or permit from the local~~  
22 ~~jurisdiction in which he or she proposes to operate, following the~~  
23 ~~requirements of the applicable local ordinance.~~

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

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

39 ~~(d) In addition to the provisions of this chapter, local~~  
40 ~~jurisdictions retain the power to assess fees and taxes, as applicable,~~

1 on facilities that are licensed pursuant to this chapter and the  
2 business activities of those licensees.

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

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

9 19321. (a) ~~The Department of Consumer Affairs, the~~  
10 ~~Department of Food and Agriculture, and the State Department of~~  
11 ~~Public Health shall promulgate regulations for implementation of~~  
12 ~~their respective responsibilities in the administration of this chapter.~~  
13 ~~The secretary or director of each licensing authority may prescribe,~~  
14 ~~adopt, and enforce emergency regulations necessary to implement~~  
15 ~~this chapter.~~

16 (b) ~~A state license issued pursuant to this section shall be valid~~  
17 ~~for 12 months from the date of issuance. The state license shall be~~  
18 ~~renewed annually. Each licensing authority shall establish~~  
19 ~~procedures for the renewal of a state license.~~

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

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

1 SEC. 15.—Section 19322 of the Business and Professions Code  
2 is amended to read:

3 19322. (a) A person or entity shall not submit an application  
4 for a state license pursuant to this chapter unless that person or  
5 entity first receives a license, permit, or authorization specific to  
6 commercial cannabis activity from a local jurisdiction. An applicant  
7 for any type of state license issued pursuant to this chapter shall  
8 do all of the following:

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

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

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

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

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

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

39 (4) If the application is for a cultivator or dispensary license,  
40 provide evidence that the proposed location is located beyond at

1 ~~least a 600-foot radius from a school, as required by Section~~  
2 ~~11362.768 of the Health and Safety Code.~~

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

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

10 ~~(B) For the purposes of this paragraph, “employee” does not~~  
11 ~~include a supervisor.~~

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

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

24 ~~(8) Provide any other information required by the licensing~~  
25 ~~authority.~~

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

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

35 ~~(11) Pay all applicable fees required for licensure by the~~  
36 ~~licensing authority.~~

37 ~~(b) For applicants seeking licensure to cultivate, distribute, or~~  
38 ~~manufacture medical cannabis or medical cannabis products, the~~  
39 ~~application shall also include a detailed description of the~~

1 applicant's operating procedures for all of the following, as  
 2 required by the licensing authority:

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

8 *SEC. 9. Section 19320 of the Business and Professions Code*  
 9 *is amended to read:*

10 19320. (a) All commercial cannabis activity shall be conducted  
 11 between licensees, except as otherwise provided in this chapter.

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

32 (c) Each licensee shall obtain a separate license for each location  
 33 where it engages in commercial medical cannabis activity.  
 34 However, transporters only need to obtain licenses for each  
 35 physical location where the licensee conducts business while not  
 36 in transport or where any equipment that is not currently  
 37 transporting medical cannabis or medical cannabis products  
 38 permanently resides.

39 (d) Revocation of a local license, permit, or other authorization  
 40 shall terminate the ability of a medical cannabis business to operate

1 within that local jurisdiction until the local jurisdiction reinstates  
2 or reissues the local license, permit, or other authorization. Local  
3 authorities shall notify the bureau upon revocation of a local  
4 license, permit, or other authorization. The bureau shall inform  
5 relevant licensing authorities.

6 (e) Revocation of a state license shall terminate the ability of a  
7 medical cannabis licensee to operate within California until the  
8 licensing authority reinstates or reissues the state license.

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

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

18 *SEC. 10. Section 19322 of the Business and Professions Code*  
19 *is amended to read:*

20 19322. (a) A person *or entity* shall not submit an application  
21 for a state license issued by a licensing authority pursuant to this  
22 chapter unless that person ~~has received~~ *or entity first receives* a  
23 license, permit, or authorization *specific to commercial cannabis*  
24 *activity* from the local jurisdiction. An applicant for any type of  
25 state license issued pursuant to this chapter shall do all of the  
26 following:

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

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

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

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

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

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

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

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

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

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

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

39 (7) Provide the applicant’s valid seller’s permit number issued  
40 pursuant to Part 1 (commencing with Section 6001) of Division 2

1 of the Revenue and Taxation Code or indicate that the applicant  
2 is currently applying for a seller’s permit.

3 (8) Provide any other information required by the licensing  
4 authority.

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

11 (10) Pay all applicable fees required for licensure by the  
12 licensing authority.

13 (11) Provide proof of a bond to cover the costs of destruction  
14 of medical cannabis or medical cannabis products if necessitated  
15 by a violation of licensing requirements.

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

- 21 (1) Cultivation.
- 22 (2) Extraction and infusion methods.
- 23 (3) The transportation process.
- 24 (4) Inventory procedures.
- 25 (5) Quality control procedures.
- 26 (6) Security protocols.

27 ~~SEC. 16.~~

28 *SEC. 11.* 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.~~

33 *SEC. 12.* The heading of Article 5 (commencing with Section  
34 19326) of Chapter 3.5 of Division 8 of the Business and Professions  
35 Code is amended to read:

36  
37 Article 5. Medical Cannabis Regulation

38  
39 ~~SEC. 18.~~ Section 19326 of the Business and Professions Code  
40 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:

1 19328. ~~(a) Except as specified in paragraph (9), a licensee may~~  
2 ~~only hold a state license in up to two separate license categories,~~  
3 ~~as follows:~~

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

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

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

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

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

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

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

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

19 ~~(9) A Type 10A licensee may apply for a Type 6 or 7 state~~  
20 ~~license and hold a 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B, 4 or~~  
21 ~~combination thereof if, under the 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B,~~  
22 ~~4 or combination of licenses thereof, no more than four acres of~~  
23 ~~total canopy size of cultivation by the licensee is occurring~~  
24 ~~throughout the state during the period that the respective licenses~~  
25 ~~are valid. All cultivation pursuant to this section shall comply with~~  
26 ~~local ordinances. By January 1, 2025, the bureau shall review the~~  
27 ~~appropriateness of continuing licensure under this paragraph and~~  
28 ~~shall report its recommendation for elimination or extension of~~  
29 ~~these provisions to the Legislature.~~

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

35 ~~(c) (1) In a jurisdiction that adopted a local ordinance, prior to~~  
36 ~~July 1, 2015, allowing or requiring qualified businesses to cultivate,~~  
37 ~~manufacture, and dispense medical cannabis or medical cannabis~~  
38 ~~products, with all commercial cannabis activity being conducted~~  
39 ~~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 (e) ~~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 (e) ~~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.

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

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

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

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

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

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

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

33     ~~19332. (a) The Department of Food and Agriculture shall~~  
34 ~~promulgate regulations governing the licensing of indoor and~~  
35 ~~outdoor cultivation sites.~~

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

1 ~~(e) 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~~

1 ~~(commencing with Section 11401) of the Food and Agricultural~~  
2 ~~Code and its implementing regulations:~~

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

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

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

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

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

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

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

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

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

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

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

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

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

11 19332.5. (a) Not later than January 1, 2020, the Department  
12 of Food and Agriculture in conjunction with the bureau, shall make  
13 available a certified organic designation and organic certification  
14 program for medical cannabis, if permitted under federal law and  
15 the National Organic Program (Section 6517 of the federal Organic  
16 Foods Production Act of 1990 (7 U.S.C. Sec. 6501 et seq.)), and  
17 Article 7 (commencing with Section 110810) of Chapter 5 of Part  
18 5 of Division 104 of the Health and Safety Code.

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

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

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

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

29 19334. (a) State licenses to be issued by the Department of  
30 Consumer Affairs are as follows:

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

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

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

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

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

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

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

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

17     ~~(1) Minimum security requirements for the commercial~~  
18 ~~transportation and delivery of medical cannabis and medical~~  
19 ~~cannabis products.~~

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

26     ~~(A) The bureau may provide information to verify a state license~~  
27 ~~is active and in good standing for purposes of complying with this~~  
28 ~~paragraph.~~

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

34     ~~(c) A dispensary shall implement sufficient security measures~~  
35 ~~to both deter and prevent unauthorized entrance into areas~~  
36 ~~containing medical cannabis or medical cannabis products and~~  
37 ~~theft of medical cannabis or medical cannabis products at the~~  
38 ~~dispensary. These security measures shall include, but not be~~  
39 ~~limited to, all of the following:~~

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

4 ~~(2) Establishing limited access areas accessible only to~~  
5 ~~authorized dispensary personnel.~~

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

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

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

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

20 ~~(2) Diversion, theft, loss, or any criminal activity involving the~~  
21 ~~dispensary or any agent or employee of the dispensary.~~

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

25 ~~(4) Any other breach of security.~~

26 ~~SEC. 25. Section 19335 of the Business and Professions Code~~  
27 ~~is amended to read:~~

28 ~~19335. (a) The Department of Food and Agriculture, in~~  
29 ~~consultation with the bureau, shall establish a track and trace~~  
30 ~~program for reporting the movement of medical cannabis items~~  
31 ~~throughout the distribution chain that utilizes a unique identifier~~  
32 ~~pursuant to Section 11362.777 of the Health and Safety Code and~~  
33 ~~secure packaging and is capable of providing information that~~  
34 ~~captures, at a minimum, all of the following:~~

35 ~~(1) The licensee receiving the product.~~

36 ~~(2) The transaction date.~~

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

1     ~~(b) (1) The Department of Food and Agriculture shall create~~  
2     ~~an electronic database containing the electronic shipping manifests,~~  
3     ~~which shall include, but not be limited to, the following~~  
4     ~~information:~~  
5     ~~(A) The quantity, or weight, and variety of products shipped.~~  
6     ~~(B) The estimated times of departure and arrival.~~  
7     ~~(C) The quantity, or weight, and variety of products received.~~  
8     ~~(D) The actual time of departure and arrival.~~  
9     ~~(E) A categorization of the product.~~  
10    ~~(F) The license number and the unique identifier pursuant to~~  
11    ~~Section 11362.777 of the Health and Safety Code issued by the~~  
12    ~~licensing authority for all licensees involved in the shipping~~  
13    ~~process, including cultivators, transporters, distributors, and~~  
14    ~~dispensaries.~~  
15    ~~(2) (A) The database shall be designed to flag irregularities for~~  
16    ~~all licensing authorities in this chapter to investigate.~~  
17    ~~Notwithstanding Section 30, all licensing authorities pursuant to~~  
18    ~~this chapter may access the database and share information related~~  
19    ~~to licensees under this chapter, including social security and~~  
20    ~~individual taxpayer identifications.~~  
21    ~~(B) The Department of Food and Agriculture shall immediately~~  
22    ~~inform the bureau upon the finding of an irregularity or suspicious~~  
23    ~~finding related to a licensee, applicant, or commercial cannabis~~  
24    ~~activity for investigatory purposes.~~  
25    ~~(3) Licensing authorities and state and local agencies may, at~~  
26    ~~any time, inspect shipments and request documentation for current~~  
27    ~~inventory.~~  
28    ~~(4) The bureau shall have 24-hour access to the electronic~~  
29    ~~database administered by the Department of Food and Agriculture.~~  
30    ~~(5) The Department of Food and Agriculture may enter into a~~  
31    ~~memorandum of understanding with a licensing authority for data~~  
32    ~~sharing purposes, as deemed necessary by the Department of Food~~  
33    ~~and Agriculture.~~  
34    ~~(6) Information received and contained in records kept by the~~  
35    ~~Department of Food and Agriculture or licensing authorities for~~  
36    ~~the purposes of administering this section are confidential and~~  
37    ~~shall not be disclosed pursuant to the California Public Records~~  
38    ~~Act (Chapter 3.5 (commencing with Section 6250) of Division 7~~  
39    ~~of Title 1 of the Government Code), except as necessary for~~  
40    ~~authorized employees of the State of California or any city, county,~~

1 or city and county to perform official duties pursuant to this chapter  
2 or a local ordinance.

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

7 *SEC. 13. Section 19326 of the Business and Professions Code*  
8 *is amended to read:*

9 19326. (a) A person other than a transporter shall not transport  
10 medical cannabis or medical cannabis products from one licensee  
11 to another licensee, unless otherwise specified in this chapter.

12 (b) (1) All cultivators, manufacturers, and licensees holding a  
13 producing dispensary license in addition to a cultivation or  
14 manufacturing license shall send all medical cannabis and medical  
15 cannabis products cultivated or manufactured to a distributor, as  
16 defined in Section 19300.5, for presale quality assurance and  
17 inspection by a distributor and for a batch testing by a testing  
18 laboratory prior to distribution to a dispensary.

19 (2) Notwithstanding paragraph (1), a cultivator shall not be  
20 required to send medical cannabis to a distributor if the medical  
21 cannabis is to be used, sold, or otherwise distributed by methods  
22 approved pursuant to this chapter by a manufacturer for further  
23 manufacturing.

24 (c) (1) Upon receipt of medical cannabis or medical cannabis  
25 products from a cultivator, manufacturer, or a licensee holding a  
26 producing dispensary license in addition to a cultivation or a  
27 manufacturing license, the distributor shall first inspect the product  
28 to ensure the identity and quantity of the product and ensure a  
29 random sample of the medical cannabis or medical cannabis  
30 product is tested by a testing laboratory.

31 (2) Upon issuance of a certificate of analysis by the testing  
32 laboratory that the product is fit for ~~dispensing~~ *dispensing*, medical  
33 cannabis and medical cannabis products shall undergo a quality  
34 assurance review by the distributor prior to distribution to ensure  
35 the quantity and content of the medical cannabis or medical  
36 cannabis product, and for tracking and taxation purposes by the  
37 state. *The bureau shall specify the manner in which medical  
38 cannabis and medical cannabis products meant for wholesale  
39 purposes shall be packaged and sealed prior to transport, testing,  
40 quality assurance, quality control testing, or distribution.*

1 (3) This section does not limit the ability of licensed cultivators,  
2 manufacturers, and dispensaries to directly enter into contracts  
3 with one another indicating the price and quantity of medical  
4 cannabis or medical cannabis products to be distributed. However,  
5 a distributor responsible for executing the contract is authorized  
6 to collect a fee for the services rendered, including, but not limited  
7 to, costs incurred by a testing laboratory, as well as applicable state  
8 or local taxes and fees.

9 (d) Medical cannabis and medical cannabis products shall be  
10 tested by a licensed testing laboratory, prior to dispensing, pursuant  
11 to Section 19344.

12 (e) This chapter shall not prohibit a licensee from performing  
13 testing on the licensee's premises for the purposes of quality  
14 assurance of the product in conjunction with reasonable business  
15 operations. On-site testing by the licensee shall not be certified by  
16 the Bureau of Medical Cannabis Regulation.

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

24 *SEC. 14. Section 19327.5 is added to the Business and*  
25 *Professions Code, to read:*

26 *19327.5. (a) (1) The bureau may establish advertising,*  
27 *marketing, signage, and other labeling requirements and*  
28 *restrictions, including a prohibition on advertising, marketing,*  
29 *and other promotion of medical cannabis or medical cannabis*  
30 *products provided by a person engaging in commercial cannabis*  
31 *activity but not in full compliance with this chapter.*

32 *(2) The bureau may place conditions on a license restricting*  
33 *advertising, marketing, and other promotion by the licensee.*

34 *(b) (1) One year after the bureau posts a notice on its Internet*  
35 *Web site that the licensing authorities have commenced issuing*  
36 *licenses pursuant to the Medical Cannabis Regulation and Safety*  
37 *Act, all advertisements for licensees under this chapter shall*  
38 *include the valid state license number of the licensee.*

1 (2) *The bureau may provide information to verify a state license*  
2 *is active and in good standing for purposes of complying with this*  
3 *section.*

4 (c) *A licensee under this chapter shall not display an*  
5 *advertisement that shows the consumption of medical cannabis*  
6 *while driving or operating machinery.*

7 *SEC. 15. Section 19328 of the Business and Professions Code*  
8 *is amended to read:*

9 19328. (a) Except as provided in paragraphs (9) and (10), a  
10 licensee may only hold a state license in up to two separate license  
11 categories, as follows:

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

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

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

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

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

22 (6) Type 10A licensees may hold a Type 1, 1A, 1B, 2, 2A, or  
23 2B state license, or a combination thereof.

24 (7) Type 11 licensees shall also hold a Type 12 state license,  
25 but shall not hold any other type of state license.

26 (8) Type 12 licensees may hold a Type 11 state license.

27 (9) A Type 10A licensee may hold a Type 6 or 7 state license  
28 and may also hold a 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B, 4 or  
29 combination thereof if, under the 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B,  
30 4 or combination of licenses thereof, no more than four acres of  
31 total canopy size of cultivation by the licensee is occurring  
32 throughout the state during the period that the respective licenses  
33 are valid. All cultivation pursuant to this section shall comply with  
34 local ordinances. This paragraph shall become inoperative on  
35 January 1, 2026.

36 (10) All cultivators and manufacturers may hold a Type 12  
37 transporter license. All cultivators and manufacturers who are  
38 issued Type 12 transporter licenses shall comply with the  
39 following:

1 (A) Cultivators shall only transport medical cannabis from a  
2 cultivation site to a manufacturer or a distributor.

3 (B) Manufacturers shall only transport medical cannabis and  
4 medical cannabis products as follows:

- 5 (i) Between a cultivation site and a manufacturing site.
- 6 (ii) Between a manufacturing site and a manufacturing site.
- 7 (iii) Between a manufacturing site and a distributor.

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

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

20 (A) The business was cultivating, manufacturing, and dispensing  
21 medical cannabis or medical cannabis products on January 1, 2016,  
22 and has continuously done so since that date.

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

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

27 (2) A business licensed pursuant to paragraph (1) is not required  
28 to conduct all cultivation or manufacturing within the bounds of  
29 a local jurisdiction, but all cultivation and manufacturing shall  
30 have commenced prior to January 1, 2016, and have been in full  
31 compliance with applicable local ordinances.

32 ~~(d)~~

33 ~~(3) This section subdivision shall remain in effect only until~~  
34 ~~become inoperative on January 1, 2026, and as of that date is~~  
35 ~~repealed. 2026.~~

36 *SEC. 16. Section 19332 of the Business and Professions Code*  
37 *is amended to read:*

38 19332. (a) The Department of Food and Agriculture shall  
39 promulgate regulations governing the licensing of indoor and  
40 outdoor commercial cultivation sites.

1 (b) The Department of Pesticide Regulation shall develop  
2 guidelines for the use of pesticides in the cultivation of cannabis  
3 and residue in harvested cannabis.

4 (c) The Department of Food and Agriculture shall serve as the  
5 lead agency for purposes of the California Environmental Quality  
6 Act (Division 13 (commencing with Section 21000) of the Public  
7 Resources Code) related to the licensing of cannabis cultivation.

8 (d) Pursuant to Section 13149 of the Water Code, the State  
9 Water Resources Control Board, in consultation with the  
10 Department of Fish and Wildlife and the Department of Food and  
11 Agriculture, shall ensure that individual and cumulative effects of  
12 water diversion and discharge associated with cultivation of  
13 cannabis do not affect the instream flows needed for fish spawning,  
14 migration, and rearing, and the flows needed to maintain natural  
15 flow variability.

16 (e) The Department of Food and Agriculture shall have the  
17 authority necessary for the implementation of the regulations it  
18 adopts pursuant to this chapter. The regulations shall do all of the  
19 following:

20 (1) Provide that weighing or measuring devices used in  
21 connection with the sale or distribution of medical cannabis are  
22 required to meet standards equivalent to Division 5 (commencing  
23 with Section 12001).

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

32 (3) Establish procedures for the issuance and revocation of  
33 unique identifiers for activities associated with a *medical* cannabis  
34 cultivation license, pursuant to Article 8 (commencing with Section  
35 19337). All *medical* cannabis shall be labeled with the unique  
36 identifier issued by the Department of Food and Agriculture.

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

1 (f) The Department of Pesticide Regulation shall require that  
2 the application of pesticides or other pest control in connection  
3 with the indoor or outdoor cultivation of medical cannabis complies  
4 with Division 6 (commencing with Section 11401) of the Food  
5 and Agricultural Code and its implementing regulations.

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

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

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

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

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

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

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

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

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

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

7 (10) Type 4, or “nursery,” for cultivation of medical cannabis  
8 solely as a nursery. Type 4 licensees may transport live plants, if  
9 the licensee also holds a Type 12 transporter license issued pursuant  
10 to this chapter.

11 *SEC. 17. Section 19334 of the Business and Professions Code*  
12 *is amended to read:*

13 19334. (a) State licenses to be issued by the Department of  
14 Consumer Affairs are as follows:

15 (1) (A) “Dispensary,” Type 10 license as defined in this chapter.  
16 This license shall allow for delivery pursuant to Section 19340.

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

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

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

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

34 (3) (A) “Producing dispensary,” Type 10A for dispensers who  
35 have no more than three licensed dispensary facilities and wish to  
36 hold either a cultivation or manufacturing license or both. This  
37 license shall allow for delivery where expressly authorized by local  
38 ordinance. Each dispensary must be individually licensed.

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

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

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

7 (4) “Transport,” Type 12 license for transporters of medical  
8 cannabis or medical cannabis products between licensees. A Type  
9 12 licensee shall be bonded and insured at a minimum level  
10 established by the licensing authority.

11 (b) The bureau shall establish minimum security requirements  
12 for the commercial transportation, storage, and delivery of medical  
13 cannabis and medical cannabis products.

14 ~~(e) The State Department of Public Health shall establish~~  
15 ~~minimum security requirements for the storage of medical cannabis~~  
16 ~~products at the manufacturing site.~~

17 ~~(d)~~

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

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

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

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

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

38 ~~(e)~~

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

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

6 (2) Diversion, theft, loss, or any criminal activity pertaining to  
7 the operation of the dispensary.

8 (3) Diversion, theft, loss, or any criminal activity by any agent  
9 or employee of the dispensary pertaining to the operation of the  
10 dispensary.

11 (4) The loss or unauthorized alteration of records related to  
12 medical cannabis or medical cannabis products, registered  
13 qualifying patients, primary caregivers, or dispensary employees  
14 or agents.

15 (5) Any other breach of security.

16 ~~SEC. 26.~~

17 *SEC. 18.* Section 19340 of the Business and Professions Code  
18 is amended to read:

19 19340. (a) Deliveries, as defined in this chapter, can only be  
20 made by a dispensary and in a city, county, or city and county that  
21 does not explicitly prohibit it by local ordinance.

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

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

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

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

39 (d) During delivery, the licensee shall maintain a physical copy  
40 of the delivery request and shall make it available upon request of

1 the licensing authority and law enforcement officers. The delivery  
2 request documentation shall comply with ~~state and federal law~~  
3 ~~regarding the protection of confidential medical information.~~ *all*  
4 *applicable privacy laws and regulations.*

5 (e) The qualified patient or primary caregiver requesting the  
6 delivery shall maintain a copy of the delivery request and shall  
7 make it available, upon request, to the licensing authority and law  
8 enforcement officers.

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

12 (g) The bureau shall establish the following regulations  
13 regarding the delivery of medical cannabis and medical cannabis  
14 products:

15 (1) Employee training standards that ensure qualified patients  
16 and primary caregivers have adequate information regarding the  
17 medical cannabis or medical cannabis products that a dispensary  
18 delivers, and to provide employees with information regarding  
19 state and federal laws and regulations.

20 (2) Protocols to provide qualified patients and primary caregivers  
21 with information regarding laws, regulations, and local ordinances  
22 relevant to providing medical cannabis or medical cannabis  
23 products to qualified patients and primary caregivers in the local  
24 jurisdiction in which the dispensary is located and the local  
25 jurisdiction in which the qualified patients and primary caregivers  
26 are located.

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

38 (4) The operating hours for delivery.

1 (5) A requirement that any person who delivers medical cannabis  
2 or medical cannabis products be employed by or contract with  
3 only one dispensary at a time.

4 (6) Minimum requirements for patient information that is stored  
5 by each delivery operation, including, but not limited to, the contact  
6 information for the patient and, if applicable, his or her primary  
7 caregiver, the physician's recommendation, and the identification  
8 card issued pursuant to Article 2.5 (commencing with Section  
9 11362.7) of Chapter 6 of Division 10 of the Health and Safety  
10 Code. All identifying information obtained about a qualified patient  
11 or primary caregiver shall be ~~obtained and stored in compliance~~  
12 ~~with the Confidentiality of Medical Information Act (Part 2.6~~  
13 ~~(commencing with Section 56) of Division 1 of the Civil Code)~~  
14 ~~and all other confidential and must be maintained and disclosed~~  
15 ~~pursuant to applicable privacy laws and regulations.~~

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

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

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

22 (3) Provide the bureau with necessary automobile and insurance  
23 information.

24 (4) Registration with the bureau.

25 ~~SEC. 27. Section 19342 of the Business and Professions Code~~  
26 ~~is amended to read:~~

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

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

1 ~~(e) A testing laboratory shall analyze samples according to the~~  
2 ~~following:~~

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

6 ~~(2) A scientifically valid methodology approved by the~~  
7 ~~accrediting body.~~

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

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

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

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

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

22 ~~(A) Tetrahydrocannabinol (THC).~~

23 ~~(B) Tetrahydrocannabinolic Acid (THCA).~~

24 ~~(C) Cannabidiol (CBD).~~

25 ~~(D) Cannabidiolic Acid (CBDA).~~

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

29 ~~(F) Cannabigerol (CBG).~~

30 ~~(G) Cannabinol (CBN).~~

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

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

38 ~~(A) Residual solvent or processing chemicals.~~

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

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

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

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

10     ~~SEC. 29. Section 19345 of the Business and Professions Code~~  
11 ~~is amended to read:~~

12     ~~19345. (a) Except as provided in this chapter, a licensed testing~~  
13 ~~laboratory shall not acquire or receive medical cannabis or medical~~  
14 ~~cannabis products except from a licensed facility in accordance~~  
15 ~~with this chapter, and shall not transfer or transport medical~~  
16 ~~cannabis or medical cannabis products, except to the licensed~~  
17 ~~facility from which the medical cannabis or medical cannabis~~  
18 ~~products were acquired or received. All transfer or transportation~~  
19 ~~shall be performed pursuant to a specified chain of custody~~  
20 ~~protocol.~~

21     ~~(b) A licensed testing laboratory may receive and test samples~~  
22 ~~of medical cannabis or medical cannabis products from a qualified~~  
23 ~~patient or primary caregiver only if he or she presents his or her~~  
24 ~~valid recommendation for cannabis for medical purposes from a~~  
25 ~~physician. A licensed testing laboratory shall not certify samples~~  
26 ~~from a qualified patient or caregiver for resale or transfer to another~~  
27 ~~party or licensee. All tests performed by a licensed testing~~  
28 ~~laboratory for a qualified patient or caregiver shall be recorded~~  
29 ~~with the name of the qualified patient or caregiver and the amount~~  
30 ~~of medical cannabis or medical cannabis product received.~~

31     ~~(c) The State Department of Public Health shall develop~~  
32 ~~procedures to ensure that testing of cannabis occurs prior to~~  
33 ~~transport to dispensaries or any other business, specify how often~~  
34 ~~licensees shall test cannabis and that the cost of testing shall be~~  
35 ~~borne by the licensed cultivators, and require destruction of~~  
36 ~~harvested batches whose testing samples indicate noncompliance~~  
37 ~~with health and safety standards promulgated by the State~~  
38 ~~Department of Public Health, unless remedial measures can bring~~  
39 ~~the cannabis into compliance with quality assurance standards as~~  
40 ~~promulgated by the State Department of Public Health.~~

1 ~~(d) The State Department of Public Health shall establish a~~  
2 ~~licensing fee, and laboratories shall pay a fee to be licensed.~~  
3 ~~Licensing fees shall not exceed the reasonable regulatory cost of~~  
4 ~~the licensing activities.~~

5 SEC. 30. ~~Section 19347 of the Business and Professions Code~~  
6 ~~is amended to read:~~

7 ~~19347. (a) Prior to delivery or sale at a dispensary, medical~~  
8 ~~cannabis products shall be labeled and in a tamper-evident package.~~  
9 ~~Labels and packages of medical cannabis products shall meet the~~  
10 ~~following requirements:~~

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

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

16 ~~(A) Manufacture date and source.~~

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

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

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

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

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

27 ~~(G) For packages containing only dried flower, the net weight~~  
28 ~~of medical cannabis in the package.~~

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

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

36 ~~(J) Clear indication, in bold type, that the product contains~~  
37 ~~medical cannabis.~~

38 ~~(K) Identification of the source and date of cultivation and~~  
39 ~~manufacture.~~

1 ~~(L) Any other requirement set by the State Department of Public~~  
2 ~~Health.~~

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

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

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

11 ~~19350. Each licensing authority shall establish a scale of~~  
12 ~~application, licensing, and renewal fees, based upon the cost of~~  
13 ~~enforcing this chapter, as follows:~~

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

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

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

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

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

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

3 19351. (a) The Medical Cannabis Regulation and Safety Act  
 4 Fund is hereby established within the State Treasury. Moneys in  
 5 the fund shall be available upon appropriation by the Legislature.  
 6 Notwithstanding Section 16305.7 of the Government Code, the  
 7 fund shall include any interest and dividends earned on the moneys  
 8 in the fund.

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

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

22 (3) The Director of Finance may provide an initial operating  
 23 loan from the General Fund to the Medical Cannabis Regulation  
 24 and Safety Act Fund that does not exceed ten million dollars  
 25 (\$10,000,000).

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

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

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

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

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

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

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

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

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

36 ~~(c) Notwithstanding subdivision (a), criminal penalties shall~~  
37 ~~continue to apply to an unlicensed person or entity engaging in~~  
38 ~~commercial cannabis activity in violation of this chapter, including,~~  
39 ~~but not limited to, those individuals covered under Section 11362.7~~  
40 ~~of the Health and Safety Code.~~

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

3     ~~12025. (a) In addition to any penalties imposed by any other~~  
4     ~~law, a person found to have violated the code sections described~~  
5     ~~in paragraphs (1) to (11), inclusive, in connection with the~~  
6     ~~production or cultivation of a controlled substance on land under~~  
7     ~~the management of the Department of Parks and Recreation, the~~  
8     ~~Department of Fish and Wildlife, the Department of Forestry and~~  
9     ~~Fire Protection, the State Lands Commission, a regional park~~  
10    ~~district, the United States Forest Service, or the United States~~  
11    ~~Bureau of Land Management, or within the respective ownership~~  
12    ~~of a timberland production zone, as defined in Chapter 6.7~~  
13    ~~(commencing with Section 51100) of Part 1 of Division 1 of Title~~  
14    ~~5 of the Government Code, of more than 50,000 acres, or while~~  
15    ~~trespassing on other public or private land in connection with the~~  
16    ~~production or cultivation of a controlled substance, shall be liable~~  
17    ~~for a civil penalty as follows:~~

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

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

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

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

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

39    ~~(6) A person who violates subdivision (b) of Section 374.8 of~~  
40    ~~the Penal Code in connection with the production or cultivation~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34 ~~(2) Each day that a violation of a code section described in this~~  
35 ~~subdivision occurs or continues to occur shall constitute a separate~~  
36 ~~violation.~~

37 ~~(e) The civil penalty imposed for each separate violation~~  
38 ~~pursuant to this section is in addition to any other civil penalty~~  
39 ~~imposed for another violation of this section, or any violation of~~  
40 ~~any other law.~~

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

5 ~~(1) Thirty percent shall be distributed to the county in which~~  
6 ~~the violation was committed pursuant to Section 13003. The county~~  
7 ~~board of supervisors shall first use any revenues from those~~  
8 ~~penalties to reimburse the costs incurred by the district attorney~~  
9 ~~or city attorney in investigating and prosecuting the violation.~~

10 ~~(2) (A) Thirty percent shall be distributed to the investigating~~  
11 ~~agency to be used to reimburse the cost of any investigation directly~~  
12 ~~related to the violations described in this section.~~

13 ~~(B) If the department receives reimbursement pursuant to this~~  
14 ~~paragraph for activities funded pursuant to subdivision (f) of~~  
15 ~~Section 4629.6 of the Public Resources Code, the reimbursement~~  
16 ~~funds shall be deposited into the Timber Regulation and Forest~~  
17 ~~Restoration Fund, created by Section 4629.3 of the Public~~  
18 ~~Resources Code, if there is an unpaid balance for a loan authorized~~  
19 ~~by subdivision (f) of Section 4629.6 of the Public Resources Code.~~

20 ~~(3) Forty percent shall be deposited into the Timber Regulation~~  
21 ~~and Forest Restoration Fund, created by Section 4629.3 of the~~  
22 ~~Public Resources Code, and used for grants authorized pursuant~~  
23 ~~to Section 4629.6 of the Public Resources Code that improve forest~~  
24 ~~health by remediating former cannabis growing operations.~~

25 ~~(e) Civil penalties authorized pursuant to this section may be~~  
26 ~~imposed administratively by the department if all of the following~~  
27 ~~occur:~~

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

36 ~~(2) The complaint and order is served by personal notice or~~  
37 ~~certified mail and informs the party served that the party may~~  
38 ~~request a hearing not later than 20 days from the date of service.~~  
39 ~~If a hearing is requested, it shall be scheduled before the director~~  
40 ~~or his or her designee, which designee shall not be the chief deputy~~

1 or assistant chief issuing the complaint and order. A request for a  
 2 hearing shall contain a brief statement of the material facts the  
 3 party claims support his or her contention that no administrative  
 4 penalty should be imposed or that an administrative penalty of a  
 5 lesser amount is warranted. A party served with a complaint  
 6 pursuant to this subdivision waives his or her right to a hearing if  
 7 a hearing is not requested within 20 days of service of the  
 8 complaint, in which case the order imposing the administrative  
 9 penalty shall become final.

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

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

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

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

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

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

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

8 ~~(h) For purposes of this section, “controlled substance” has the~~  
9 ~~same meaning as defined in Section 11007 of the Health and Safety~~  
10 ~~Code.~~

11 ~~(i) This section does not apply to any activity in full compliance~~  
12 ~~with the Medical Cannabis Regulation and Safety Act (Chapter~~  
13 ~~3.5 (commencing with Section 19300) of Division 8 of the Business~~  
14 ~~and Professions Code).~~

15 ~~SEC. 35. Section 12029 of the Fish and Game Code is amended~~  
16 ~~to read:~~

17 ~~12029. (a) The Legislature finds and declares all of the~~  
18 ~~following:~~

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

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

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

35 ~~(c) The department, in coordination with the State Water~~  
36 ~~Resources Control Board, shall establish a permanent multiagency~~  
37 ~~task force to address the environmental impacts of cannabis~~  
38 ~~cultivation. The multiagency task force, to the extent feasible and~~  
39 ~~subject to available resources, shall expand its enforcement efforts~~  
40 ~~on a statewide level to ensure the reduction of adverse impacts of~~

1 ~~cannabis cultivation on fish and wildlife and their habitats~~  
2 ~~throughout the state.~~

3 ~~(d) In order to facilitate the remediation and permitting of~~  
4 ~~cannabis cultivation sites, the department shall adopt regulations~~  
5 ~~to enhance the fees on medical-cannabis-cultivation-related~~  
6 ~~activities subject to Section 1602 for cannabis cultivation sites that~~  
7 ~~require remediation. The fee schedule established pursuant to this~~  
8 ~~subdivision shall not exceed the fee limits in Section 1609.~~

9 *SEC. 19. Section 19341 of the Business and Professions Code*  
10 *is amended to read:*

11 19341. The State Department of Public Health shall promulgate  
12 regulations governing the licensing of manufacturers. *The State*  
13 *Department of Public Health shall establish minimum security*  
14 *requirements for the storage of medical cannabis products at the*  
15 *manufacturing site.* The State Department of Public Health shall  
16 develop standards for the manufacturing and labeling of all  
17 manufactured medical cannabis products. Licenses to be issued  
18 are as follows:

19 (a) “Manufacturing level 1,” for manufacturing sites that produce  
20 medical cannabis products using nonvolatile solvents.

21 (b) “Manufacturing level 2,” for manufacturing sites that  
22 produce medical cannabis products using volatile solvents. The  
23 State Department of Public Health shall limit the number of  
24 licenses of this type.

25 *SEC. 20. Section 19344 of the Business and Professions Code*  
26 *is amended to read:*

27 19344. (a) A testing laboratory shall issue a certificate of  
28 analysis for each lot, with supporting data, to report both of the  
29 following:

30 (1) Whether the chemical profile of the lot conforms to the  
31 specifications of the lot for compounds, including, but not limited  
32 to, all of the following, unless limited through regulation by the  
33 bureau:

34 (A) Tetrahydrocannabinol (THC).

35 (B) Tetrahydrocannabinolic Acid (THCA).

36 (C) Cannabidiol (CBD).

37 (D) Cannabidiolic Acid (CBDA).

38 (E) Terpenes required by the bureau in a regulation.

39 (F) Cannabigerol (CBG).

40 (G) Cannabinol (CBN).

1 (H) Any other compounds or contaminants required by the  
2 bureau.

3 (2) That the presence of contaminants does not exceed the levels  
4 set by the bureau. In setting the levels, the bureau shall consider  
5 the American Herbal Pharmacopoeia monograph, guidelines set  
6 by the Department of Pesticide Regulation pursuant to subdivision  
7 (b) of Section 19332, and any other relevant ~~sources~~ *sources*,  
8 *including, but not limited to:*

9 (A) Residual solvent or processing chemicals.

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

12 (C) Microbiological impurities as identified by the bureau in  
13 regulation.

14 (b) Residual levels of volatile organic compounds shall be below  
15 the lesser of either the specifications set by the ~~United States~~  
16 ~~Pharmacopeia (U.S.P. Chapter 467)~~ or those set by the bureau.

17 (c) *The bureau shall conduct periodic audits of the results of*  
18 *testing laboratories to verify their accuracy.*

19 *SEC. 21. Section 19345 of the Business and Professions Code*  
20 *is amended to read:*

21 19345. (a) Except as provided in this chapter, a *licensed* testing  
22 laboratory shall not acquire or receive medical cannabis or medical  
23 cannabis products except from a licensee in accordance with this  
24 chapter, and shall not ~~distribute, sell, deliver, transfer, transport,~~  
25 ~~or dispense~~ *transfer or transport* medical cannabis or medical  
26 cannabis products, from the licensed premises the medical cannabis  
27 or medical cannabis products were acquired or received. All  
28 transfer or transportation shall be performed pursuant to a specified  
29 chain of custody protocol.

30 (b) A *licensed* testing laboratory may receive and test samples  
31 of medical cannabis or medical cannabis products from a qualified  
32 patient or primary caregiver only if he or she presents his or her  
33 valid recommendation for cannabis for medical purposes from a  
34 physician. A *licensed* testing laboratory shall not certify samples  
35 from a qualified patient or caregiver for resale or transfer to another  
36 party or licensee. All tests performed by a *licensed* testing  
37 laboratory for a qualified patient or caregiver shall be recorded  
38 with the name of the qualified patient or caregiver and the amount  
39 of medical cannabis or medical cannabis product received.

1 (c) The bureau shall develop procedures related to all of the  
2 following:

3 (1) Ensuring that testing of medical cannabis and medical  
4 cannabis products occurs prior to ~~delivery~~ *transport* to dispensaries  
5 or any other business.

6 (2) Specifying how often licensees shall test medical cannabis  
7 and medical cannabis products.

8 (3) Requiring the destruction of harvested batches whose testing  
9 samples indicate noncompliance with health and safety standards  
10 required by state law, unless remedial measures can bring the  
11 medical cannabis or medical cannabis products into compliance  
12 with quality assurance standards as specified by state law.

13 (d) Cultivators and manufacturers shall pay all costs related to  
14 and associated with the testing of medical cannabis and medical  
15 cannabis products required by this chapter.

16 *SEC. 22. Section 19350 of the Business and Professions Code*  
17 *is amended to read:*

18 19350. Each licensing authority shall establish a scale of  
19 application, licensing, and renewal fees, based upon the cost of  
20 enforcing this chapter, as follows:

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

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

35 (c) All license fees shall be set on a scaled basis by the licensing  
36 authority, dependent on the size of the business. License fees shall  
37 cover the costs of administering the track and trace program  
38 managed by the Department of Food and Agriculture, as identified  
39 in Article 7.5 (commencing with Section 19335).

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

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

11 *SEC. 23. Section 19351 of the Business and Professions Code*  
12 *is amended to read:*

13 19351. (a) The Medical Cannabis Regulation and Safety Act  
14 Fund is hereby established within the State Treasury. Moneys in  
15 the fund shall be available upon appropriation by the Legislature.  
16 Notwithstanding Section 16305.7 of the Government Code, the  
17 fund shall include any interest and dividends earned on the moneys  
18 in the fund.

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

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

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

36 (c) Except as otherwise provided, all moneys collected pursuant  
37 to this chapter as a result of fines or penalties imposed under this  
38 chapter shall be deposited directly into the Medical Cannabis Fines  
39 and Penalties Account, which is hereby established within the  
40 fund, and shall be available, upon appropriation by the Legislature

1 to the bureau, for the purposes of funding the enforcement grant  
2 program pursuant to subdivision (d).

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

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

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

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

15 (3) The grant program established by this subdivision shall only  
16 be implemented after the loan specified in ~~this section~~ *subdivision*  
17 *(b)* is repaid.

18 *SEC. 24. Section 19360 of the Business and Professions Code*  
19 *is amended to read:*

20 19360. (a) A person engaging in commercial cannabis activity  
21 without a license and associated unique identifiers required by this  
22 chapter shall be subject to civil penalties of up to twice the amount  
23 of the license fee for each violation, and the department, state or  
24 local authority, or court may order the destruction of medical  
25 cannabis associated with that violation. A violator shall be  
26 responsible for the cost of the destruction of medical cannabis  
27 associated with his or her violation, in addition to any amount  
28 covered by a bond required as a condition of licensure. Each day  
29 of operation shall constitute a separate violation of this section.  
30 All civil penalties imposed and collected pursuant to this section  
31 by a licensing authority shall be deposited into the Medical  
32 Cannabis Fines and Penalties Account established pursuant to  
33 ~~Section 19351. 19351~~, *except as provided in subdivision (b)*.

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

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

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

14 *SEC. 25. Section 12029 of the Fish and Game Code is amended*  
15 *to read:*

16 12029. (a) The Legislature finds and declares all of the  
17 following:

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

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

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

34 (c) The department, in coordination with the State Water  
35 Resources Control Board and the Department of Food and  
36 Agriculture, shall establish a permanent multiagency task force to  
37 address the environmental impacts of cannabis cultivation. The  
38 multiagency task force, to the extent feasible and subject to  
39 available resources, shall expand its enforcement efforts on a  
40 statewide level to ensure the reduction of adverse impacts of

1 cannabis cultivation on fish and wildlife and their habitats  
2 throughout the state.

3 (d) In order to facilitate the remediation and permitting of  
4 cannabis cultivation sites, the department may adopt regulations  
5 to enhance the fees on ~~any entity~~ *medical cannabis cultivation*  
6 *related activities* subject to Section 1602 for cannabis cultivation  
7 sites that require remediation. The fee schedule established  
8 pursuant to this subdivision shall not exceed the fee limits in  
9 Section 1609.

10 ~~SEC. 36.~~

11 *SEC. 26.* Section 52334 of the Food and Agricultural Code is  
12 amended to read:

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

20 (b) An ordinance that regulates cannabis or marijuana as defined  
21 in subdivision (f) of Section 19300.5 of the Business and  
22 Professions Code, or medical cannabis or medical marijuana, as  
23 defined in subdivision (ag) of Section 19300.5 of the Business and  
24 Professions Code, shall not require the consent of the secretary.

25 ~~SEC. 37.~~

26 *SEC. 27.* Section 11362.765 of the Health and Safety Code is  
27 amended to read:

28 11362.765. (a) Subject to the requirements of this article, the  
29 individuals specified in subdivision (b) shall not be subject, on  
30 that sole basis, to criminal liability under Section 11357, 11358,  
31 11359, 11360, 11366, 11366.5, or 11570. However, nothing in  
32 this section shall authorize the individual to smoke or otherwise  
33 consume cannabis unless otherwise authorized by this article, nor  
34 shall anything in this section authorize any individual or group to  
35 cultivate or distribute cannabis in any manner other than as set  
36 forth in this article, the Medical Cannabis Regulation and Safety  
37 Act (Chapter 3.5 (commencing with Section 19300) of Division  
38 8 of the Business and Professions Code), or as described in the  
39 Compassionate Use Act of 1996.

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

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

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

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

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

24 ~~SEC. 38.— Section 11362.775 of the Health and Safety Code is~~  
25 ~~amended to read:~~

26 ~~11362.775.— (a) Subject to subdivision (d), qualified patients,~~  
27 ~~persons with valid identification cards, and the designated primary~~  
28 ~~caregivers of qualified patients and persons with identification~~  
29 ~~cards, who associate within the State of California in order~~  
30 ~~collectively or cooperatively to cultivate cannabis for medical~~  
31 ~~purposes, shall not solely on the basis of that fact be subject to~~  
32 ~~state criminal sanctions under Section 11357, 11358, 11359, 11360,~~  
33 ~~11366, 11366.5, or 11570. A collective or cooperative that operates~~  
34 ~~pursuant to this section may operate for profit, not for profit, or~~  
35 ~~any combination thereof. A collective or cooperative that operates~~  
36 ~~for profit shall only retain the protections of this section if it~~  
37 ~~possesses a valid, Board of Equalization-issued sellers permit and~~  
38 ~~a valid local license, permit, or other authorization.~~

39 ~~(b) (1) It is unlawful for qualified patients, persons with valid~~  
40 ~~identification cards, and the designated primary caregivers of~~

~~1 qualified patients and persons with identification cards, who  
2 associate within the state in order collectively or cooperatively to  
3 cultivate cannabis for medical purposes, to submit for placement  
4 an advertisement that fails to include in the text of the  
5 advertisement the collective or cooperative's valid State Board of  
6 Equalization issued seller's permit number.~~

~~7 (2) A violation of this subdivision is an infraction, punishable  
8 by a fine of five hundred dollars (\$500).~~

~~9 (3) For purposes of this section, "advertisement" means a notice,  
10 announcement, or information in a public medium, including, but  
11 not limited to, television, Internet Web site, billboard, or printed  
12 publication, that promotes a location where medical cannabis is  
13 sold or dispensed or a service that is involved in the delivery of  
14 medical cannabis.~~

~~15 (e) A collective or cooperative that operates pursuant to this  
16 section and manufactures medical cannabis products shall not,  
17 solely on the basis of that fact, be subject to state criminal sanctions  
18 under Section 11379.6 if the collective or cooperative abides by  
19 all of the following requirements:~~

~~20 (1) Utilizes only nonvolatile solvents, as provided in the Medical  
21 Cannabis Regulation and Safety Act (Chapter 3.5 (commencing  
22 with Section 19300) of Division 8 of the Business and Professions  
23 Code) or any regulations adopted pursuant to that act.~~

~~24 (2) Is in possession of a valid seller's permit issued by the State  
25 Board of Equalization.~~

~~26 (3) Is in possession of a valid local license, permit, or other  
27 authorization specific to the manufacturing of medical cannabis  
28 products.~~

~~29 (4) For purposes of this subdivision, "manufacturing" includes  
30 compounding, converting, producing, deriving, processing, or  
31 preparing, either directly or indirectly by chemical extraction or  
32 independently by means of chemical synthesis, medical cannabis  
33 products.~~

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

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

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

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

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

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

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

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

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

1 the city, county, or city and county and a state medical cannabis  
2 cultivation license from the department.

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

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

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

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

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

34 (e) (1) The department, in consultation with, but not limited  
35 to, the Bureau of Medical Cannabis Regulation, the State Water  
36 Resources Control Board, and the Department of Fish and Wildlife,  
37 shall implement a unique identification program for medical  
38 cannabis. In implementing the program, the department shall  
39 consider issues, including, but not limited to, water use and

1 environmental impacts. In implementing the program, the  
2 department shall ensure that:

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

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

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

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

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

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

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

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

30 (2) Unique identifiers and associated identifying information  
31 administered by a city, county, or city and county shall adhere to  
32 the requirements set by the department and be the equivalent to  
33 those administered by the department.

34 (g) This section does not apply to a qualified patient cultivating  
35 cannabis pursuant to Section 11362.5 if the area he or she uses to  
36 cultivate cannabis does not exceed 100 square feet and he or she  
37 cultivates cannabis for his or her personal medical use and does  
38 not sell, distribute, donate, or provide cannabis to any other person  
39 or entity. This section does not apply to a primary caregiver  
40 cultivating cannabis pursuant to Section 11362.5 if the area he or

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

14 *SEC. 28. Section 11362.775 of the Health and Safety Code is*  
15 *amended to read:*

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

30 (b) (1) *It is unlawful for qualified patients, persons with valid*  
31 *identification cards, and the designated primary caregivers of*  
32 *qualified patients and persons with identification cards, who*  
33 *associate within the state in order collectively or cooperatively to*  
34 *cultivate cannabis for medical purposes, to submit for placement*  
35 *an advertisement that fails to include in the text of the*  
36 *advertisement the collective's or cooperative's valid State Board*  
37 *of Equalization-issued seller's permit number.*

38 (2) *A violation of this subdivision is an infraction, punishable*  
39 *by a fine of five hundred dollars (\$500) for the first violation and*  
40 *one thousand dollars (\$1,000) for each subsequent violation.*

1 *Actions pursuant to this section may be brought by the Attorney*  
2 *General in the name of the people of the state, by a district*  
3 *attorney, by a city attorney, or by a city prosecutor in a city or city*  
4 *and county having a full-time prosecutor.*

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

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

16 *(1) Utilizes only manufacturing processes that are either*  
17 *solventless or employ only nonflammable, nontoxic, food grade*  
18 *solvents as provided in the Medical Cannabis Regulation and*  
19 *Safety Act (Chapter 3.5 (commencing with Section 19300) of*  
20 *Division 8 of the Business and Professions Code) or pursuant to*  
21 *any regulations adopted pursuant to that act.*

22 *(2) Is in possession of a valid seller’s permit issued by the State*  
23 *Board of Equalization.*

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

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

32 ~~(b)~~

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

39 ~~(e)~~

1 (e) This section is repealed one year after the date upon which  
2 the notice is posted pursuant to subdivision ~~(b)~~: (d).

3 SEC. 29. Section 11362.777 of the Health and Safety Code is  
4 amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 cannabis. In implementing the program, the department shall  
2 consider issues, including, but not limited to, water use and  
3 environmental impacts. In implementing the program, the  
4 department shall ensure compliance with Section 19332.2 of the  
5 Business and Professions Code.

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

12 (A) Unique identifiers will only be issued to those persons  
13 appropriately licensed by this section.

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

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

20 (D) The department may promulgate regulations to implement  
21 this section.

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

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

29 (2) Unique identifiers and associated identifying information  
30 administered by a city, county, or city and county shall adhere to  
31 the requirements set by the department and be the equivalent to  
32 those administered by the department.

33 (g) This section does not apply to a qualified patient cultivating  
34 cannabis pursuant to Section 11362.5 if the area he or she uses to  
35 cultivate cannabis does not exceed 100 square feet and he or she  
36 cultivates cannabis for his or her personal medical use and does  
37 not sell, distribute, donate, or provide cannabis to any other person  
38 or entity. This section does not apply to a primary caregiver  
39 cultivating cannabis pursuant to Section 11362.5 if the area he or  
40 she uses to cultivate cannabis does not exceed 500 square feet and

1 he or she cultivates cannabis exclusively for the personal medical  
2 use of no more than five specified qualified patients for whom he  
3 or she is the primary caregiver within the meaning of Section  
4 11362.7 and does not receive remuneration for these activities,  
5 except for compensation provided in full compliance with  
6 subdivision (c) of Section 11362.765. For purposes of this section,  
7 the area used to cultivate cannabis shall be measured by the  
8 aggregate area of vegetative growth of live cannabis plants on the  
9 premises. Exemption from the requirements of this section does  
10 not limit or prevent a city, county, or city and county from  
11 exercising its police authority under Section 7 of Article XI of the  
12 California Constitution.

13 ~~SEC. 40.~~

14 *SEC. 30.* No reimbursement is required by this act pursuant to  
15 Section 6 of Article XIII B of the California Constitution because  
16 the only costs that may be incurred by a local agency or school  
17 district will be incurred because this act creates a new crime or  
18 infraction, eliminates a crime or infraction, or changes the penalty  
19 for a crime or infraction, within the meaning of Section 17556 of  
20 the Government Code, or changes the definition of a crime within  
21 the meaning of Section 6 of Article XIII B of the California  
22 Constitution.