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AB-141 Budget Act of 2021: Department of Cannabis Control: licensure: safety and quality assurance.
(2021-2022)

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Assembly Bill No. 141

CHAPTER 70

An act to amend Sections 27, 101, 144, 26001, 26010, 26010.5, 26011, 26011.5, 26012, 26013, 26013.5, 26014, 26015, 26016, 26017, 26018, 26030, 26031, 26031.5, 26034, 26035, 26038, 26041, 26043, 26044, 26045, 26046, 26047, 26050, 26050.2, 26051, 26051.5, 26053, 26054, 26055, 26057, 26058, 26060, 26060.1, 26061, 26062, 26063, 26067, 26068, 26069, 26070, 26070.5, 26090, 26100, 26102, 26104, 26110, 26120, 26130, 26140, 26153, 26160, 26161, 26162, 26163, 26180, 26190, 26190.5, 26191, 26200, 26202, 26210, 26210.5, 26211, 26223, 26240, 26242, 26244, 26246, 26248, 26249, and 26260 of, to amend and renumber Sections 26069.1, 26069.5, 26105, 26106, 26121, 26131, 26132, 26133, and 26135 of, to add Sections 26010.7, 26012.5, 26031.01, 26031.1, 26031.2, 26037.5, and 26153.1 to, and to repeal Sections 26001.1, 26054.2, 26069.9, and 26134 of, the Business and Professions Code, to amend Sections 1602 and 12029 of the Fish and Game Code, to amend Sections 52452 and 81006 of the Food and Agricultural Code, to amend Sections 9147.7, 11041, and 20391 of the Government Code, to amend Section 11474 of the Health and Safety Code, to amend Sections 830.2, 830.11, 30625, and 32000 of the Penal Code, to amend Sections 6414, 34010, 34011, 34012, and 34019 of, and to add Section 34012.2 to, the Revenue and Taxation Code, and to amend Section 13149 of the Water Code, relating to cannabis, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor July 12, 2021. Filed with Secretary of State July 12, 2021.]

LEGISLATIVE COUNSEL'S DIGEST

AB 141, Committee on Budget. Budget Act of 2021: Department of Cannabis Control: licensure: safety and quality assurance.

Existing law, the Control, Regulate and Tax Adult Use of Marijuana Act of 2016 (AUMA), an initiative measure approved as Proposition 64 at the November 8, 2016, statewide general election, authorizes a person who obtains a state license under AUMA to engage in commercial adult-use cannabis activity pursuant to that license and applicable local ordinances.

Existing law, the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), among other things, consolidates the licensure and regulation of commercial medicinal and adult-use cannabis activities. MAUCRSA generally divides responsibility for the state licensure and regulation of commercial cannabis activity among the Bureau of Cannabis Control in the Department of Consumer Affairs, the Department of Food and Agriculture, and the State Department of Public Health.

This bill would establish the Department of Cannabis Control within the Business, Consumer Services, and Housing Agency, would transfer to this department the powers, duties, purposes, functions, responsibilities, and jurisdiction of the bureau, the Department of Food and Agriculture, and the State Department of Public Health under MAUCRSA, except as specified, and would make conforming changes. The bill would require the department to be under the supervision and control of a director.

MAUCRSA defines commercial cannabis activity for purposes of the act to include the cultivation, possession, manufacture, distribution, processing, storing, laboratory testing, packaging, labeling, transportation, delivery, or sale of cannabis and cannabis products as provided for in MAUCRSA. MAUCRSA defines “manufacture” for purposes of the act to mean to compound, blend, extract, infuse, or otherwise make or prepare a cannabis product. MAUCRSA defines “manufacturer” for purposes of the act to mean a licensee that conducts the production, preparation, propagation, or compounding of cannabis or cannabis products either directly or indirectly or by extraction methods, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis at a fixed location that packages or repackages cannabis or cannabis products or labels or relabels its container.

This bill would revise the definition of “commercial cannabis” to include acting as a cannabis event organizer for temporary cannabis events. The bill would revise the definition of “manufacture” to include package or label a cannabis product. The bill would remove the definition of “manufacturer.”

MAUCRSA authorizes licensing authorities to create, issue, deny, renew, discipline, suspend, or revoke licenses.

This bill would require the Department of Cannabis Control to provide information on its internet website related to the status of every license issued by the department, including the county of a licensee’s address of record. The bill would require, beginning January 1, 2022, this information to include information on suspensions and revocations of licenses and final decisions adopted by the department. The bill would prohibit the sharing of personal identifying information, including home addresses, home telephone numbers, dates of birth, or social security numbers.

MAUCRSA, until January 1, 2022, authorizes a licensing authority, in its sole discretion, to issue a provisional license if the applicant has submitted a completed license application to the licensing authority, including evidence that compliance with the California Environmental Quality Act or local cannabis ordinances is underway, if applicable, as specified.

This bill, instead, would authorize the Department of Cannabis Control to issue provisional licenses until June 30, 2022. For an application for a new provisional license that includes cultivation activities, the bill would require an applicant to submit certain documentation to the department regarding a lake or streambed alteration agreement. The bill would also prohibit the department from renewing a provisional license under certain circumstances, including if the applicant does not submit certain documentation regarding a lake or streambed alteration agreement. The bill would also prohibit the department from issuing a provisional cultivation license if the application is submitted after January 1, 2022, and the provisional license would cause a licensee to hold multiple cultivation licenses on contiguous premises to exceed a specified size. The bill would prohibit the department from renewing a provisional cultivation license if the license would cause a licensee to hold multiple cultivation licenses on contiguous premises to exceed a specified size. The bill would, as of January 1, 2024, terminate any provisional cultivation license that causes a licensee to hold multiple cultivation licenses on contiguous premises to exceed a specified size. The bill would prohibit the department from renewing a provisional license after January 1, 2025, and would provide that no provisional license shall be effective after January 1, 2026. The bill would extend the operative date of these provisional license provisions to January 1, 2026. By extending provisional licensure, the applications for which are required to be signed under penalty of perjury, the bill would expand the scope of the crime of perjury, and would thereby impose a state-mandated local program.

MAUCRSA requires the Department of Food and Agriculture to establish a program for cannabis, and requires the State Department of Public Health to establish a certification program for manufactured cannabis products, that are comparable to the federal National Organic Program and the California Organic Food and Farming Act. Existing law makes the authority to establish these programs inoperative if the federal National Organic Program authorizes organic designation and certification for cannabis. Existing law prohibits a person from representing, selling, or offering for sale any cannabis or cannabis products as organic or with the designation or certification established by the Department of Food and Agriculture or the State Department of Public Health, except as provided.

This bill would authorize the Department of Food and Agriculture and the State Department of Public Health to collect fees to cover the reasonable regulatory costs of performing the duties relating to their respective programs and to levy civil penalties, and to deny, suspend, or revoke a registration or certification issued pursuant those programs, for specified violations. The bill would require the penalties or fees collected by the Department of Food and Agriculture to be deposited in the Department of Food and Agriculture Fund and would require the penalties or fees collected by the State Department of Public Health to be deposited in the Food Safety Fund.

MAUCRSA requires the Department of Food and Agriculture, no later than January 1, 2021, to establish a process by which licensed cultivators may establish appellations of origin for cannabis produced in certain geographical areas of California, instead of by county or city.

This bill would authorize the Department of Food and Agriculture to collect fees to cover the reasonable regulatory costs of performing the duties relating to the appellation of origin provisions for geographical areas of the state. The bill would require these fees to be deposited in the Department of Food and Agriculture Fund.

Existing law requires certain state agencies to obtain written consent from the Attorney General before employing legal counsel to represent those agencies in certain judicial or administrative adjudicative proceedings and before contracting with outside counsel.

This bill would exempt the Department of Cannabis Control from the above-described requirement except in proceedings in state and federal court.

Existing law makes it a crime to possess an assault weapon, and a crime to possess or manufacture, distribute, transport, import for sale, keep for sale, offer or expose for sale, or give or lend any .50 BMG rifle. Under existing law, these prohibitions on assault weapons and .50 BMG rifles do not apply to the sale to, purchase by, importation of, or possession by specified entities, including the Department of Corrections and Rehabilitation and the Department of the California Highway Patrol.

This bill would add the Department of Cannabis Control to the list of exempted entities.

Existing law prohibits the manufacture, importation, sale, or transfer of an unsafe handgun, as defined. Existing law exempts from this prohibition sales to specified law enforcement agencies or other specified government agencies for use by specified employees and sales to specified peace officers. Existing law further requires that the sale of an unsafe handgun to certain specified entities, including a county probation department, and members of those entities, is only authorized if the handgun is to be used as a service weapon by a peace officer who has successfully completed the basic course prescribed by the Commission on Peace Officer Standards and Training (POST) and who qualifies with the handgun, as specified, at least every 6 months.

This bill would add the Department of Cannabis Control to the list of entities to which an unsafe handgun may be sold if the unsafe handgun is to be used as a service weapon by a peace officer as described.

MAUCRSA, for purposes of the California Cannabis Equity Act, defines local equity program as a program adopted or operated by a local jurisdiction that focuses on inclusion and support of individuals and communities in California's cannabis industry who are linked to populations or neighborhoods that were negatively or disproportionately impacted by cannabis criminalization, as specified. MAUCRSA requires the bureau to administer a grant program to assist a local jurisdiction with the development of a local equity program or to assist local equity applicants and local equity licensees through a local equity program, as specified. MAUCRSA authorizes the bureau to enter into an interagency agreement with the Governor's Office of Business and Economic Development (GO-Biz) to administer the grant program, and grants GO-Biz all powers and authority granted to the bureau in specified provisions related to administering the grant program, as specified.

This bill instead would require GO-Biz to administer the grant program. The bill would also authorize the Governor to appoint a deputy director of equity and inclusion to the Department of Cannabis Control.

AUMA establishes the California Cannabis Tax Fund as a continuously appropriated fund consisting of specified taxes, interest, penalties, and other amounts imposed by AUMA. AUMA requires the Controller to make certain disbursements from the fund, including the reasonable costs incurred by the licensing authorities for implementing, administering, and enforcing MAUCRSA, as specified.

This bill additionally would require the Controller to disburse from the California Cannabis Tax Fund, without regard to fiscal year, the reasonable costs incurred by GO-Biz for implementing, administering, and enforcing the California Cannabis Equity Act.

MAUCRSA requires the bureau to convene an advisory committee to advise the licensing authorities on the development of standards and regulations pursuant to MAUCRSA.

This bill would require advisory committee members to be reimbursed from the Cannabis Control Fund for travel and other necessary expenses incurred in the performance of their duties.

MAUCRSA requires an applicant for a license to require each owner to electronically submit to the Department of Justice fingerprint images and specified related information for the purpose of obtaining certain criminal history information. MAUCRSA authorizes the licensing authorities to obtain and receive, at their discretion, criminal history information from the Department of Justice and the Federal Bureau of Investigation for an applicant.

This bill, instead, would authorize the Bureau of Cannabis Control, the Department of Food and Agriculture, the State Department of Public Health, and the Department of Cannabis Control to obtain that criminal history information. The bill would authorize these state agencies to request and receive from a local or state agency certified records of all arrests and convictions, certified records regarding probation, and any and all other related documentation needed to complete an applicant or licensee investigation. This bill would authorize a local or state agency to provide those records to those state agencies upon request. The bill, until July 1, 2022, would authorize employees of those state agencies acting on behalf of the department to receive the criminal history information of applicants.

MAUCRSA prohibits the disclosure of certain medical information, received and contained in records kept by the office or licensing authorities for the purposes of administering certain provisions of MAUCRSA, except as specified. MAUCRSA provides that this prohibition does not preclude notifications from a licensing authority to state or local agencies about apparent violations of an applicable local ordinance or a MAUCRSA provision relating to records of commercial cannabis activity.

This bill instead would provide that the prohibition does not preclude notifications from a licensing authority to state or local agencies about apparent violations of an applicable local ordinance or any MAUCRSA provision.

Existing law requires the Bureau of Cannabis Control to disclose information on its licensees.

This bill would repeal that requirement.

MAUCRSA requires a licensing authority to deny an application if either the applicant, or the premises for which a license is applied, do not qualify for licensure under MAUCRSA. MAUCRSA also authorizes a licensing authority to deny the application for licensure or renewal of a license for, among other reasons, failure or inability to comply with the provisions of MAUCRSA.

This bill would authorize the department to institute or continue a proceeding against an applicant who has withdrawn their application after it has been filed with the department, for the denial of the license upon any ground provided by law or to enter an order denying the license upon any ground.

If a licensee is found to have committed an act or omission constituting grounds for disciplinary action, MAUCRSA authorizes the licensing authority that issued the license to discipline the licensee and fine the licensee after proper notice and hearing to the licensee.

This bill would authorize the department to suspend a license before a hearing, as specified, if the license was acquired due to fraud, misrepresentation, deceit, or any material misstatement of fact in the application for the license.

This bill would authorize the department to institute or continue a disciplinary proceeding against a person whose license has been suspended, forfeited, or canceled by order of the department or by order of a court of law, or has been surrendered without the written consent of the department, upon any ground provided by law or to enter an order suspending or revoking the license or otherwise taking disciplinary action against the licensee on any such ground.

MAUCRSA establishes the Cannabis Control Appeals Panel in the Business, Consumer Services, and Housing Agency and authorizes any person aggrieved by specified decisions of a licensing authority related to disciplining any license to appeal the licensing authority's written decision to the panel. Existing administrative law establishes an executive director of the panel. MAUCRSA requires the Director of the Department of Consumer Affairs to furnish the equipment, supplies, and housing necessary for the authorized activities of the panel and to perform such other mechanics of administration as the panel and the director may agree upon.

This bill would instead require the executive director of the panel to furnish those equipment, supplies, and housing and to perform such other mechanics of administration as determined by the panel.

MAUCRSA authorizes an agent of a licensing authority to possess, transport, or obtain cannabis or cannabis products as necessary to conduct activities reasonably related to the duties of the licensing authority.

This bill would authorize an agent of a state or local agency to possess, transport, or obtain cannabis or cannabis products as necessary to conduct activities reasonably related to the duties of the state or local agency.

MAUCRSA prohibits cannabis and cannabis products from being sold unless a representative sample of specified batches has been tested by a licensed testing laboratory. MAUCRSA requires the testing laboratory to issue a certificate of analysis for selected lots of each batch to report specified information, including whether the chemical profile of the sample conforms to the labeled content of compounds. MAUCRSA requires a testing laboratory to destroy the remains of a sample of medical cannabis or medical cannabis product upon completion of the analysis.

This bill would also require the testing laboratory to destroy the remains of a sample of adult-use cannabis or adult-use cannabis product upon completion of the analysis.

MAUCRSA requires the bureau to develop procedures to require the destruction of harvested batches whose testing samples indicate noncompliance with certain health and safety standards, unless remedial measures can bring the cannabis or cannabis products into compliance with specified quality assurance standards. MAUCRSA defines harvest batch to mean a specifically identified quantity of dried flower or trim, leaves, and other cannabis plant matter that is uniform in strain, harvested at the same time, and, if applicable, cultivated using the same pesticides and other agricultural chemicals.

This bill would remove from that definition the specification that the cannabis plant matter be uniform in strain.

MAUCRSA requires the bureau to develop procedures to ensure that a testing laboratory employee takes the sample of cannabis or cannabis products from the distributor's premises for the required testing and that the testing laboratory employee transports the sample to the testing laboratory.

This bill would require the driver transporting the sample to be directly employed by the testing laboratory.

MAUCRSA, beginning January 1, 2018, authorizes a licensee to sell cannabis or cannabis products that have not been tested for a limited and finite time, as specified.

This bill would delete this provision.

This bill would authorize a testing laboratory to receive and test samples of cannabis or cannabis products from a licensed manufacturer or licensed cultivator for quality control purposes, and not for retail sale.

MAUCRSA prohibits a person that holds a state testing laboratory license from licensure for any other commercial cannabis activity. MAUCRSA prohibits a person that holds a state testing laboratory license from employing an individual who is also employed by any other cannabis licensee that does not hold a state testing laboratory license.

This bill would prohibit a person with a financial interest in a state testing laboratory license from holding a financial interest in any other type of cannabis license.

MAUCRSA places restrictions on the packaging and labeling of cannabis and cannabis products, including requiring that cannabis and cannabis products, prior to delivery or sale at retail, be labeled and placed in a resealable, tamper-evident, child-resistant package.

This bill would only require the packaging to be resealable if the cannabis or cannabis product contains multiple servings.

MAUCRSA requires all cannabis and cannabis product labels and inserts to include, among other things, identification of the source and date of cultivation and the date of manufacture and packaging.

This bill would remove the requirement that the labels and inserts include the source and date of cultivation and the date of manufacture.

MAUCRSA prohibits the manufacturing, sale, delivery, holding, or offering for sale of cannabis and cannabis products that are misbranded. MAUCRSA also prohibits the receipt in commerce of a cannabis product that is misbranded or delivery or offering to deliver a misbranded cannabis product. MAUCRSA defines "misbranded" for this purpose to include cannabis and cannabis products that are manufactured, packed, or held in this state in a manufacturing premises not duly licensed under MAUCRSA.

This bill would additionally prohibit the cultivation or processing of cannabis or cannabis products that are misbranded. The bill would prohibit the receipt in commerce of cannabis that is misbranded and the distribution of misbranded cannabis product. The bill would additionally include in the definition of "misbranded" cannabis or cannabis products that are, or consist of cannabis or cannabis products that are, cultivated, processed, manufactured, packed, or held in a location that is not licensed pursuant to MAUCRSA. By expanding the definition of crimes, this bill would impose a state-mandated local program.

MAUCRSA prohibits the manufacture, sale, delivery, holding, or offering for sale of a cannabis product that is adulterated and prohibits the adulteration of a cannabis product. MAUCRSA prohibits the receiving in commerce of a cannabis product that is adulterated or the delivery or profferal for delivery of an adulterated cannabis product. MAUCRSA defines "adulterated" for this purpose, including that the methods, facilities, or controls used for the manufacture, packing, or holding do not conform to the requirements of MAUCRSA, as specified.

This bill would additionally prohibit the cultivation of cannabis that is adulterated, the adulteration of cannabis, the distribution of cannabis or cannabis products that are adulterated, and the delivery or proffering for delivery of an adulterated cannabis product. The bill would include in the definition of "adulterated" for this purpose cannabis where the methods, facilities, or controls used for its cultivation do not conform with the requirements of MAUCRSA. By expanding the definition of crimes, this bill would impose a state-mandated local program.

MAUCRSA specifies the procedures for the State Department of Public Health to require a manufacturer to cease distribution of cannabis products and recall cannabis products that it determines are adulterated or misbranded. MAUCRSA authorizes the State Department of Public Health to affix a tag or other marking to cannabis that has been embargoed as adulterated or misbranded and prohibits the removal or disposal of the embargoed cannabis product until given permission by the department.

This bill would include cannabis in this procedure and would authorize a licensee to voluntarily recall the affected cannabis or cannabis product and either remediate or destroy the product. The bill would authorize a licensed cultivator to request permission for continued cultivation or harvesting of cannabis subject to embargo and would authorize the department to impose conditions

on the continued cultivation and harvest of embargoed cannabis. The bill would prohibit the correction of cannabis or cannabis products found at an unlicensed location or cultivated, processed, produced, or manufactured at an unlicensed location and would require the destruction of that embargoed cannabis or cannabis product.

MAUCRSA prohibits a licensee from giving away any amount of cannabis or cannabis product as part of a business promotion or other commercial activity.

This bill would require the Department of Cannabis Control to adopt regulations authorizing a licensee to designate cannabis or a cannabis product as a trade sample at any time while the cannabis or cannabis product is in the possession of the licensee, and would require the regulations to include a definition of trade sample and the quantity of cannabis and cannabis products that may be designated as trade samples. The bill would allow cannabis or cannabis products designated as trade samples to be given for targeted advertising, and would authorize the department to adopt regulations specifying additional purposes. The bill would require the trade samples to be subject to quality assurance and testing, recorded into the track and trace program, and labeled. The bill would authorize the trade samples to be transported between 2 licensees by specified employees. The bill would prohibit any payment, consideration, cost, or compensation in exchange for any cannabis or cannabis products designated as trade samples. The bill would have the provisions related to trade samples take effect upon adoption of regulations by the Department of Cannabis Control, as specified.

MAUCRSA imposes an excise tax on the purchase of cannabis and cannabis products, as defined, at the rate of 15% of the average market price of any retail sale by a cannabis retailer. AUMA additionally imposes a cultivation tax on all harvested cannabis that enters the commercial market upon all cultivators and requires a distributor or a manufacturer to collect that tax from a cultivator, as specified. Existing law requires the California Department of Tax and Fee Administration to administer both taxes.

This bill would require that the excise provisions not be construed to impose an excise tax on cannabis or cannabis products designated a trade sample.

This bill, on and after January 1, 2022, would exempt from the cultivation tax the cultivation of all harvested cannabis that has been, or will be, designated a trade sample and all harvested cannabis that is used to manufacture a cannabis product that is designated a trade sample. This bill would require the California Department of Tax and Fee Administration to adopt regulations prescribing the procedures for how the exemption will be implemented.

This bill would appropriate \$10,000 from the General Fund to the Department of Cannabis Control for purposes of implementing the provisions of the bill.

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.

AUMA authorizes the Legislature to amend its provisions with a $\frac{2}{3}$ vote of both houses to further its purposes and intent.

This bill would state that the bill furthers the purposes and intent of AUMA.

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

This bill would make legislative findings to that effect.

This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Vote: 2/3 Appropriation: yes Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 27 of the Business and Professions Code is amended to read:

27. (a) Each entity specified in subdivisions (c), (d), and (e) shall provide on the internet information regarding the status of every license issued by that entity in accordance with the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code) and the Information Practices Act of 1977 (Chapter 1 (commencing with Section 1798) of Title 1.8 of Part 4 of Division 3 of the Civil Code). The public information to be provided on the internet shall include information on suspensions and revocations of licenses issued by the entity and other related enforcement action, including accusations filed pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of

Division 3 of Title 2 of the Government Code) taken by the entity relative to persons, businesses, or facilities subject to licensure or regulation by the entity. The information may not include personal information, including home telephone number, date of birth, or social security number. Each entity shall disclose a licensee's address of record. However, each entity shall allow a licensee to provide a post office box number or other alternate address, instead of the licensee's home address, as the address of record. This section shall not preclude an entity from also requiring a licensee, who has provided a post office box number or other alternative mailing address as the licensee's address of record, to provide a physical business address or residence address only for the entity's internal administrative use and not for disclosure as the licensee's address of record or disclosure on the internet.

(b) In providing information on the internet, each entity specified in subdivisions (c) and (d) shall comply with the Department of Consumer Affairs' guidelines for access to public records.

(c) Each of the following entities within the Department of Consumer Affairs shall comply with the requirements of this section:

(1) The Board for Professional Engineers, Land Surveyors, and Geologists shall disclose information on its registrants and licensees.

(2) The Bureau of Automotive Repair shall disclose information on its licensees, including auto repair dealers, smog stations, lamp and brake stations, smog check technicians, and smog inspection certification stations.

(3) The Bureau of Household Goods and Services shall disclose information on its licensees and registrants, including major appliance repair dealers, combination dealers (electronic and appliance), electronic repair dealers, service contract sellers, service contract administrators, and household movers.

(4) The Cemetery and Funeral Bureau shall disclose information on its licensees, including cemetery brokers, cemetery salespersons, cemetery managers, crematory managers, cemetery authorities, crematories, cremated remains disposers, embalmers, funeral establishments, and funeral directors.

(5) The Professional Fiduciaries Bureau shall disclose information on its licensees.

(6) The Contractors State License Board shall disclose information on its licensees and registrants in accordance with Chapter 9 (commencing with Section 7000) of Division 3. In addition to information related to licenses as specified in subdivision (a), the board shall also disclose information provided to the board by the Labor Commissioner pursuant to Section 98.9 of the Labor Code.

(7) The Bureau for Private Postsecondary Education shall disclose information on private postsecondary institutions under its jurisdiction, including disclosure of notices to comply issued pursuant to Section 94935 of the Education Code.

(8) The California Board of Accountancy shall disclose information on its licensees and registrants.

(9) The California Architects Board shall disclose information on its licensees, including architects and landscape architects.

(10) The State Athletic Commission shall disclose information on its licensees and registrants.

(11) The State Board of Barbering and Cosmetology shall disclose information on its licensees.

(12) The Acupuncture Board shall disclose information on its licensees.

(13) The Board of Behavioral Sciences shall disclose information on its licensees and registrants.

(14) The Dental Board of California shall disclose information on its licensees.

(15) The State Board of Optometry shall disclose information on its licensees and registrants.

(16) The Board of Psychology shall disclose information on its licensees, including psychologists, psychological assistants, and registered psychologists.

(17) The Veterinary Medical Board shall disclose information on its licensees, registrants, and permitholders.

(d) The State Board of Chiropractic Examiners shall disclose information on its licensees.

(e) The Structural Pest Control Board shall disclose information on its licensees, including applicators, field representatives, and operators in the areas of fumigation, general pest and wood destroying pests and organisms, and wood roof cleaning and treatment.

(f) "Internet" for the purposes of this section has the meaning set forth in paragraph (6) of subdivision (f) of Section 17538.

SEC. 2. Section 101 of the Business and Professions Code is amended to read:

101. The department is comprised of the following:

- (a) The Dental Board of California.
- (b) The Medical Board of California.
- (c) The State Board of Optometry.
- (d) The California State Board of Pharmacy.
- (e) The Veterinary Medical Board.
- (f) The California Board of Accountancy.
- (g) The California Architects Board.
- (h) The State Board of Barbering and Cosmetology.
- (i) The Board for Professional Engineers, Land Surveyors, and Geologists.
- (j) The Contractors State License Board.
- (k) The Bureau for Private Postsecondary Education.
- (l) The Bureau of Household Goods and Services.
- (m) The Board of Registered Nursing.
- (n) The Board of Behavioral Sciences.
- (o) The State Athletic Commission.
- (p) The Cemetery and Funeral Bureau.
- (q) The Bureau of Security and Investigative Services.
- (r) The Court Reporters Board of California.
- (s) The Board of Vocational Nursing and Psychiatric Technicians.
- (t) The Landscape Architects Technical Committee.
- (u) The Division of Investigation.
- (v) The Bureau of Automotive Repair.
- (w) The Respiratory Care Board of California.
- (x) The Acupuncture Board.
- (y) The Board of Psychology.
- (z) The Podiatric Medical Board of California.
- (aa) The Physical Therapy Board of California.
- (ab) The Arbitration Review Program.
- (ac) The Physician Assistant Board.
- (ad) The Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board.
- (ae) The California Board of Occupational Therapy.
- (af) The Osteopathic Medical Board of California.
- (ag) The Naturopathic Medicine Committee.
- (ah) The Dental Hygiene Board of California.
- (ai) The Professional Fiduciaries Bureau.

- (aj) The State Board of Chiropractic Examiners.
- (ak) The Bureau of Real Estate Appraisers.
- (al) The Structural Pest Control Board.
- (am) Any other boards, offices, or officers subject to its jurisdiction by law.
- (an) This section shall become operative on July 1, 2018.

SEC. 3. Section 144 of the Business and Professions Code is amended to read:

144. (a) Notwithstanding any other law, an agency designated in subdivision (b) shall require an applicant to furnish to the agency a full set of fingerprints for purposes of conducting criminal history record checks. Any agency designated in subdivision (b) may obtain and receive, at its discretion, criminal history information from the Department of Justice and the United States Federal Bureau of Investigation.

(b) Subdivision (a) applies to the following:

- (1) California Board of Accountancy.
- (2) State Athletic Commission.
- (3) Board of Behavioral Sciences.
- (4) Court Reporters Board of California.
- (5) Dental Board of California.
- (6) California State Board of Pharmacy.
- (7) Board of Registered Nursing.
- (8) Veterinary Medical Board.
- (9) Board of Vocational Nursing and Psychiatric Technicians.
- (10) Respiratory Care Board of California.
- (11) Physical Therapy Board of California.
- (12) Physician Assistant Committee.
- (13) Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board.
- (14) Medical Board of California.
- (15) State Board of Optometry.
- (16) Acupuncture Board.
- (17) Cemetery and Funeral Bureau.
- (18) Bureau of Security and Investigative Services.
- (19) Division of Investigation.
- (20) Board of Psychology.
- (21) California Board of Occupational Therapy.
- (22) Structural Pest Control Board.
- (23) Contractors State License Board.
- (24) Naturopathic Medicine Committee.
- (25) Professional Fiduciaries Bureau.
- (26) Board for Professional Engineers, Land Surveyors, and Geologists.

(27) Podiatric Medical Board of California.

(28) Osteopathic Medical Board of California.

(29) California Architects Board, beginning January 1, 2021.

(30) Landscape Architects Technical Committee, beginning January 1, 2022.

(c) For purposes of paragraph (26) of subdivision (b), the term "applicant" shall be limited to an initial applicant who has never been registered or licensed by the board or to an applicant for a new licensure or registration category.

SEC. 4. Section 26001 of the Business and Professions Code is amended to read:

26001. For purposes of this division, the following definitions apply:

(a) "A-license" means a state license issued under this division for cannabis or cannabis products that are intended for adults who are 21 years of age and older and who do not possess a physician's recommendation.

(b) "A-licensee" means any person holding a license under this division for cannabis or cannabis products that are intended for adults who are 21 years of age and older and who do not possess a physician's recommendation.

(c) "Applicant" means an owner applying for a state license pursuant to this division.

(d) "Batch" means a specific quantity of homogeneous cannabis or cannabis product that is one of the following types:

(1) Harvest batch. "Harvest batch" means a specifically identified quantity of dried flower or trim, leaves, and other cannabis plant matter that is harvested at the same time and, if applicable, cultivated using the same pesticides and other agricultural chemicals.

(2) Manufactured cannabis batch. "Manufactured cannabis batch" means either of the following:

(A) An amount of cannabis concentrate or extract that is produced in one production cycle using the same extraction methods and standard operating procedures.

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

(e) "Cannabis" means all parts of the plant *Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis*, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. "Cannabis" also means the separated resin, whether crude or purified, obtained from cannabis. "Cannabis" does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination. For the purpose of this division, "cannabis" does not mean "industrial hemp" as defined by Section 11018.5 of the Health and Safety Code.

(f) "Cannabis accessories" has the same meaning as in Section 11018.2 of the Health and Safety Code.

(g) "Cannabis concentrate" means cannabis that has undergone a process to concentrate one or more active cannabinoids, thereby increasing the product's potency. Resin from glandular trichomes from a cannabis plant is a concentrate for purposes of this division. A cannabis concentrate is not considered food, as defined by Section 109935 of the Health and Safety Code, or a drug, as defined by Section 109925 of the Health and Safety Code.

(h) "Cannabis products" has the same meaning as in Section 11018.1 of the Health and Safety Code. Cannabis products are not considered food, as defined by Section 109935 of the Health and Safety Code, a drug, as defined by Section 109925 of the Health and Safety Code, or a cosmetic, as defined by Section 109900 of the Health and Safety Code.

(i) "Child resistant" means designed or constructed to be significantly difficult for children under five years of age to open, and not difficult for normal adults to use properly.

(j) "Commercial cannabis activity" includes the cultivation, possession, manufacture, distribution, processing, storing, laboratory testing, packaging, labeling, transportation, delivery, or sale of cannabis and cannabis products as provided for in this division, or acting as a cannabis event organizer for temporary cannabis events.

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

(l) "Cultivation site" means a location where cannabis is planted, grown, harvested, dried, cured, graded, or trimmed, or a location where any combination of those activities occurs.

(m) "Customer" means a natural person 21 years of age or older or a natural person 18 years of age or older who possesses a physician's recommendation, or a primary caregiver.

(n) "Day care center" has the same meaning as in Section 1596.76 of the Health and Safety Code.

(o) "Delivery" means the commercial transfer of cannabis or cannabis products to a customer. "Delivery" also includes the use by a retailer of any technology platform.

(p) "Department" means the Department of Cannabis Control within the Business, Consumer Services, and Housing Agency.

(q) "Director" means the Director of the Department of Cannabis Control.

(r) "Distribution" means the procurement, sale, and transport of cannabis and cannabis products between licensees.

(s) "Distributor" means a licensee that is authorized to engage in the distribution of cannabis and cannabis products.

(t) "Dried flower" means all dead cannabis that has been harvested, dried, cured, or otherwise processed, excluding leaves and stems.

(u) "Edible cannabis product" means a cannabis product that is intended to be used, in whole or in part, for human consumption, including, but not limited to, chewing gum, but excluding products set forth in Division 15 (commencing with Section 32501) of the Food and Agricultural Code. An edible cannabis product is not considered food, as defined by Section 109935 of the Health and Safety Code, or a drug, as defined by Section 109925 of the Health and Safety Code.

(v) "Fund" means the Cannabis Control Fund established pursuant to Section 26210.

(w) "Kind" means applicable type or designation regarding a particular cannabis variant, origin, or product type, including, but not limited to, strain name, trademark, or production area designation.

(x) "Labeling" means any label or other written, printed, or graphic matter upon a cannabis product, upon its container or wrapper, or that accompanies any cannabis product.

(y) "Labor peace agreement" means an agreement between a licensee and any bona fide labor organization that, at a minimum, protects the state's proprietary interests by prohibiting labor organizations and members from engaging in picketing, work stoppages, boycotts, and any other economic interference with the applicant's business. This agreement means that the applicant has agreed not to disrupt efforts by the bona fide labor organization to communicate with, and attempt to organize and represent, the applicant's employees. The agreement shall provide a bona fide labor organization access at reasonable times to areas in which the applicant's employees work, for the purpose of meeting with employees to discuss their right to representation, employment rights under state law, and terms and conditions of employment. This type of agreement shall not mandate a particular method of election or certification of the bona fide labor organization.

(z) "License" means a state license issued under this division, and includes both an A-license and an M-license, as well as a testing laboratory license.

(aa) "Licensee" means any person holding a license under this division, regardless of whether the license held is an A-license or an M-license, and includes the holder of a testing laboratory license.

(ab) "Licensing authority" means the department and any state agency currently or formerly responsible for the issuance, renewal, or reinstatement of the license, or the state agency authorized to take disciplinary action against the licensee.

(ac) "Live plants" means living cannabis flowers and plants, including seeds, immature plants, and vegetative stage plants.

(ad) "Local jurisdiction" means a city, county, or city and county.

(ae) "Lot" means a batch or a specifically identified portion of a batch.

(af) "M-license" means a state license issued under this division for commercial cannabis activity involving medicinal cannabis.

(ag) "M-licensee" means any person holding a license under this division for commercial cannabis activity involving medicinal cannabis.

(ah) "Manufacture" means to compound, blend, extract, infuse, or otherwise make or prepare a cannabis product.

(ai) (1) "Medicinal cannabis" or "medicinal cannabis product" means cannabis or a cannabis product, respectively, intended to be sold or donated for use pursuant to the Compassionate Use Act of 1996 (Proposition 215), found in Section 11362.5 of the Health and Safety Code, by a medicinal cannabis patient in California who possesses a physician's recommendation, or in compliance with any compassionate use, equity, or other similar program administered by a local jurisdiction.

(2) The amendments made to this subdivision by the act adding this paragraph shall become operative upon completion of the necessary changes to the track and trace program in order to implement the act adding this paragraph, as determined by the Department of Food and Agriculture, or on March 1, 2020, whichever occurs first.

(aj) "Microbusiness" means a licensee that is authorized to engage in cultivation of cannabis on an area less than 10,000 square feet and to act as a licensed distributor, Level 1 manufacturer, and retailer under this division, provided such licensee can demonstrate compliance with all requirements imposed by this division on licensed cultivators, distributors, Level 1 manufacturers, and retailers to the extent the licensee engages in such activities.

(ak) "Nursery" means a licensee that produces only clones, immature plants, seeds, and other agricultural products used specifically for the propagation and cultivation of cannabis.

(al) "Operation" means any act for which licensure is required under the provisions of this division, or any commercial transfer of cannabis or cannabis products.

(am) "Owner" means any of the following:

(1) A person with an aggregate ownership interest of 20 percent or more in the person applying for a license or a licensee, unless the interest is solely a security, lien, or encumbrance.

(2) The chief executive officer of a nonprofit or other entity.

(3) A member of the board of directors of a nonprofit.

(4) An individual who will be participating in the direction, control, or management of the person applying for a license.

(an) "Package" means any container or receptacle used for holding cannabis or cannabis products.

(ao) "Person" includes any individual, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit, and the plural as well as the singular.

(ap) "Physician's recommendation" means a recommendation by a physician and surgeon that a patient use cannabis provided in accordance with the Compassionate Use Act of 1996 (Proposition 215), found at Section 11362.5 of the Health and Safety Code.

(aq) "Premises" means the designated structure or structures and land specified in the application that is owned, leased, or otherwise held under the control of the applicant or licensee where the commercial cannabis activity will be or is conducted. The premises shall be a contiguous area and shall only be occupied by one licensee.

(ar) "Primary caregiver" has the same meaning as in Section 11362.7 of the Health and Safety Code.

(as) "Purchaser" means the customer who is engaged in a transaction with a licensee for purposes of obtaining cannabis or cannabis products.

(at) "Retailer" means a person authorized to engage in the retail sale and delivery of cannabis or cannabis products to customers.

(au) "Sell," "sale," and "to sell" include any transaction whereby, for any consideration, title to cannabis or cannabis products is transferred from one person to another, and includes the delivery of cannabis or cannabis products pursuant to an order placed for the purchase of the same and soliciting or receiving an order for the same, but does not include the return of cannabis or cannabis products by a licensee to the licensee from whom the cannabis or cannabis product was purchased.

(av) "Testing laboratory" means a laboratory, facility, or entity in the state that offers or performs tests of cannabis or cannabis products and that is both of the following:

(1) Accredited by an accrediting body that is independent from all other persons involved in commercial cannabis activity in the state.

(2) Licensed by the department.

(aw) "Unique identifier" means an alphanumeric code or designation issued pursuant to the track and trace program established by the department and used for reference to a specific plant on a licensed premises and any cannabis or cannabis product derived or manufactured from that plant.

(ax) "Youth center" has the same meaning as in Section 11353.1 of the Health and Safety Code.

SEC. 5. Section 26001.1 of the Business and Professions Code is repealed.

SEC. 6. Section 26010 of the Business and Professions Code is amended to read:

26010. There is in the Business, Consumer Services, and Housing Agency, the Department of Cannabis Control under the supervision and control of a director. The director shall administer and enforce the provisions of this division related to the department.

SEC. 7. Section 26010.5 of the Business and Professions Code is amended to read:

26010.5. (a) The Governor shall appoint the director of the department, subject to confirmation by the Senate. The director shall serve under the direction and supervision of the Secretary of the Business, Consumer Services, and Housing Agency and at the pleasure of the Governor.

(b) Every power granted to or duty imposed upon the director under this division may be exercised or performed in the name of the director by a deputy or assistant director or by a chief, subject to conditions and limitations that the director may prescribe.

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

(2) The Governor may also appoint a chief deputy director, a deputy director of equity and inclusion, and either a deputy director of legal affairs or a chief counsel to the department. These positions shall serve under the direction and supervision of the director and hold office at the pleasure of the Governor.

(d) The department has the power, duty, purpose, responsibility, and jurisdiction to regulate commercial cannabis activity as provided in this division.

(e) Upon the effective date of this section, whenever any reference to the "Medical Cannabis Regulation and Safety Act," "Medical Marijuana Regulation and Safety Act," or former Chapter 3.5 (commencing with Section 19300) of Division 8 appears in any statute, regulation, contract, or in any other code, it shall be construed to refer to this division as it relates to medicinal cannabis and medicinal cannabis products.

SEC. 8. Section 26010.7 is added to the Business and Professions Code, to read:

26010.7. (a) Except as provided in Sections 26062 and 26063 and Chapter 23 (commencing with Section 26240), on and after the operative date of this section, the Department of Cannabis Control and the director shall succeed to and be vested with all the duties, powers, purposes, functions, responsibilities, and jurisdiction of the Bureau of Cannabis Control, also formerly known as the Bureau of Medical Cannabis Regulation and the Bureau of Medical Marijuana Regulation under the former Medical Cannabis Regulation and Safety Act (former Chapter 3.5 commencing with Section 19300 of Division 8), the State Department of Public Health, and the Department of Food and Agriculture, as provided for pursuant to this division as it read on the day before the operative date of this section.

(b) Except as provided in Sections 26062 and 26063 and Chapter 23 (commencing with Section 26240), on and after the operative date of this section, both of the following shall apply:

(1) Whenever "Bureau of Marijuana Control," "Bureau of Medical Cannabis Regulation," or "Bureau of Medical Marijuana Regulation" appears in any statute, regulation, or contract, or in any other code, it shall be construed to refer to the Department of Cannabis Control.

(2) Unless the context clearly requires otherwise, whenever "Department of Public Health," "State Department of Public Health," "Department of Food and Agriculture," or "California Department of Food and Agriculture" appears in this division, or any statute, regulation, or contract, related to regulation of cannabis pursuant to this division, it shall be construed to refer to the Department of Cannabis Control.

(c) Any regulation, order, or other action adopted, prescribed, taken, or performed by the Bureau of Cannabis Control, the State Department of Public Health, or the Department of Food and Agriculture under this division in effect immediately preceding the operative date of this section shall remain in effect and shall be fully enforceable unless and until readopted, amended, or repealed, or until they expire by their own terms, and shall be deemed to be a regulation, order, or action of the Department of Cannabis Control. On and after the operative date of this section, any proposed regulation noticed by, or submitted to the Office of Administrative Law by, the Bureau of Cannabis Control, the State Department of Public Health, or the Department of Food and

Agriculture under this division, shall be deemed to be a regulation noticed by or submitted by the Department of Cannabis Control.

(d) Any action by or against the Bureau of Cannabis Control, the State Department of Public Health, or the Department of Food and Agriculture pertaining to matters vested in the Department of Cannabis Control by this section shall not abate but shall continue in the name of the Department of Cannabis Control, and the Department of Cannabis Control shall be substituted for the Bureau of Cannabis Control, the State Department of Public Health, and the Department of Food and Agriculture by the court wherein the action is pending. The substitution shall not in any way affect the rights of the parties to the action.

(e) On and after the operative date of this section, all books, documents, forms, records, data systems, and property of the Bureau of Cannabis Control, the Department of Consumer Affairs, the State Department of Public Health, and the Department of Food and Agriculture pertaining to functions transferred to the Department of Cannabis Control shall be transferred to the Department of Cannabis Control.

(f) On and after the operative date of this section, positions filled by appointment by the Governor in the Bureau of Cannabis Control, the State Department of Public Health, and the Department of Food and Agriculture whose principal assignment was to perform functions transferred pursuant to this section shall be transferred to the Department of Cannabis Control. Individuals in positions transferred pursuant to this subdivision shall serve at the pleasure of the Governor. Salaries of positions transferred shall remain at the level established pursuant to law unless otherwise provided. Individuals in positions transferred pursuant to this subdivision who have been previously confirmed by the Senate shall not be required to undergo a new confirmation as a result of this transfer. Titles of positions transferred pursuant to this subdivision shall be determined by the director with the approval of the Governor.

(g) On and after the operative date of this section, every officer and employee of the Bureau of Cannabis Control, the State Department of Public Health, the Department of Food and Agriculture, and the Department of Consumer Affairs who is performing a function transferred to the Department of Cannabis Control and who is serving in the state civil service, including an excluded or temporary employee, shall be transferred to the Department of Cannabis Control pursuant to the provisions of Section 19050.9 of the Government Code. The status, position, and rights of any officer or employee of the Bureau of Cannabis Control, the State Department of Public Health, the Department of Food and Agriculture, and the Department of Consumer Affairs shall not be affected by the transfer and shall be retained by the person as an officer or employee of the Department of Cannabis Control, as applicable, pursuant to the State Civil Service Act (Part 2 (commencing with Section 18500) of Division 5 of Title 2 of the Government Code), except for a position that is exempt from civil service. The personnel records of all transferred employees shall be transferred to the Department of Cannabis Control.

(h) A contract, lease, license, or any other agreement to which the Bureau of Cannabis Control, the Department of Consumer Affairs, the State Department of Public Health, or the Department of Food and Agriculture is a party shall not be void or voidable by reason of this section, and shall continue in full force and effect, with the Department of Cannabis Control assuming all of the rights, obligations, liabilities, and duties of the Bureau of Cannabis Control, the State Department of Public Health, and the Department of Food and Agriculture relating to the transfer of duties, powers, purposes, functions, responsibilities, and jurisdiction made pursuant to this section. The assumption by the Department of Cannabis Control shall not in any way affect the rights of the parties to any contract, lease, license, or agreement.

(i) This section shall become operative on and after July 1, 2021, or the operative date of the act adding this section, whichever is later.

SEC. 9. Section 26011 of the Business and Professions Code is amended to read:

26011. Neither the director nor any member of the Cannabis Control Appeals Panel established under Section 26040 shall do any of the following:

(a) Receive any commission or profit whatsoever, directly or indirectly, from any person applying for or receiving any license or permit under this division.

(b) Engage or have any interest in the sale or any insurance covering a licensee's business or premises.

(c) Engage or have any interest in the sale of equipment for use upon the premises of a licensee engaged in commercial cannabis activity.

(d) Knowingly solicit any licensee for the purchase of tickets for benefits or contributions for benefits.

(e) Knowingly request any licensee to donate or receive money, or any other thing of value, for the benefit of any person whatsoever.

SEC. 10. Section 26011.5 of the Business and Professions Code is amended to read:

26011.5. The protection of the public shall be the highest priority for the department in exercising licensing, regulatory, and disciplinary functions under this division. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.

SEC. 11. Section 26012 of the Business and Professions Code is amended to read:

26012. (a) The department shall have the sole authority to create, issue, deny, renew, discipline, condition, suspend, or revoke licenses for commercial cannabis activity.

(b) The department shall have the authority to collect fees in connection with activities it regulates concerning cannabis. The department may create licenses in addition to those identified in this division that the department deems necessary to effectuate its duties under this division.

(c) For the performance of its duties, the department has the power conferred by Sections 11180 to 11191, inclusive, of the Government Code.

SEC. 12. Section 26012.5 is added to the Business and Professions Code, to read:

26012.5. (a) The department shall provide on its internet website information regarding the status of every license issued by the department in accordance with the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code) and the Information Practices Act of 1977 (Chapter 1 (commencing with Section 1798) of Title 1.8 of Part 4 of Division 3 of the Civil Code).

(b) Beginning January 1, 2022, the information provided on the department's internet website pursuant to subdivision (a) shall include information on suspensions and revocations of licenses and final decisions adopted by the department pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) relating to persons or businesses licensed or regulated by the department.

(c) The information provided shall not include personal information, including home addresses, home telephone numbers, dates of birth, or social security numbers. The department shall disclose the county of a licensee's address of record.

SEC. 13. Section 26013 of the Business and Professions Code is amended to read:

26013. (a) The department shall make and prescribe reasonable rules and regulations as may be necessary to implement, administer, and enforce its duties under this division in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. Those rules and regulations shall be consistent with the purposes and intent of the Control, Regulate and Tax Adult Use of Marijuana Act.

(b) (1) The department may adopt emergency regulations to consolidate, clarify, or make consistent regulations, including emergency regulations adopted before or in place as of July 1, 2021, or to implement Section 26010.7.

(2) The department may readopt any emergency regulation authorized by this section that is the same as, or substantially equivalent to, an emergency regulation previously adopted as authorized by this section. Any such readoption shall be limited to one time for each regulation.

(3) Notwithstanding any other law, the adoption of emergency regulations and the readoption of emergency regulations authorized by this section shall be deemed an emergency and necessary for the immediate preservation of the public peace, health, safety, or general welfare. The emergency regulations and the readopted emergency regulations authorized by this section shall be each submitted to the Office of Administrative Law for filing with the Secretary of State and shall remain in effect for no more than 180 days, by which time final regulations may be adopted.

(c) Regulations issued under this division shall be necessary to achieve the purposes of this division, based on best available evidence, and shall mandate only commercially feasible procedures, technology, or other requirements, and shall not unreasonably restrain or inhibit the development of alternative procedures or technology to achieve the same substantive requirements, nor shall the regulations make compliance so onerous that the operation under a cannabis license is not worthy of being carried out in practice by a reasonably prudent businessperson.

SEC. 14. Section 26013.5 of the Business and Professions Code is amended to read:

26013.5. (a) Notice of any action of the department required by this division to be given may be signed and given by the director or an authorized employee of the department and may be made personally or in the manner prescribed by Section 1013 of the Code of Civil Procedure, or in the manner prescribed by Section 124 of this code.

(b) Notwithstanding subdivision (c) of Section 11505 of the Government Code, whenever written notice, including a notice, order, or document served pursuant to Chapter 3.5 (commencing with Section 11340), Chapter 4 (commencing with Section 11370), or Chapter 5 (commencing with Section 11500), of Part 1 of Division 3 of Title 2 of the Government Code, is required to be given by the department, the notice may be given by regular mail addressed to the last known address of the licensee or by personal service, at the option of the department.

SEC. 15. Section 26014 of the Business and Professions Code is amended to read:

26014. (a) The department shall convene an advisory committee to advise the department on the development of standards and regulations pursuant to this division, including best practices and guidelines that protect public health and safety while ensuring a regulated environment for commercial cannabis activity that does not impose such barriers so as to perpetuate, rather than reduce and eliminate, the illicit market for cannabis.

(b) The advisory committee members shall include, but not be limited to, representatives of the cannabis industry, including medicinal cannabis, representatives of labor organizations, appropriate state and local agencies, persons who work directly with racially, ethnically, and economically diverse populations, public health experts, and other subject matter experts, including representatives from the Department of Alcoholic Beverage Control, with expertise in regulating commercial activity for adult-use intoxicating substances. The advisory committee members shall be determined by the director.

(c) Commencing on January 1, 2019, the advisory committee shall publish an annual public report describing its activities including, but not limited to, the recommendations the advisory committee made to the department during the immediately preceding calendar year and whether those recommendations were implemented by the department.

(d) Each member of the advisory committee shall be reimbursed for traveling and other expenses necessarily incurred in the performance of official duties. The payments in each instance shall be made only from the fund and shall be subject to the availability of money.

SEC. 16. Section 26015 of the Business and Professions Code is amended to read:

26015. (a) The department may make or cause to be made such investigation as it deems necessary to carry out its duties under this division.

(b) The chief of enforcement and all investigators, inspectors, and deputies of the department identified by the director have the authority of peace officers while engaged in exercising the powers granted or performing the duties imposed upon them in investigating the laws administered by the department or commencing directly or indirectly any criminal prosecution arising from any investigation conducted under these laws. All persons herein referred to shall be deemed to be acting within the scope of employment with respect to all acts and matters set forth in this section.

(c) The department may employ individuals, who are not peace officers, to provide investigative services.

(d) Notwithstanding any other law, the department may employ peace officers and shall be exempt from the requirements of Section 13540 of the Penal Code.

SEC. 17. Section 26016 of the Business and Professions Code is amended to read:

26016. For any hearing held pursuant to this division, except a hearing held under Chapter 4 (commencing with Section 26040), the department may delegate the power to hear and decide to an administrative law judge. Any hearing before an administrative law judge shall be pursuant to the procedures, rules, and limitations prescribed in Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

SEC. 18. Section 26017 of the Business and Professions Code is amended to read:

26017. In any hearing before the department pursuant to this division, the department may pay any person appearing as a witness at the hearing at the request of the department pursuant to a subpoena, the person's actual, necessary, and reasonable travel, food, and lodging expenses, not to exceed the amount authorized for state employees.

SEC. 19. Section 26018 of the Business and Professions Code is amended to read:

26018. The department may on its own motion at any time before a penalty assessment is placed into effect, and without any further proceedings, review the penalty, but such review shall be limited to its reduction.

SEC. 20. Section 26030 of the Business and Professions Code is amended to read:

26030. Grounds for disciplinary action include, but are not limited to, all of the following:

- (a) Failure to comply with the provisions of this division or any rule or regulation adopted pursuant to this division.
- (b) Conduct that constitutes grounds for denial of licensure pursuant to Chapter 2 (commencing with Section 480) of Division 1.5 or discipline of a license pursuant to Chapter 3 (commencing with Section 490) of Division 1.5.
- (c) Any other grounds contained in regulations adopted by the department pursuant to this division.
- (d) Failure to comply with any state law including, but not limited to, the payment of taxes as required under the Revenue and Taxation Code, except as provided for in this division or other California law.
- (e) Knowing violations of any state or local law, ordinance, or regulation conferring worker protections or legal rights on the employees of a licensee.
- (f) Failure to comply with the requirement of a local ordinance regulating commercial cannabis activity.
- (g) The intentional and knowing sale of cannabis or cannabis products by an A-licensee to a person under 21 years of age.
- (h) The intentional and knowing sale of medicinal cannabis or medicinal cannabis products by an M-licensee to a person without a physician's recommendation.
- (i) Failure to maintain safe conditions for inspection by the department.
- (j) Failure to comply with any operating procedure submitted to the department pursuant to subdivision (b) of Section 26051.5.
- (k) Failure to comply with license conditions established pursuant to subdivision (b) of Section 26060.1.

SEC. 21. Section 26031 of the Business and Professions Code is amended to read:

26031. (a) The department may suspend, revoke, place on probation with terms and conditions, or otherwise discipline licenses issued by the department and fine a licensee, after proper notice and hearing to the licensee, except as provided in Section 26031.01, if the licensee is found to have committed any of the acts or omissions constituting grounds for disciplinary action. The disciplinary proceedings under this chapter shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the director shall have all the powers granted therein.

(b) The department may suspend or revoke a license when a local agency has notified the department that a licensee within its jurisdiction is in violation of state rules and regulations relating to commercial cannabis activities, and the department, through an investigation, has determined that the violation is grounds for suspension or revocation of the license.

(c) The department may take disciplinary action against a licensee for any violation of this division when the violation was committed by the licensee's officers, directors, owners, agents, or employees while acting on behalf of the licensee or engaged in commercial cannabis activity.

(d) The suspension or expiration of a license issued by the department, or its suspension, forfeiture, or cancellation by order of the department or by order of a court of law, or its surrender without the written consent of the department, shall not, during any period in which it may be renewed, restored, reissued, or reinstated, deprive the department of its authority to institute or continue a disciplinary proceeding against the licensee upon any ground provided by law or to enter an order suspending or revoking the license or otherwise taking disciplinary action against the licensee on any such ground.

SEC. 22. Section 26031.01 is added to the Business and Professions Code, to read:

26031.01. (a) Notwithstanding Section 26031, the department may, before a hearing, suspend the license of a person who procured the issuance of the license by fraud, misrepresentation, deceit, or by the making of any material misstatement of fact in the application for such license.

(b) The department shall not order the suspension of a license pursuant to subdivision (a) 90 days after the date of issuance of the license.

(c) An order of suspension pursuant to subdivision (a) shall expire on the effective date of a decision of the department after a hearing conducted pursuant to this section.

(d) (1) The department shall file and serve a person whose license is suspended pursuant to subdivision (a) the order of suspension and a statement of issues as defined in Section 11504 of the Government Code. The department may serve the person by regular mail addressed to the last known address of the person or by personal service.

(2) A person whose license is suspended pursuant to subdivision (a) shall have 30 days after service of the order of suspension and statement of issues in which to file with the department a written request for a hearing on the statement of issues filed against them.

(3) (A) The department shall hold a hearing within 30 days after receipt of a request pursuant to paragraph (2) unless the person requests or agrees to a continuance. If the person does not request or agree to a continuance and a hearing is not commenced within 30 days after receipt of the request for a hearing, the order of suspension shall be vacated and set aside unless the person requests or agrees to a continuance.

(B) If the person requests or agrees to a continuance, the department shall hold a hearing on the date to which the department and the person agreed. If a hearing is not commenced on that date, the order of suspension shall be vacated and set aside.

(4) If the department does not render a decision within 30 days after completion of the hearing, the order of suspension shall be vacated and set aside.

(e) A hearing conducted pursuant to this section shall in all respects, except as otherwise expressly provided herein, conform to the substantive and procedural provisions of Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code applicable to a hearing on a statement of issues.

SEC. 23. Section 26031.1 is added to the Business and Professions Code, to read:

26031.1. (a) Except as otherwise provided by law, in an order issued in resolution of a disciplinary proceeding before the department, the administrative law judge, upon request, may direct a licensee found to have committed a violation to pay a sum not to exceed the reasonable costs of the investigation and enforcement of the case.

(b) A certified copy of the actual costs, or a good faith estimate of costs where actual costs are not available, signed by the department or its designated representative shall be prima facie evidence of reasonable costs of investigation and prosecution of the case. The costs shall include the amount of investigative and enforcement costs up to the date of the hearing, including, but not limited to, charges imposed by the Attorney General.

(c) The administrative law judge shall make a proposed finding of the amount of reasonable costs of investigation and prosecution of the case when requested pursuant to subdivision (a). The finding of the administrative law judge with regard to costs shall not be reviewable by the department to increase the cost award. The department may reduce or eliminate the cost award, or remand to the administrative law judge if the proposed decision fails to make a finding on costs requested pursuant to subdivision (a).

(d) If an order for recovery of costs is made and timely payment is not made as directed in the department's decision, the department may enforce the order for repayment in any appropriate court. This right of enforcement shall be in addition to any other rights the department may have as to any licensee to pay costs.

(e) In any action for recovery of costs, proof of the department's decision shall be conclusive proof of the validity of the order of payment and the terms for payment.

(f) (1) Except as provided in paragraph (2), the department shall not renew or reinstate the license of any licensee who has failed to pay all of the costs ordered under this section.

(2) Notwithstanding paragraph (1), the department may, in its discretion, conditionally renew or reinstate for a maximum of one year the license of any licensee who demonstrates financial hardship and who enters into a formal agreement with the department to reimburse the department within that one-year period for the unpaid costs.

(g) All costs recovered under this section shall be considered a reimbursement for costs incurred and shall be deposited into the Cannabis Control Fund to be available upon appropriation by the Legislature.

(h) Nothing in this section shall preclude the department from including the recovery of the costs of investigation and enforcement of a case in any stipulated settlement.

SEC. 24. Section 26031.2 is added to the Business and Professions Code, to read:

26031.2. (a) The superior court for the county in which any person has engaged or is about to engage in any act which constitutes a violation of this division may, upon a petition filed by the department with the approval of the director, issue an injunction or other appropriate order restraining such conduct. The proceedings under this section shall be governed by Chapter 3 (commencing with Section 525) of Title 7 of Part 2 of the Code of Civil Procedure.

(b) The superior court for the county in which any person has engaged in any act which constitutes a violation of this division may, upon a petition filed by the department with the approval of the director, order such person to make restitution to persons injured as a result of such violation.

(c) The court may order a person subject to an injunction or restraining order, provided for in subdivision (a), or subject to an order requiring restitution pursuant to subdivision (b), to reimburse the department for expenses incurred by the department in its investigation related to its petition.

(d) The remedy provided for by this section shall be in addition to, and not a limitation on, the authority provided for in any other section of this division.

SEC. 25. Section 26031.5 of the Business and Professions Code is amended to read:

26031.5. (a) The department may issue a citation to a licensee or unlicensed person for any act or omission that violates or has violated any provision of this division or any regulation adopted pursuant thereto. The department shall issue the citation in writing, and shall describe with particularity the basis of the citation and the notification described in subdivision (c). The department may include in each citation an order of abatement and fix a reasonable time for abatement of the violation. The department may, as part of each citation, assess an administrative fine not to exceed five thousand dollars (\$5,000) per violation by a licensee and thirty thousand dollars (\$30,000) per violation by an unlicensed person. Each day of violation shall constitute a separate violation. In assessing a fine, the department shall give due consideration to the appropriateness of the amount of the fine with respect to factors the department determines to be relevant, including the following:

(1) The gravity of the violation by the licensee or person.

(2) The good faith of the licensee or person.

(3) The history of previous violations.

(b) The sanctions authorized under this section shall be separate from, and in addition to, all other administrative, civil, or criminal remedies.

(c) A citation issued pursuant to this section shall include a provision that notifies the licensee or person that a hearing may be requested to contest the finding of a violation by submitting a written request within 30 days from service of the citation. The hearing shall be held pursuant to the Administrative Procedure Act (Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code), unless held in accordance with the provisions of Chapter 4.5 (commencing with Section 11400) as authorized by regulation of the department. If the licensee or person cited fails to submit a written request for a hearing within 30 days from the date of service of the citation, the right to a hearing is waived and the citation shall be deemed a final order of the department and is not subject to review by any court.

(d) After the exhaustion of the administrative and judicial review procedures, the department may apply to the appropriate superior court for a judgment in the amount of the administrative fine and an order compelling the cited person to comply with the order of the department. The application, which shall include a certified copy of the final order of the department, shall constitute a sufficient showing to warrant the issuance of the judgment and order.

(e) The department may recover from the licensee or person who was the subject of the citation costs of investigation and enforcement, which may include reasonable attorney's fees for the services rendered. If the department recovers costs from a licensee, the department shall recover the costs pursuant to Section 26031.1.

(f) Fines shall be paid within 30 days of service of a citation by the department. Failure to pay a fine assessed pursuant to this section within 30 days of the date of service of the citation, unless the citation is being appealed, shall constitute a separate violation under this division subject to additional action by the department. The department shall not renew or grant a license to a person who was the subject of the fine until that person pays the fine.

(g) All moneys collected pursuant to this section associated with the recovery of investigation and enforcement costs shall be deposited into the Cannabis Control Fund. Any administrative fine amount shall be deposited directly into the Cannabis Fines and Penalties Account and shall be distributed pursuant to subdivision (d) of Section 26210.

SEC. 26. Section 26034 of the Business and Professions Code is amended to read:

26034. All accusations against licensees shall be filed by the department within five years after the performance of the act or omission alleged as the ground for disciplinary action; provided, however, that the foregoing provision shall not constitute a defense to an accusation alleging fraud or misrepresentation as a ground for disciplinary action. The cause for disciplinary action in that case shall not be deemed to have accrued until discovery, by the department, of the facts constituting the fraud or misrepresentation, and, in that case, the accusation shall be filed within five years after that discovery.

SEC. 27. Section 26035 of the Business and Professions Code is amended to read:

26035. The director shall designate the persons employed by the department for purposes of the administration and enforcement of this division. The director shall ensure that a sufficient number of employees are qualified peace officers for purposes of enforcing this division.

SEC. 28. Section 26037.5 is added to the Business and Professions Code, to read:

26037.5. (a) A person or entity shall not engage in commercial cannabis activity without a state license issued by the department pursuant to this division.

(b) The requirement to obtain a state license for the cultivation of cannabis pursuant to this division does not apply to the cultivation of cannabis in accordance with Section 11362.1 of the Health and Safety Code or the Compassionate Use Act or to persons or entities licensed under subdivision (b) of Section 26070.5.

SEC. 29. Section 26038 of the Business and Professions Code is amended to read:

26038. (a) A person engaging in commercial cannabis activity without a license required by this division shall be subject to civil penalties of up to three times the amount of the license fee for each violation, and the court may order the destruction of cannabis associated with that violation in accordance with Section 11479 of the Health and Safety Code. Each day of operation shall constitute a separate violation of this section. All civil penalties imposed and collected pursuant to this section by the department shall be deposited into the General Fund except as provided in subdivision (b). A violator shall be responsible for the cost of the destruction of cannabis associated with their violation.

(b) If an action for civil penalties is brought against a person pursuant to this division by the Attorney General on behalf of the people, the penalty collected shall be deposited into the General Fund. If the action is brought by a district attorney or county counsel, the penalty shall first be used to reimburse the district attorney or county counsel for the costs of bringing the action for civil penalties, with the remainder, if any, to be deposited into the General Fund. If the action is brought by a city attorney or city prosecutor, the penalty collected shall first be used to reimburse the city attorney or city prosecutor for the costs of bringing the action for civil penalties, with the remainder, if any, to be deposited into the General Fund.

(c) Notwithstanding subdivision (a), criminal penalties shall continue to apply to an unlicensed person engaging in commercial cannabis activity in violation of this division.

SEC. 30. Section 26041 of the Business and Professions Code is amended to read:

26041. All personnel of the panel shall be appointed, employed, directed, and controlled by the panel consistent with state civil service requirements. The Executive Director of the panel shall furnish the equipment, supplies, and housing necessary for the authorized activities of the panel and shall perform such other mechanics of administration as determined by the panel.

SEC. 31. Section 26043 of the Business and Professions Code is amended to read:

26043. (a) After proceedings pursuant to Section 26031, 26031.5, or 26058 or Chapter 2 (commencing with Section 480) or Chapter 3 (commencing with Section 490) of Division 1.5, any person aggrieved by the decision of the department denying the person's application for any license, denying the person's renewal of any license, placing any license on probation, imposing any condition on any license, imposing any fine on any license or licensee, assessing any penalty on any license, or canceling, suspending, revoking, or otherwise disciplining any license as provided for under this division, may appeal the department's written decision to the panel.

(b) The panel shall review the decision subject to such limitations as may be imposed by the Legislature. In such cases, the panel shall not receive evidence in addition to that considered by the department.

(c) Review by the panel of a decision of the department shall be limited to the following questions:

- (1) Whether the department has proceeded without or in excess of its jurisdiction.
- (2) Whether the department has proceeded in the manner required by law.
- (3) Whether the decision is supported by the findings.
- (4) Whether the findings are supported by substantial evidence in the light of the whole record.

SEC. 32. Section 26044 of the Business and Professions Code is amended to read:

26044. (a) In appeals where the panel finds that there is relevant evidence which, in the exercise of reasonable diligence, could not have been produced or which was improperly excluded at the hearing before the department, it may enter an order remanding the matter to the department for reconsideration in the light of that evidence.

(b) Except as provided in subdivision (a), in all appeals, the panel shall enter an order either affirming or reversing the decision of the department. When the order reverses the decision of the department, the panel may direct the reconsideration of the matter in the light of its order and may direct the department to take such further action as is specially enjoined upon it by law, but the order shall not limit or control in any way the discretion vested by law in the department

SEC. 33. Section 26045 of the Business and Professions Code is amended to read:

26045. (a) No court of this state, except the Supreme Court and the courts of appeal to the extent specified in this chapter, shall have jurisdiction to review, affirm, reverse, correct, or annul any order, rule, or decision of the department or to suspend, stay, or delay the operation or execution thereof, or to restrain, enjoin, or interfere with the department in the performance of its duties, but a writ of mandate shall lie from the Supreme Court or the courts of appeal in any proper case.

(b) Any person affected by a final order of the panel, including the department, may apply to the Supreme Court or to the court of appeal for the appellate district in which the proceeding arose, for a writ of review of that final order.

(c) The application for writ of review shall be made within 30 days after filing of the final order.

(d) The provisions of the Code of Civil Procedure relating to writs of review shall, insofar as applicable, apply to proceedings in the courts as provided by this chapter. A copy of every pleading filed pursuant to this chapter shall be served on the panel, the department, and on each party who entered an appearance before the panel.

(e) No decision of the department that has been appealed to the panel and no final order of the panel shall become effective during the period in which application may be made for a writ of review, as provided by subdivision (c).

(f) The filing of a petition for, or the pendency of, a writ of review shall not of itself stay or suspend the operation of any order, rule, or decision of the department, but the court before which the petition is filed may stay or suspend, in whole or in part, the operation of the order, rule, or decision of the department subject to review, upon the terms and conditions which it by order directs.

SEC. 34. Section 26046 of the Business and Professions Code is amended to read:

26046. (a) The review by the court shall not extend further than to determine, based on the whole record of the department as certified by the panel, whether:

(1) The department has proceeded without or in excess of its jurisdiction.

(2) The department has proceeded in the manner required by law.

(3) The decision of the department is supported by the findings.

(4) The findings in the department's decision are supported by substantial evidence in the light of the whole record.

(5) There is relevant evidence which, in the exercise of reasonable diligence, could not have been produced or which was improperly excluded at the hearing before the department.

(b) Nothing in this chapter shall permit the court to hold a trial de novo, to take evidence, or to exercise its independent judgment on the evidence.

SEC. 35. Section 26047 of the Business and Professions Code is amended to read:

26047. The findings and conclusions of the department on questions of fact are conclusive and final and are not subject to review. Those questions of fact shall include ultimate facts and the findings and conclusions of the department. The panel, the department, and each party to the action or proceeding before the panel shall have the right to appear in the review proceeding. Following the hearing, the court shall enter judgment either affirming or reversing the decision of the department, or the court may remand the case for further proceedings before or reconsideration by the department.

SEC. 36. Section 26050 of the Business and Professions Code is amended to read:

26050. (a) The license classification pursuant to this division shall, at a minimum, be as follows:

- (1) Type 1—Cultivation; Specialty outdoor; Small.
- (2) Type 1A—Cultivation; Specialty indoor; Small.
- (3) Type 1B—Cultivation; Specialty mixed-light; Small.
- (4) Type 1C—Cultivation; Specialty cottage; Small.
- (5) Type 2—Cultivation; Outdoor; Small.
- (6) Type 2A—Cultivation; Indoor; Small.
- (7) Type 2B—Cultivation; Mixed-light; Small.
- (8) Type 3—Cultivation; Outdoor; Medium.
- (9) Type 3A—Cultivation; Indoor; Medium.
- (10) Type 3B—Cultivation; Mixed-light; Medium.
- (11) Type 4—Cultivation; Nursery.
- (12) Type 5—Cultivation; Outdoor; Large.
- (13) Type 5A—Cultivation; Indoor; Large.
- (14) Type 5B—Cultivation; Mixed-light; Large.
- (15) Type 6—Manufacturer 1.
- (16) Type 7—Manufacturer 2.
- (17) Type 8—Testing laboratory.
- (18) Type 10—Retailer.
- (19) Type 11—Distributor.
- (20) Type 12—Microbusiness.

(b) With the exception of testing laboratory licenses, which may be used to test cannabis and cannabis products regardless of whether they are intended for use by individuals who possesses a physician's recommendation, all licenses issued under this division shall bear a clear designation indicating whether the license is for commercial adult-use cannabis activity as distinct from commercial medicinal cannabis activity by prominently affixing an "A" or "M," respectively. Examples of such a designation include, but are not limited to, "A-Type 1" or "M-Type 1." Except as specifically specified in this division, the requirements for A-licenses and M-licenses shall be the same. For testing laboratories, the department shall create a license that indicates a testing laboratory may test both adult-use and medicinal cannabis.

(c) A license issued pursuant to this division shall be valid for 12 months from the date of issuance. The license may be renewed annually.

(d) The department shall establish procedures for the issuance and renewal of licenses.

SEC. 37. Section 26050.2 of the Business and Professions Code is amended to read:

26050.2. (a) (1) Until June 30, 2022, the department may, in its sole discretion, issue a provisional license to an applicant if the applicant has submitted a completed license application to the department, including the following, if applicable:

(A) If compliance with the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) is not complete, evidence that compliance is underway.

(B) If compliance with local ordinances enacted pursuant to Section 26200 is not complete, evidence that compliance is underway.

(C) For a license application that includes cultivation activities, any of the following documents:

- (i) A final streambed alteration agreement.

(ii) A draft streambed alteration agreement provided by the Department of Fish and Wildlife and signed and returned to the Department of Fish and Wildlife.

(iii) Written verification by the Department of Fish and Wildlife that a streambed alteration agreement is not needed.

(iv) Written verification by the Department of Fish and Wildlife that the applicant has submitted a notification described in Section 1602 of the Fish and Game Code, submitted payment of applicable fees pursuant to Section 1609 of the Fish and Game Code, and is responsive to the Department of Fish and Wildlife. For purposes of this subparagraph, an applicant is not responsive to the Department of Fish and Wildlife if either of the following apply:

(I) The notification has been deemed incomplete a second time.

(II) After a notification has been deemed incomplete once, the Department of Fish and Wildlife has not received requested information from the applicant for more than 60 days.

(D) The application is submitted to the department on or before March 31, 2022.

(2) If an application for a cultivation license is submitted on or after January 1, 2022, the department shall not issue a provisional license pursuant to this section if issuing the provisional license would cause a licensee to hold multiple cultivation licenses on contiguous premises to exceed one acre of total canopy for outdoor cultivation, or 22,000 square feet for mixed-light or indoor cultivation.

(b) A provisional license issued pursuant to this section shall be valid for no more than 12 months from the date it was issued or renewed. If the department issues or renews a provisional license, it shall include the outstanding items needed to qualify for an annual license specific to the licensee.

(c) Except as provided in paragraphs (2) and (3), the department may, in its sole discretion, renew a provisional license until it issues or denies the provisional licensee's annual license, subject to the requirements of this section.

(d) For the first renewal of a provisional license on or after July 1, 2022, the department shall not renew a provisional license unless the following criteria are met:

(1) For cultivation licenses, to illustrate progress with compliance with Chapter 6 (commencing with Section 1600) of Division 2 of the Fish and Game Code, one of the following documents:

(A) A final streambed alteration agreement issued by the Department of Fish and Wildlife.

(B) A draft streambed alteration agreement provided by the Department of Fish and Wildlife and signed and returned to the Department of Fish and Wildlife by the provisional licensee.

(C) Written verification by the Department of Fish and Wildlife that the provisional licensee has submitted a complete notification described in Section 1602 of the Fish and Game Code.

(D) Written verification by the Department of Fish and Wildlife that a streambed alteration agreement is not needed.

(2) To illustrate progress with compliance with the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code), a determination from the department that one of the following requirements has been met:

(A) If a local jurisdiction is the lead agency, the lead agency has made substantial progress during the previous 12-month licensure term toward completing discretionary project-specific environmental review by drafting, preparing, or circulating for public review an environmental document pursuant to the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).

(B) If the department is the lead agency, information requested by the department of the provisional licensee that demonstrates the furtherance of environmental review.

(C) Information submitted to the department by the provisional licensee applicant that demonstrates evidence of substantial progress toward compliance with the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) during the previous 12-month licensure term.

(e) For all provisional license renewals after the renewal pursuant to subdivision (d), the department shall not renew a provisional license unless the following criteria are met:

(1) For cultivation licenses, a final streambed alteration agreement is in effect or the licensee has submitted written verification from the Department of Fish and Wildlife that a streambed alteration agreement is not needed.

(2) To illustrate progress with compliance with the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code), a determination from the department that one of the following has been met:

(A) The lead agency for the license has prepared and circulated for public review a negative declaration or a mitigated negative declaration.

(B) The lead agency for the license has determined that an environmental impact report is required pursuant to Section 21157 of the Public Resources Code and has either made substantial progress in preparing that environmental impact report or has a contract or contracts with consultants in place for the preparation of that environmental impact report.

(f) A provisional license authorizing cultivation activities shall not be renewed if the department is notified of either or both of the following:

(1) The State Water Resources Control Board has notified the department that the provisional licensee is not in compliance with subdivision (a) or (b) of Section 26060.1 or the principles, guidelines, and requirements established pursuant to Section 13149 of the Water Code.

(2) The Department of Fish and Wildlife has notified the department that the provisional licensee is not in compliance with any final streambed alteration agreement or a condition established pursuant to subdivision (a) or paragraphs (1) and (2) of subdivision (b) of Section 26060.1.

(g) (1) After January 1, 2023, the department shall not renew a license pursuant to this section for cultivation activities if renewing the license would cause a licensee to hold multiple cultivation licenses on contiguous premises to exceed one acre of total canopy for outdoor cultivation or 22,000 square feet for mixed-light or indoor cultivation.

(2) After January 1, 2024, no provisional license that causes a licensee to hold multiple cultivation licenses on contiguous premises to exceed one acre of total canopy for outdoor cultivation or 22,000 square feet for mixed-light or indoor cultivation shall be in effect.

(h) The department, in its sole discretion, may allow a provisional licensee to move locations after the date provisional licenses can no longer be issued provided that the new location is in compliance with California Environmental Quality Act, Lake and Streambed Alteration Program, and the requirements of subdivisions (a) and (b) of Section 26060.1. If all other renewal requirements are satisfied, the department may also renew the license at the new location.

(i) The department may, in its sole discretion, revoke or suspend a provisional license if it determines the licensee failed to actively and diligently pursue requirements for the annual license. The department shall adopt regulations clarifying what constitutes actively and diligently pursuing requirements for the annual license.

(j) The department shall cancel a provisional license upon issuance of an annual license, denial of an annual license, abandonment of an application for licensure, or withdrawal of an application for licensure.

(k) Except as specified in this section, the provisions of this division shall apply to a provisional license in the same manner as to an annual license.

(l) Without limiting any other statutory exemption or categorical exemption, Division 13 (commencing with Section 21000) of the Public Resources Code does not apply to the issuance of a license pursuant to this section by the department, except as otherwise provided in this section.

(m) Refusal by the department to issue a license pursuant to this section or revocation or suspension by the department of a license issued pursuant to this section shall not entitle the applicant or licensee to a hearing or an appeal of the decision. Chapter 2 (commencing with Section 480) of Division 1.5 and Chapter 4 (commencing with Section 26040) of this division and Sections 26031 and 26058 shall not apply to licenses issued pursuant to this section.

(n) For purposes of this section, "streambed alteration agreement" has the same meaning as the term "agreement" is defined in Section 1601 of the Fish and Game Code, which includes both individual agreements and general agreements under Section 1617 of the Fish and Game Code.

(o) The Department may not renew a provisional license after January 1, 2025 and no provisional license shall be effective after January 1, 2026.

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

(q) Additional exemptions from the California Environmental Quality Act shall not be adopted with respect to licenses issued under this division.

SEC. 38. Section 26051 of the Business and Professions Code is amended to read:

26051. (a) The Cartwright Act, the Unfair Practices Act, the Unfair Competition Law, and the other provisions of Part 2 (commencing with Section 16600) of Division 7 apply to all licensees regulated under this division.

(b) It shall be unlawful for any person to monopolize, attempt to monopolize, or combine or conspire with any person or persons to monopolize, any part of the trade or commerce related to cannabis. The Attorney General shall have the sole authority to enforce the provisions of this subdivision.

(c) In determining whether to grant, deny, or renew a retail license, microbusiness license, or a license issued under Section 26070.5, the department shall consider if an excessive concentration exists in the area where the licensee will operate. For purposes of this section "excessive concentration" applies when either of the following conditions exist:

(1) The ratio of licensees to population in the census tract or census division in which the applicant premises is located exceeds the ratio of licensees to population in the county in which the applicant premises is located, unless denial of the application would unduly limit the development of the legal market so as to perpetuate the illegal market for cannabis or cannabis products.

(2) The ratio of retail licenses, microbusiness licenses, or licenses under Section 26070.5 to the population in the census tract, census division, or jurisdiction exceeds that allowable by local ordinance adopted under Section 26200.

SEC. 39. Section 26051.5 of the Business and Professions Code is amended to read:

26051.5. (a) An applicant for a state license issued pursuant to this division to conduct commercial cannabis activity, as defined in Section 26001, shall do all of the following:

(1) Require that each owner electronically submit to the Department of Justice fingerprint images and related information required by the Department of Justice for the purpose of obtaining information as to the existence and content of a record of state or federal convictions and state and federal arrests, and also information as to the existence and content of a record of state or federal convictions and arrests for which the Department of Justice establishes that the person is free on bail or on their own recognizance pending trial or appeal.

(A) Notwithstanding any other law, the Bureau of Cannabis Control, the Department of Food and Agriculture, the State Department of Public Health, and the department, as defined in Section 26001, may obtain criminal history information from the Department of Justice and the Federal Bureau of Investigation for an applicant for any state license under this division, including any license established by a licensing authority, as defined in Section 26001, by regulation pursuant to subdivision (b) of Section 26012.

(B) When received, the Department of Justice shall transmit fingerprint images and related information received pursuant to this section to the Federal Bureau of Investigation for the purpose of obtaining a federal criminal history records check. The Department of Justice shall review the information returned from the Federal Bureau of Investigation and compile and disseminate a response to the licensing authority.

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

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

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

(F) Employees of a licensing authority, as defined in Section 26001, acting on behalf of the department may receive criminal history information pursuant to this section. This subparagraph shall become inoperative on July 1, 2022.

(G) Notwithstanding any other law, a licensing authority may request and receive from a local or state agency certified records of all arrests and convictions, certified records regarding probation, and any and all other related documentation needed to complete an applicant or licensee investigation. A local or state agency may provide those records to a licensing authority upon request.

(2) Provide evidence of the legal right to occupy and use the proposed location and provide a statement from the landowner of real property or that landowner's agent where the commercial cannabis activity will occur, as proof to demonstrate the landowner has acknowledged and consented to permit commercial cannabis activities to be conducted on the property by the tenant applicant.

(3) Provide evidence that the proposed location is in compliance with subdivision (b) of Section 26054.

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

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

(ii) For an applicant with less than 20 employees that has not yet entered into a labor peace agreement, provide a notarized statement as a part of its application indicating that the applicant will enter into and abide by the terms of a labor peace agreement within 60 days of employing its 20th employee.

(iii) Nothing in this paragraph shall be construed to limit the authority of the department to revoke or suspend a license for a violation of this paragraph.

(B) For the purposes of this paragraph, "employee" does not include a supervisor.

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

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

(7) Provide any other information required by the department.

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

(9) Pay all applicable fees required for licensure by the department.

(10) Provide proof of a bond to cover the costs of destruction of cannabis or cannabis products if necessitated by a violation of licensing requirements.

(11) (A) Provide a statement, upon initial application and application for renewal, that the applicant employs, or will employ within one year of receiving or renewing a license, one supervisor and one employee who have successfully completed a Cal-OSHA 30-hour general industry outreach course offered by a training provider that is authorized by an OSHA Training Institute Education Center to provide the course. This paragraph shall not be construed to alter or amend existing requirements for employers to provide occupational safety and health training to employees.

(B) An applicant with only one employee shall not be subject to subparagraph (A).

(C) For purposes of this paragraph "employee" has the same meaning as provided in subparagraph (B) of paragraph (5) and "supervisor" has the same meaning as provided in subparagraph (C) of paragraph (5).

(b) An applicant shall also include in the application a detailed description of the applicant's operating procedures for all of the following, as required by the department:

(1) Cultivation.

(2) Extraction and infusion methods.

(3) The transportation process.

(4) Inventory procedures.

(5) Quality control procedures.

(6) Security protocols.

(7) For applicants seeking licensure to cultivate, the source or sources of water the applicant will use for cultivation, as provided in subdivisions (a) to (c), inclusive, of Section 26060.1. For purposes of this paragraph, "cultivation" as used in Section 26060.1 shall have the same meaning as defined in Section 26001. The department shall consult with the State Water Resources Control Board and the Department of Fish and Wildlife in the implementation of this paragraph.

(c) The applicant shall also provide a complete detailed diagram of the proposed premises wherein the license privileges will be exercised, with sufficient particularity to enable ready determination of the bounds of the premises, showing all boundaries, dimensions, entrances and exits, interior partitions, walls, rooms, and common or shared entryways, and include a brief statement or description of the principal activity to be conducted therein, and, for licenses permitting cultivation, measurements of the planned canopy, including aggregate square footage and individual square footage of separate cultivation areas, if any, roads, water crossings, points of diversion, water storage, and all other facilities and infrastructure related to the cultivation.

(d) Provide a complete list of every person with a financial interest in the person applying for the license as required by the department. For purposes of this subdivision, "persons with a financial interest" does not include persons whose only interest in a licensee is an interest in a diversified mutual fund, blind trust, or similar instrument.

SEC. 40. Section 26053 of the Business and Professions Code is amended to read:

26053. (a) All commercial cannabis activity shall be conducted between licensees, except as otherwise provided in this division.

(b) (1) A person that holds a state testing laboratory license under this division is prohibited from licensure for any other activity, except testing, as authorized under this division. A person that holds a state testing laboratory license shall not employ an individual who is also employed by any other licensee that does not hold a state testing laboratory license.

(2) A person with a financial interest in a state testing laboratory license under this division is prohibited from holding a financial interest in any other type of cannabis license.

(c) Except as provided in subdivision (b), a person may apply for and be issued more than one license under this division.

(d) Each applicant or licensee shall apply for, and if approved, shall obtain, a separate license for each location where it engages in commercial cannabis activity.

SEC. 41. Section 26054 of the Business and Professions Code is amended to read:

26054. (a) A licensee shall not sell alcoholic beverages or tobacco products on or at any premises licensed under this division.

(b) A premises licensed under this division shall not be located within a 600-foot radius of a school providing instruction in kindergarten or any grades 1 through 12, daycare center, or youth center that is in existence at the time the license is issued, unless the department or a local jurisdiction specifies a different radius. The distance specified in this section shall be measured in the same manner as provided in subdivision (c) of Section 11362.768 of the Health and Safety Code unless otherwise provided by law.

(c) It shall not be a violation of state or local law for a business engaged in the manufacture of cannabis accessories to possess, transport, purchase, or otherwise obtain small amounts of cannabis or cannabis products as necessary to conduct research and development related to the cannabis accessories, provided the cannabis and cannabis products are obtained from a person licensed under this division permitted to provide or deliver the cannabis or cannabis products.

(d) It shall not be a violation of state or local law for an agent of the department to possess, transport, or obtain cannabis or cannabis products as necessary to conduct activities reasonably related to the duties of the department.

(e) It shall not be a violation of state or local law for an agent of a state agency, as defined in Section 1100 of the Government Code, or a local agency, as defined in Section 50001 of the Government Code, to possess, transport, or obtain cannabis or cannabis products as necessary to conduct activities reasonably related to the duties of the state or local agency.

SEC. 42. Section 26054.2 of the Business and Professions Code is repealed.

SEC. 43. Section 26055 of the Business and Professions Code is amended to read:

26055. (a) The department may issue state licenses only to qualified applicants.

(b) Revocation of a state license issued under this division shall terminate the ability of the licensee to operate pursuant to that license within California until a new license is obtained.

(c) A licensee shall not change or alter the premises in a manner which materially or substantially alters the premises, the usage of the premises, or the mode or character of business operation conducted from the premises, from the plan contained in the diagram on file with the application, unless and until written approval by the department has been obtained. For purposes of this section, material or substantial physical changes of the premises, or in the usage of the premises, shall include, but not be limited to, a substantial increase or decrease in the total area of the licensed premises previously diagrammed, or any other physical modification resulting in substantial change in the mode or character of business operation.

(d) The department shall not approve an application for a state license under this division if approval of the state license will violate the provisions of any local ordinance or regulation adopted in accordance with Section 26200.

(e) An applicant may voluntarily provide proof of a license, permit, or other authorization from the local jurisdiction verifying that the applicant is in compliance with the local jurisdiction. An applicant that voluntarily submits a valid, unexpired license, permit, or other authorization from the local jurisdiction shall be presumed to be in compliance with all local ordinances unless the department is notified otherwise by the local jurisdiction. The department shall notify the contact person for the local jurisdiction of any applicant that voluntarily submits a valid, unexpired license, permit, or other authorization from the local jurisdiction.

(f) (1) A local jurisdiction shall provide to the department a copy of any ordinance or regulation related to commercial cannabis activity and the name and contact information for the person who will serve as the contact for the department regarding commercial cannabis activity within the jurisdiction. If a local jurisdiction does not provide a contact person, the department shall assume that the clerk of the legislative body of the local jurisdiction is the contact person.

(2) Whenever there is a change in a local ordinance or regulation adopted pursuant to Section 26200 or a change in the contact person for the jurisdiction, the local jurisdiction shall provide that information to the department.

(g) (1) The department shall deny an application for a license under this division for a commercial cannabis activity that the local jurisdiction has notified the department is prohibited in accordance with subdivision (f). The department shall notify the contact person for the local jurisdiction of each application denied due to the local jurisdiction's indication that the commercial cannabis activity for which a license is sought is prohibited by a local ordinance or regulation.

(2) Prior to issuing a state license under this division for any commercial cannabis activity, if an applicant has not provided adequate proof of compliance with local laws pursuant to subdivision (e):

(A) The department shall notify the contact person for the local jurisdiction of the receipt of an application for commercial cannabis activity within their jurisdiction.

(B) A local jurisdiction may notify the department that the applicant is not in compliance with a local ordinance or regulation. In this instance, the department shall deny the application.

(C) A local jurisdiction may notify the department that the applicant is in compliance with all applicable local ordinances and regulations. In this instance, the department may proceed with the licensing process.

(D) If the local jurisdiction does not provide notification of compliance or noncompliance with applicable local ordinances or regulations, or otherwise does not provide notification indicating that the completion of the local permitting process is still pending, within 60 business days of receiving the inquiry from the department submitted pursuant to subparagraph (A), the department shall make a rebuttable presumption that the applicant is in compliance with all local ordinances and regulations adopted in accordance with Section 26200, except as provided in subparagraphs (E) and (F).

(E) At any time after expiration of the 60-business-day period set forth in subparagraph (D), the local jurisdiction may provide written notification to the department that the applicant or licensee is not in compliance with a local ordinance or regulation adopted in accordance with Section 26200. Upon receiving this notification, the department shall not presume that the applicant or licensee has complied with all local ordinances and regulations adopted in accordance with Section 26200, and may commence disciplinary action in accordance with Chapter 3 (commencing with Section 26030). If the department does not take action against the licensee before the time of the renewal of the license, the license shall not be renewed until and unless the local jurisdiction notifies the department that the licensee is once again in compliance with local ordinances.

(F) A presumption by the department pursuant to this paragraph that an applicant has complied with all local ordinances and regulations adopted in accordance with Section 26200 shall not prevent, impair, or preempt the local government from enforcing all applicable local ordinances or regulations against the applicant, nor shall the presumption confer any right, vested or otherwise, upon the applicant to commence or continue operating in any local jurisdiction except in accordance with all local ordinances or regulations.

(3) For purposes of this section, "notification" includes written notification or access by the department to a local jurisdiction's registry, database, or other platform designated by a local jurisdiction, containing information specified by the department, on applicants to determine local compliance.

(h) Without limiting any other statutory exemption or categorical exemption, Division 13 (commencing with Section 21000) of the Public Resources Code does not apply to the adoption of an ordinance, rule, or regulation by a local jurisdiction that requires discretionary review and approval of permits, licenses, or other authorizations to engage in commercial cannabis activity. To qualify for this exemption, the discretionary review in any such law, ordinance, rule, or regulation shall include any applicable

environmental review pursuant to Division 13 (commencing with Section 21000) of the Public Resources Code. This subdivision shall become inoperative on July 1, 2021.

(i) A local or state public agency may charge and collect a fee from a person proposing a project pursuant to subdivision (a) of Section 21089 of the Public Resources Code.

SEC. 44. Section 26057 of the Business and Professions Code is amended to read:

26057. (a) The department shall deny an application if either the applicant, or the premises for which a state license is applied, do not qualify for licensure under this division.

(b) The department may deny the application for licensure or renewal of a state license if any of the following conditions apply:

(1) Failure or inability to comply with the provisions of this division, any rule or regulation adopted pursuant to this division, or any requirement imposed to protect natural resources, including, but not limited to, protections for instream flow, water quality, and fish and wildlife.

(2) Conduct that constitutes grounds for denial of licensure under Chapter 2 (commencing with Section 480) of Division 1.5, except as otherwise specified in this section and Section 26059.

(3) Failure to provide information required by the department.

(4) The applicant, owner, or licensee has been convicted of an offense that is substantially related to the qualifications, functions, or duties of the business or profession for which the application is made, except that if the department determines that the applicant, owner, or licensee is otherwise suitable to be issued a license, and granting the license would not compromise public safety, the department shall conduct a thorough review of the nature of the crime, conviction, circumstances, and evidence of rehabilitation of the applicant or owner, and shall evaluate the suitability of the applicant, owner, or licensee to be issued a license based on the evidence found through the review. In determining which offenses are substantially related to the qualifications, functions, or duties of the business or profession for which the application is made, the department shall include, but not be limited to, the following:

(A) A violent felony conviction, as specified in subdivision (c) of Section 667.5 of the Penal Code.

(B) A serious felony conviction, as specified in subdivision (c) of Section 1192.7 of the Penal Code.

(C) A felony conviction involving fraud, deceit, or embezzlement.

(D) A felony conviction for hiring, employing, or using a minor in transporting, carrying, selling, giving away, preparing for sale, or peddling, any controlled substance to a minor; or selling, offering to sell, furnishing, offering to furnish, administering, or giving any controlled substance to a minor.

(E) A felony conviction for drug trafficking with enhancements pursuant to Section 11370.4 or 11379.8 of the Health and Safety Code.

(5) Except as provided in subparagraphs (D) and (E) of paragraph (4) and notwithstanding Chapter 2 (commencing with Section 480) of Division 1.5, a prior conviction, where the sentence, including any term of probation, incarceration, or supervised release, is completed, for possession, possession for sale, sale, manufacture, transportation, or cultivation of a controlled substance is not considered substantially related, and shall not be the sole ground for denial of a license. Conviction for any controlled substance felony subsequent to licensure shall be grounds for revocation of a license or denial of the renewal of a license.

(6) The applicant, or any of its officers, directors, or owners, has been subject to fines, penalties, or otherwise been sanctioned for cultivation or production of a controlled substance on public or private lands pursuant to Section 12025 or 12025.1 of the Fish and Game Code.

(7) The applicant, or any of its officers, directors, or owners, has been sanctioned by the department, the Bureau of Cannabis Control, the Department of Food and Agriculture, or the State Department of Public Health or a city, county, or city and county for unauthorized commercial cannabis activities, has had a license suspended or revoked under this division in the three years immediately preceding the date the application is filed with the department.

(8) Failure to obtain and maintain a valid seller's permit required pursuant to Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code.

(9) Any other condition specified in law.

(c) The withdrawal of an application for a license after it has been filed with the department shall not deprive the department of its authority to institute or continue a proceeding against the applicant for the denial of the license upon any ground provided by law or to enter an order denying the license upon any ground.

SEC. 45. Section 26058 of the Business and Professions Code is amended to read:

26058. Upon the denial of any application for a license, the department shall notify the applicant in writing. Within 30 days of service of the notice, the applicant may file a written petition for a license with the department. Upon receipt of a timely filed petition, the department shall set the petition for hearing. The hearing shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the director shall have all the powers granted therein. Any appeal from a final decision of the department shall be conducted in accordance with Chapter 4 (commencing with Section 26040).

SEC. 46. Section 26060 of the Business and Professions Code is amended to read:

26060. (a) (1) For the purposes of this division, cannabis is an agricultural product.

(2) In issuing cannabis cultivation licenses, the department shall consider issues, including, but not limited to, water use and environmental impacts. If the State Water Resources Control Board or the Department of Fish and Wildlife finds, based on substantial evidence, that cannabis cultivation is causing significant adverse impacts on the environment in a watershed or other geographic area, the department shall not issue new licenses or increase the total number of plant identifiers within that watershed or area.

(b) The regulations related to cannabis cultivation shall do all of the following:

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

(2) Require that cannabis cultivation by licensees is conducted in accordance with state and local laws.

(3) Establish procedures for the issuance and revocation of unique identifiers for activities associated with a cannabis cultivation license, pursuant to Chapter 6.5 (commencing with Section 26067). All cannabis shall be labeled with the unique identifier issued by the department.

(4) Prescribe standards for the reporting of information as necessary related to unique identifiers pursuant to Chapter 6.5 (commencing with Section 26067).

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

(d) A cannabis cultivator shall not use any pesticide that has been banned for use in the state.

(e) The regulations adopted by the department under this division shall implement the requirements of subdivision (b) of Section 26060.1.

(f) The Department of Pesticide Regulation shall require that the application of pesticides or other pest control in connection with the indoor, outdoor, nursery, specialty cottage, or mixed-light cultivation of cannabis complies with Division 6 (commencing with Section 11401) of the Food and Agricultural Code and its implementing regulations.

SEC. 47. Section 26060.1 of the Business and Professions Code is amended to read:

26060.1. (a) An application for a license for cultivation issued by the department shall identify the source of water supply as follows:

(1) (A) If water will be supplied by a retail water supplier, as defined in Section 13575 of the Water Code, the application shall identify the retail water supplier.

(B) Paragraphs (2) and (3) do not apply to any water subject to subparagraph (A) unless the retail water supplier has 10 or fewer customers, the applicant receives 10 percent or more of the water supplied by the retail water supplier, 25 percent or more of the water delivered by the retail water supplier is used for cannabis cultivation, or the applicant and the retail water supplier are affiliates, as defined in Section 2814.20 of Title 23 of the California Code of Regulations.

(2) If the water supply includes a diversion within the meaning of Section 5100 of the Water Code, the application shall identify the point of diversion and the maximum amount to be diverted as follows:

(A) For an application submitted before January 1, 2019, the application shall include a copy of one of the following:

- (i) A small irrigation use registration certificate, permit, or license issued pursuant to Part 2 (commencing with Section 1200) of Division 2 of the Water Code that covers the diversion.
- (ii) A statement of water diversion and use filed with the State Water Resources Control Board on or before October 31, 2017, that covers the diversion and specifies the amount of water used for cannabis cultivation.
- (iii) A pending application for a permit to appropriate water, filed with the State Water Resources Control Board on or before October 31, 2017.
- (iv) Documentation submitted to the State Water Resources Control Board on or before January 1, 2019, demonstrating that the diversion is subject to subdivision (a), (c), (d), or (e) of Section 5101 of the Water Code.
- (v) Documentation submitted to the State Water Resources Control Board on or before October 31, 2017, demonstrating that the diversion is authorized under a riparian right and that no diversion occurred after January 1, 2010, and before January 1, 2017. The documentation shall be submitted on or accompany a form provided by the State Water Resources Control Board and shall include all of the information outlined in subdivisions (a) to (d), inclusive, and (e) of Section 5103 of the Water Code. The documentation shall also include a general description of the area in which the water will be used in accordance with subdivision (g) of Section 5103 of the Water Code and the year in which the diversion is planned to commence.

(B) For an application submitted after December 31, 2018, the application shall include a copy of one of the following:

- (i) A small irrigation use registration certificate, permit, or license issued pursuant to Part 2 (commencing with Section 1200) of Division 2 of the Water Code that covers the diversion.
- (ii) A statement of water diversion and use filed with the State Water Resources Control Board that covers the diversion and specifies the amount of water used for cannabis cultivation.
- (iii) Documentation submitted to the State Water Resources Control Board demonstrating that the diversion is subject to subdivision (a), (c), (d), or (e) of Section 5101 of the Water Code.
- (iv) Documentation submitted to the State Water Resources Control Board demonstrating that the diversion is authorized under a riparian right and that no diversion occurred after January 1, 2010, and in the calendar year in which the application is submitted. The documentation shall be submitted on or accompany a form provided by the State Water Resources Control Board and shall include all of the information outlined in subdivisions (a) to (d), inclusive, and (e) of Section 5103 of the Water Code. The documentation shall also include a general description of the area in which the water will be used in accordance with subdivision (g) of Section 5103 of the Water Code and the year in which the diversion is planned to commence.

(3) If water will be supplied from a groundwater extraction not subject to paragraph (2), the application shall identify the location of the extraction and the maximum amount to be diverted for cannabis cultivation in any year.

(b) The department shall include in any license for cultivation all of the following:

(1) Conditions requested by the Department of Fish and Wildlife and the State Water Resources Control Board to: (A) ensure that individual and cumulative effects of water diversion and discharge associated with cultivation do not affect the instream flows needed for fish spawning, migration, and rearing, and the flows needed to maintain natural flow variability; (B) ensure that cultivation does not negatively impact springs, riparian habitat, wetlands, or aquatic habitat; and (C) otherwise protect fish, wildlife, fish and wildlife habitat, and water quality. The conditions shall include, but not be limited to, the principles, guidelines, and requirements established pursuant to Section 13149 of the Water Code.

(2) Any relevant mitigation requirements the department identifies as part of its approval of the final environmental documentation for the cannabis cultivation licensing program as requirements that should be included in a license for cultivation. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to the identification of these mitigation measures. This paragraph does not reduce any requirements established pursuant to Division 13 (commencing with Section 21000) of the Public Resources Code.

(3) A condition that the license shall not be effective until the licensee has demonstrated compliance with Section 1602 of the Fish and Game Code or receives written verification from the Department of Fish and Wildlife that a streambed alteration agreement is not required.

(c) The department shall consult with the State Water Resources Control Board and the Department of Fish and Wildlife in the implementation of this section.

(d) Notwithstanding paragraph (1) of subdivision (b), the department is not responsible for verifying compliance with the conditions requested or imposed by the Department of Fish and Wildlife or the State Water Resources Control Board. The Department of Fish and Wildlife or the State Water Resources Control Board, upon finding and making the final determination of a violation of a condition included pursuant to paragraph (1) of subdivision (b), shall notify the department, which may take appropriate action with respect to the licensee in accordance with Chapter 3 (commencing with Section 26030).

SEC. 48. Section 26061 of the Business and Professions Code is amended to read:

26061. (a) The state cultivator license types to be issued by the department under this division shall include all of the following:

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

(2) Type 1A, or "specialty indoor," for indoor cultivation using exclusively artificial lighting of between 501 and 5,000 square feet of total canopy size on one premises.

(3) Type 1B, or "specialty mixed-light," for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the department of between 2,501 and 5,000 square feet of total canopy size on one premises.

(4) Type 1C, or "specialty cottage," for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the department, of 2,500 square feet or less of total canopy size for mixed-light cultivation, 2,500 square feet or less of total canopy size for outdoor cultivation with the option to meet an alternative maximum threshold to be determined by the department of up to 25 mature plants for outdoor cultivation, or 500 square feet or less of total canopy size for indoor cultivation, on one premises.

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

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

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

(8) Type 3, or "outdoor," for outdoor cultivation using no artificial lighting from 10,001 square feet to one acre, inclusive, of total canopy size on one premises. The department shall limit the number of licenses allowed of this type.

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

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

(11) Type 4, or "nursery," for cultivation of cannabis solely as a nursery.

(b) Except as otherwise provided by law:

(1) Type 5, or "outdoor," means for outdoor cultivation using no artificial lighting greater than one acre, inclusive, of total canopy size on one premises.

(2) Type 5A, or "indoor," means for indoor cultivation using exclusively artificial lighting greater than 22,000 square feet, inclusive, of total canopy size on one premises.

(3) Type 5B, or "mixed-light," means for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the department greater than 22,000 square feet, inclusive, of total canopy size on one premises.

(c) No Type 5, Type 5A, or Type 5B cultivation licenses may be issued before January 1, 2023.

(d) Commencing on January 1, 2023, a Type 5, Type 5A, or Type 5B licensee may apply for and hold a Type 6 or Type 7 license and apply for and hold a Type 10 license. A Type 5, Type 5A, or Type 5B licensee shall not be eligible to apply for or hold a Type 8, Type 11, or Type 12 license.

SEC. 49. Section 26062 of the Business and Professions Code is amended to read:

26062. (a) (1) (A) No later than July 1, 2021, the Department of Food and Agriculture shall establish a program for cannabis that is comparable to the National Organic Program (Section 6517 of the federal Organic Foods Production Act of 1990 (7 U.S.C. Sec. 6501 et seq.)), and the California Organic Food and Farming Act (Chapter 10 (commencing with Section 46000) of Division 17 of the Food and Agricultural Code) and Article 7 (commencing with Section 110810) of Chapter 5 of Part 5 of Division 104 of the Health and Safety Code. For purposes of administering this paragraph, the Department of Food and Agriculture shall be exempt from the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(B) The Department of Food and Agriculture may collect fees to cover the reasonable regulatory costs of performing duties pursuant to this paragraph. The Department of Food and Agriculture may deny, suspend, or revoke a registration or certification issued under the program established pursuant to this paragraph for a violation of the program or Section 26062.5. A violation of the program established pursuant to this paragraph or Section 26062.5 may also be subject to a civil penalty in an amount not to exceed thirty thousand dollars (\$30,000) for each individual violation.

(C) A person may request a hearing to contest a denial, suspension, revocation, or civil penalty levied pursuant to this paragraph by submitting a written request within 30 days of service. The hearing shall be held pursuant to the provisions of Chapter 4.5 (commencing with Section 11400) of Part 1 of Division 3 of Title 2 of the Government Code and any informal hearing regulations adopted by the Department of Food and Agriculture.

(D) After the exhaustion of the administrative and judicial review procedures, a licensing authority may apply to the appropriate superior court for a judgment in the amount of the administrative penalty and an order compelling the person to comply with the order of the Department of Food and Agriculture. The application, which shall include a certified copy of the final order of the licensing authority, shall constitute a sufficient showing to warrant the issuance of the judgment and order.

(E) Any penalties or fees collected by the Department of Food and Agriculture pursuant to this paragraph shall be deposited in the Department of Food and Agriculture Fund.

(2) (A) No later than July 1, 2021, the State Department of Public Health shall establish a certification program for manufactured cannabis products that is comparable to the National Organic Program (Section 6517 of the federal Organic Foods Production Act of 1990 (7 U.S.C. Sec. 6501 et seq.)), the California Organic Food and Farming Act (Chapter 10 (commencing with Section 46000) of Division 17 of the Food and Agricultural Code), and Article 7 (commencing with Section 110810) of Chapter 5 of Part 5 of Division 104 of the Health and Safety Code. For purposes of administering this paragraph, the State Department of Public Health shall be exempt from the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(B) For the purposes of enforcement of this paragraph, any authorized agent of the State Department of Public Health, including those defined in Section 109945 of the Health and Safety Code, may examine records and inspect the premises of a cannabis manufacturer and embargo cannabis products in that premises as necessary to perform the duties pursuant to this paragraph.

(C) The State Department of Public Health may collect fees to cover the reasonable regulatory costs of performing duties pursuant to this paragraph. The State Department of Public Health may deny, suspend, or revoke a registration or certification issued pursuant to this paragraph for a violation of the certification program or for a violation of Section 26062.5, consistent with Section 110875 of the Health and Safety Code. The State Department of Public Health may levy a civil penalty for a violation of the certification program or Section 26062.5. The amount of any penalty imposed pursuant to this paragraph shall be consistent with Section 110915 of the Health and Safety Code. A person subject to a penalty shall have the right to an informal hearing, consistent with Section 110915 of the Health and Safety Code. Any penalties or fees collected by the State Department of Public Health pursuant to this paragraph shall be deposited in the Food Safety Fund established pursuant to Section 110050 of the Health and Safety Code for use by the State Department of Public Health, upon appropriation by the Legislature, for the purpose of administering the certification program.

(b) If at any time preceding or following the establishment of a program pursuant to subdivision (a), the National Organic Program (Section 6517 of the federal Organic Foods Production Act of 1990 (7 U.S.C. Sec. 6501 et seq.)) authorizes organic designation and certification for cannabis, this section shall become inoperative and, as of January 1, of the following year, is repealed.

SEC. 50. Section 26063 of the Business and Professions Code is amended to read:

26063. (a) (1) (A) No later than January 1, 2018, the department shall establish standards by which a licensed cultivator may designate a county, city, or city and county of origin for cannabis. To be eligible for the designation, 100 percent of the cannabis shall be produced within the designated county, city, or city and county, as defined by finite political boundaries.

(B) The Department of Food and Agriculture may collect fees to cover the reasonable regulatory costs of performing duties pursuant to this section. Any fees collected by the Department of Food and Agriculture pursuant to this section shall be deposited in the Department of Food and Agriculture Fund.

(2) Cannabis shall not be advertised, marketed, labeled, or sold as produced in a California county, city, or city and county, including any similar name that is likely to mislead consumers as to the kind of cannabis, when the cannabis was not produced in that county, city, or city and county.

(3) The name of a California county, city, or city and county, including any similar name that is likely to mislead consumers as to the kind of cannabis contained in the product, shall not be used in the advertising, labeling, marketing, or packaging of cannabis products unless 100 percent of the cannabis contained in the product was produced in that county, city, or city and county.

(b) (1) No later than January 1, 2021, the Department of Food and Agriculture shall establish a process by which licensed cultivators may establish appellations of origin, including standards, practices, and cultivars applicable to cannabis produced in a certain geographical area in California, not otherwise specified in subdivision (a).

(2) Cannabis shall not be advertised, marketed, labeled, or sold using an appellation of origin established pursuant to paragraph (1), including any similar name that is likely to mislead consumers as to the kind of cannabis, unless the cannabis meets the appellation of origin requirements for, and was produced in, the geographical area.

(3) An appellation of origin established pursuant to this subdivision, including any similar name that is likely to mislead consumers as to the kind of cannabis contained in a product, shall not be used in the advertising, labeling, marketing, or packaging of a cannabis product unless 100 percent of the cannabis contained in the product meets the appellation of origin requirements and was produced in the geographical area.

(c) An appellation of origin shall not be approved unless it requires the practice of planting in the ground in the canopy area and excludes the practices of using structures, including a greenhouse, hoop house, glasshouse, conservatory, hothouse, and any similar structure, and any artificial light in the canopy area.

SEC. 51. Section 26067 of the Business and Professions Code is amended to read:

26067. (a) The department shall establish a track and trace program for reporting the movement of cannabis and cannabis products throughout the distribution chain that utilizes a unique identifier and is capable of providing information that captures, at a minimum, all of the following:

(1) The licensee from which the product originates and the licensee receiving the product.

(2) The transaction date.

(3) The unique identifier or identifiers for the cannabis or cannabis product.

(b) (1) The department, in consultation with the California Department of Tax and Fee Administration, shall create an electronic database containing the electronic shipping manifests to facilitate the administration of the track and trace program, which shall include, but not be limited to, the following information:

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

(B) The estimated times of departure and arrival.

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

(D) The actual time of departure and arrival.

(E) A categorization and the unique identifier of the cannabis or cannabis product.

(F) The license number issued by the department for all licensees involved in the shipping process, including, but not limited to, cultivators, manufacturers, distributors, and retailers.

(2) The database shall be designed to flag irregularities for the department to investigate.

(3) The department and state and local agencies may, at any time, inspect shipments and request documentation for current inventory.

(4) The California Department of Tax and Fee Administration shall have read access to the electronic database for the purpose of taxation and regulation of cannabis and cannabis products.

(5) Information received and contained in records kept by the department for the purposes of administering this chapter are confidential and shall not be disclosed pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), except as necessary for authorized employees of the State of California or any city, county, or city and county to perform official duties pursuant to this division or a local ordinance.

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

SEC. 52. Section 26068 of the Business and Professions Code is amended to read:

26068. (a) The department, in consultation with the California Department of Tax and Fee Administration, shall ensure that the track and trace program can also track and trace the amount of the cultivation tax due pursuant to Part 14.5 (commencing with Section 34010) of Division 2 of the Revenue and Taxation Code. The track and trace program shall include an electronic seed to sale software tracking system with data points for the different stages of commercial activity, including, but not limited to, cultivation, harvest, processing, manufacturing, distribution, inventory, and sale.

(b) The department shall ensure that licensees under this division are allowed to use third-party applications, programs, and information technology systems to comply with the requirements of the expanded track and trace program described in subdivision (a) to report the movement of cannabis and cannabis products throughout the distribution chain and communicate the information to licensing agencies as required by law.

(c) Any software, database, or other information technology system utilized by the department to implement the expanded track and trace program shall support interoperability with third-party cannabis business software applications and allow all licensee-facing system activities to be performed through a secure application programming interface (API) or comparable technology that is well documented, bi-directional, and accessible to any third-party application that has been validated and has appropriate credentials. The API or comparable technology shall have version control and provide adequate notice of updates to third-party applications. The system should provide a test environment for third-party applications to access that mirrors the production environment.

SEC. 53. Section 26069 of the Business and Professions Code is amended to read:

26069. (a) (1) The department shall implement a unique identification program for cannabis and cannabis products.

(2) The unique identification program shall include the identification of permitted cannabis plants at a cultivation site during the cultivation period. A unique identifier shall be issued for each cannabis plant. The department shall ensure that unique identifiers are issued as quickly as possible to ensure the implementation of this division. The unique identifier shall be attached at the base of each plant or as otherwise required by law or regulation.

(b) Unique identifiers shall only be issued to those persons appropriately licensed by this division.

(c) Information associated with the assigned unique identifier and licensee shall be included in the trace and track program specified in Section 26067.

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

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

(f) A city, county, or city and county may administer unique identifiers and associated identifying information but a city, county, or city and county's identifiers shall not supplant the department's track and trace program.

(g) This section does not apply to the cultivation of cannabis in accordance with Section 11362.1 of the Health and Safety Code or the Compassionate Use Act.

SEC. 54. Section 26069.1 of the Business and Professions Code is amended and renumbered to read:

26066.1. The department may enter into a cooperative agreement with a county agricultural commissioner or other state or local agency to assist the department in implementing the provisions of this division related to administration, investigation, inspection, fee collection, document management, education and outreach, distribution of individual licenses approved by the department, and technical assistance pertaining to the cultivation of cannabis. The department shall pay compensation under a cooperative agreement from fees collected and deposited pursuant to this division and shall provide reimbursement to a county agricultural commissioner, state, or local agency for associated costs. The department shall not delegate through a cooperative agreement, or otherwise, its authority to issue cultivation licenses to a county agricultural commissioner, local agency, or another state agency. The department shall provide notice of any cooperative agreement entered into pursuant to this section to other relevant state agencies involved in the regulation of cannabis cultivation. No cooperative agreement under this section shall relieve the department of its obligations under subdivision (a) of Section 26012 to administer the provisions of this division related to, and associated with, the cultivation of cannabis.

SEC. 55. Section 26069.5 of the Business and Professions Code is amended and renumbered to read:

26066.2. (a) A county agricultural commissioner may report to the director on the condition, acreage, production, and value of cannabis produced in the commissioner's county under a cultivation license issued pursuant to this division. The cannabis data may be submitted in a separate report that is similar to those reports required for agricultural products pursuant to Section 2279 of the Food and Agricultural Code. This section does not require the department to publish this report.

(b) Data on cannabis production that is included in a report pursuant to this section may be organized by categories including, but not limited to, the following:

- (1) State cultivator license type, as set forth in Chapter 5 (commencing with Section 26050), and regulations adopted pursuant to that chapter.
- (2) Local license, permit, or other authorization type, as described in Section 26200.
- (3) Price tier, including for different strains of cannabis, different production methods, or different parts of a plant, such as flowers or leaves.

(c) A county agricultural commissioner shall not seek reimbursement for expenses incurred in making a report pursuant to this section from either of the following sources:

- (1) The Department of Food and Agriculture Fund.
- (2) Funding that may otherwise be available for the purposes of this section from a cooperative agreement entered into pursuant to Section 2222 of the Food and Agricultural Code.

SEC. 56. Section 26069.9 of the Business and Professions Code is repealed.

SEC. 57. Section 26070 of the Business and Professions Code is amended to read:

26070. Retailers, Distributors, and Microbusinesses.

(a) State licenses to be issued by the department related to the sale and distribution of cannabis and cannabis products are as follows:

- (1) A retailer shall have a licensed premises which is a physical location from which commercial cannabis activities are conducted. A retailer's premises may be closed to the public. A retailer may conduct sales exclusively by delivery.
- (2) A distributor licensee shall be bonded and insured at a minimum level established by the department.
- (3) (A) Microbusiness licenses that authorize cultivation of cannabis shall include the license conditions described in subdivision (b) of Section 26060.1.

(B) The department shall establish a process by which an applicant for a microbusiness license can demonstrate compliance with all the requirements under this division for the activities that will be conducted under the license.

(b) The department shall establish minimum security and transportation safety requirements for the commercial distribution and delivery of cannabis and cannabis products. Except as provided in subdivision (d) of Section 26110, the transportation of cannabis and cannabis products shall only be conducted by persons holding a distributor license under this division or employees of those persons. Transportation safety standards established by the department shall include, but not be limited to, minimum standards governing the types of vehicles in which cannabis and cannabis products may be distributed and delivered and minimum qualifications for persons eligible to operate such vehicles.

(c) The driver of a vehicle transporting or transferring cannabis or cannabis products shall be directly employed by a licensee authorized to transport or transfer cannabis or cannabis products.

(d) Notwithstanding any other law, all vehicles transporting cannabis and cannabis products for hire shall be required to have a valid motor carrier permit pursuant to Chapter 2 (commencing with Section 34620) of Division 14.85 of the Vehicle Code. The Department of the California Highway Patrol shall have authority over the safe operation of these vehicles, including, but not limited to, requiring licensees engaged in the transportation of cannabis or cannabis products to participate in the Basic Inspection of Terminals (BIT) program pursuant to Section 34501.12 of the Vehicle Code.

(e) Prior to transporting cannabis or cannabis products, a licensed distributor shall do both of the following:

(1) Complete an electronic shipping manifest as prescribed by the department. The shipping manifest shall include the unique identifier, pursuant to Section 26067, issued by the department for the cannabis product.

(2) Securely transmit the manifest to the department and the licensee that will receive the cannabis product.

(f) During transportation, the licensed distributor shall maintain a physical copy of the shipping manifest and make it available upon request to agents of the department and law enforcement officers.

(g) The licensee receiving the shipment shall maintain each electronic shipping manifest and shall make it available upon request to the department and any law enforcement officers.

(h) Upon receipt of the transported shipment, the licensee receiving the shipment shall submit to the department a record verifying receipt of the shipment and the details of the shipment.

(i) Transporting, or arranging for or facilitating the transport of, cannabis or cannabis products in violation of this chapter is grounds for disciplinary action against the licensee.

(j) Licensed retailers and microbusinesses, and licensed nonprofits under Section 26070.5, shall implement security measures reasonably designed to prevent unauthorized entrance into areas containing cannabis or cannabis products and theft of cannabis or cannabis products from the premises. These security measures shall include, but not be limited to, all of the following:

(1) Prohibiting individuals from remaining on the licensee's premises if they are not engaging in activity expressly related to the operations of the retailer.

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

(3) Other than limited amounts of cannabis used for display purposes, samples, or immediate sale, storing all finished cannabis and cannabis products in a secured and locked room, safe, or vault, and in a manner reasonably designed to prevent diversion, theft, and loss.

(k) A retailer shall notify the department and the appropriate law enforcement authorities within 24 hours after discovering any of the following:

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

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

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

(4) The loss or unauthorized alteration of records related to cannabis or cannabis products, registered qualifying patients, primary caregivers, or retailer employees or agents.

(5) Any other breach of security.

SEC. 58. Section 26070.5 of the Business and Professions Code is amended to read:

26070.5. (a) The Bureau of Cannabis Control shall, by January 1, 2020, investigate the feasibility of creating one or more classifications of nonprofit licenses under this section. The feasibility determination shall be made in consultation with the relevant licensing agencies and representatives of local jurisdictions which issue temporary licenses pursuant to subdivision (b). The Bureau of Cannabis Control shall consider factors including, but not limited to, the following:

(1) Should nonprofit licensees be exempted from any or all state taxes, licensing fees, and regulatory provisions applicable to other licenses in this division?

(2) Should funding incentives be created to encourage others licensed under this division to provide professional services at reduced or no cost to nonprofit licensees?

(3) Should nonprofit licenses be limited to, or prioritize those, entities previously operating on a not-for-profit basis primarily providing whole-plant cannabis and cannabis products and a diversity of cannabis strains and seed stock to low-income persons?

(b) Any local jurisdiction may issue temporary local licenses to nonprofit entities primarily providing whole-plant cannabis and cannabis products and a diversity of cannabis strains and seed stock to low-income persons so long as the local jurisdiction does all of the following:

(1) Confirms the license applicant's status as a nonprofit entity registered with the California Attorney General's Registry of Charitable Trusts and that the applicant is in good standing with all state requirements governing nonprofit entities.

(2) Licenses and regulates any such entity to protect public health and safety, and so as to require compliance with all environmental requirements in this division.

(3) Provides notice to the department of any such local licenses issued, including the name and location of any such licensed entity and all local regulations governing the licensed entity's operation.

(4) Certifies to the department that any such licensed entity will not generate annual gross revenues in excess of two million dollars (\$2,000,000).

(c) Temporary local licenses authorized under subdivision (b) shall expire after 12 months unless renewed by the local jurisdiction.

(d) The department may impose reasonable additional requirements on the local licenses authorized under subdivision (b).

(e) (1) New temporary local licenses shall not be issued pursuant to this section after the date the Bureau of Cannabis Control determines that creation of nonprofit licenses under this division is not feasible, or if the Bureau of Cannabis Control determines that creation of nonprofit licenses under this division is feasible, after the date a licensing agency commences issuing state nonprofit licenses.

(2) If the Bureau of Cannabis Control determines that creation of nonprofit licenses under this division is feasible, no temporary license issued under subdivision (b) shall be renewed or extended after the date on which a licensing agency commences issuing state nonprofit licenses.

(3) If the Bureau of Cannabis Control determines that creation of nonprofit licenses under this division is not feasible, the Bureau of Cannabis Control shall provide notice of this determination to all local jurisdictions that have issued temporary licenses under subdivision (b). The department may, in its discretion, permit any such local jurisdiction to renew or extend on an annual basis any temporary license previously issued under subdivision (b).

SEC. 59. Section 26090 of the Business and Professions Code is amended to read:

26090. (a) Deliveries, as defined in this division, may only be made by a licensed retailer or microbusiness, or a licensed nonprofit under Section 26070.5.

(b) All employees of a retailer, microbusiness, or nonprofit delivering cannabis or cannabis products shall carry a copy of the licensee's current license and a government-issued identification with a photo of the employee, such as a driver's license. The employee shall present that license and identification upon request to state and local law enforcement, employees of the department and other state and local agencies enforcing this division.

(c) During delivery, the licensee shall maintain a copy of the delivery request and shall make it available upon request of the department and law enforcement officers. The delivery request documentation shall comply with state and federal law regarding the protection of confidential medical information.

(d) A customer requesting delivery shall maintain a physical or electronic copy of the delivery request and shall make it available upon request by the department and law enforcement officers.

(e) A local jurisdiction shall not prevent delivery of cannabis or cannabis products on public roads by a licensee acting in compliance with this division and local law as adopted under Section 26200.

SEC. 60. Section 26100 of the Business and Professions Code is amended to read:

26100. (a) Except as otherwise provided by law, cannabis or cannabis products shall not be sold pursuant to a license provided for under this division unless a representative sample of the cannabis or cannabis products has been tested by a licensed testing laboratory.

(b) The department shall develop criteria to determine which batches shall be tested. All testing of the samples shall be performed on the final form in which the cannabis or cannabis product will be consumed or used.

(c) Testing of batches to meet the requirements of this division shall only be conducted by a licensed testing laboratory.

(d) For each batch tested, the testing laboratory shall issue a certificate of analysis for selected lots at a frequency determined by the department with supporting data, to report both of the following:

(1) Whether the chemical profile of the sample conforms to the labeled content of compounds, including, but not limited to, all of the following, unless limited through regulation by the department:

(A) Tetrahydrocannabinol (THC).

(B) Tetrahydrocannabinolic Acid (THCA).

(C) Cannabidiol (CBD).

(D) Cannabidiolic Acid (CBDA).

(E) The terpenes required by the department in regulation.

(F) Cannabigerol (CBG).

(G) Cannabinol (CBN).

(H) Other compounds or contaminants required by the department.

(2) That the presence of contaminants does not exceed the levels established by the department. In establishing the levels, the department shall consider the American Herbal Pharmacopoeia monograph, guidelines set by the Department of Pesticide Regulation pursuant to subdivision (c) of Section 26060, and any other relevant sources. For purposes of this paragraph, "contaminants" includes, but is not limited to, all of the following:

(A) Residual solvent or processing chemicals.

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

(C) Microbiological impurities as identified by the department in regulation.

(3) For edible cannabis products, that the milligrams per serving of THC does not exceed 10 milligrams per serving, plus or minus 12 percent. After January 1, 2022, the milligrams of THC per serving shall not deviate from 10 milligrams by more than 10 percent.

(e) A testing laboratory may amend a certificate of analysis to correct minor errors, as defined by the department.

(f) Standards for residual levels of volatile organic compounds shall be established by the department.

(g) The testing laboratory shall conduct all testing required by this section in a manner consistent with general requirements for the competence of testing and calibrations activities, including sampling and using verified methods.

(h) All testing laboratories performing tests pursuant to this section shall obtain and maintain ISO/IEC 17025 accreditation as required by the department in regulation.

(i) (1) If a test result falls outside the specifications authorized by law or regulation, the testing laboratory shall follow a standard operating procedure to confirm or refute the original result.

(2) If a test result falls outside the specifications authorized by law or regulation, the testing laboratory may retest the sample if both of the following occur:

(A) The testing laboratory notifies the department, in writing, that the test was compromised due to equipment malfunction, staff error, or other circumstances allowed by the department.

(B) The department authorizes the testing laboratory to retest the sample.

(j) A testing laboratory shall destroy the remains of the sample of cannabis or cannabis product upon completion of the analysis, as determined by the department through regulations.

(k) Presale inspection, testing transfer, or transportation of cannabis or cannabis products pursuant to this section shall conform to a specified chain of custody protocol and any other requirements imposed under this division.

(l) This division does not prohibit a licensee from performing testing on the licensee's premises for the purposes of quality control of the product in conjunction with reasonable business operations. This division also does not prohibit a licensee from performing testing on the licensee's premises of cannabis or cannabis products obtained from another licensee. Onsite testing by the licensee shall not be certified by the department and does not exempt the licensee from the requirements of compliance testing at a testing laboratory pursuant to this section.

SEC. 61. Section 26102 of the Business and Professions Code is amended to read:

26102. A testing laboratory shall not be licensed by the department unless the laboratory meets all of the following:

(a) Complies with any other requirements specified by the department.

(b) Notifies the department within one business day after the receipt of notice of any kind that its accreditation has been denied, suspended, or revoked.

(c) Has established standard operating procedures that provide for adequate chain of custody controls for samples transferred to the testing laboratory for testing.

SEC. 62. Section 26104 of the Business and Professions Code is amended to read:

26104. (a) A licensed testing laboratory shall, in performing activities concerning cannabis and cannabis products, comply with the requirements and restrictions set forth in applicable law and regulations.

(b) The department shall develop procedures to do all of the following:

(1) Ensure that testing of cannabis and cannabis products occurs prior to distribution to retailers, microbusinesses, or nonprofits licensed under Section 26070.5.

(2) Specify how often licensees shall test cannabis and cannabis products, and that the cost of testing cannabis shall be borne by the licensed cultivators and the cost of testing cannabis products shall be borne by the licensed manufacturer, and that the costs of testing cannabis and cannabis products shall be borne by a nonprofit licensed under Section 26070.5.

(3) Require destruction of harvested batches whose testing samples indicate noncompliance with health and safety standards required by the department, unless remedial measures can bring the cannabis or cannabis products into compliance with quality assurance standards as specified by law and implemented by the department.

(4) Ensure that a testing laboratory employee takes the sample of cannabis or cannabis products from the distributor's premises for testing required by this division and that the testing laboratory employee transports the sample to the testing laboratory. The driver transporting the sample pursuant to this requirement shall be directly employed by the testing laboratory.

(c) (1) Except as provided in this division, a testing laboratory shall not acquire or receive cannabis or cannabis products except from a licensee in accordance with this division, and shall not distribute, sell, or dispense cannabis or cannabis products, from the licensed premises from which the cannabis or cannabis products were acquired or received. All transfer or transportation shall be performed pursuant to a specified chain of custody protocol.

(2) A testing laboratory may receive and test samples of cannabis or cannabis products from a state or local law enforcement, or a prosecuting or regulatory agency in order to test the cannabis or cannabis products. For purposes of this section, testing conducted by a testing laboratory for state or local law enforcement, a prosecuting agency, or a regulatory agency is not commercial cannabis activity and shall not be arranged or overseen by the department.

(d) A testing laboratory may receive and test samples of cannabis or cannabis products from a licensed manufacturer or licensed cultivator for quality control purposes. A testing laboratory shall not certify samples from a licensed manufacturer or licensed cultivator for retail sale. All tests performed by a testing laboratory for a licensed manufacturer or licensed cultivator shall be recorded with the name of the licensee and the amount of cannabis or cannabis product received.

(e) A testing laboratory may receive and test samples of cannabis or cannabis products from a qualified patient or primary caregiver with a valid physician's recommendation for cannabis for medicinal purposes. A testing laboratory shall not certify samples from a qualified patient or primary caregiver for resale or transfer to another person or licensee. All tests performed by a

testing laboratory for a qualified patient or primary caregiver shall be recorded with the name of the qualified patient or primary caregiver and the amount of cannabis or cannabis product received.

(f) A testing laboratory may receive and test samples of cannabis or cannabis products from a person over 21 years of age when the cannabis has been grown by that person and will be used solely for that person's use, as authorized pursuant to Section 11362.1 of the Health and Safety Code. A testing laboratory shall not certify samples from the person over 21 years of age for resale or transfer to another person or licensee. All tests recorded pursuant to this subdivision shall be recorded with the name of the person submitting the sample and the amount of cannabis or cannabis product received.

SEC. 63. Section 26105 of the Business and Professions Code is amended and renumbered to read:

26132. Manufacturing Level 2 licensees shall enact sufficient methods or procedures to capture or otherwise limit risk of explosion, combustion, or any other unreasonably dangerous risk to public safety created by volatile solvents. The department shall establish minimum standards concerning such methods and procedures for Level 2 licensees.

SEC. 64. Section 26106 of the Business and Professions Code is amended and renumbered to read:

26131. Standards for the production, packaging, and labeling of all cannabis products developed by the department apply to all licensed manufacturers and microbusinesses, and nonprofits licensed under Section 26070.5, unless otherwise specified by the department.

SEC. 65. Section 26110 of the Business and Professions Code is amended to read:

26110. (a) Cannabis batches are subject to quality assurance standards and testing prior to sale at a retailer, microbusiness, or nonprofit licensed under Section 26070.5, except for immature cannabis plants and seeds, as provided for in this division.

(b) A licensee that holds a valid distributor license may act as the distributor for the licensee's cannabis and cannabis products.

(c) The distributor shall store, as determined by the department, the cannabis batches on the premises of the distributor before testing and continuously until either of the following occurs:

(1) The cannabis batch passes the testing requirements pursuant to this division and is transported to a licensed retailer or to another licensed distributor.

(2) The cannabis batch fails the testing requirements pursuant to this division and is destroyed or transported to a manufacturer for remediation as allowed by the department.

(d) The distributor shall arrange for a testing laboratory to obtain a representative sample of each cannabis batch at the distributor's licensed premises. After obtaining the sample, the testing laboratory representative shall maintain custody of the sample and transport it to the testing laboratory.

(e) Upon issuance of a certificate of analysis by the testing laboratory that the cannabis batch has passed the testing requirements pursuant to this division, the distributor shall conduct a quality assurance review before distribution to ensure the labeling and packaging of the cannabis and cannabis products conform to the requirements of this division.

(f) (1) There shall be a quality assurance compliance monitor who is an employee or contractor of the department and who shall not hold a license in any category or own or have an ownership interest in a licensee or the premises of a licensee.

(2) The quality assurance compliance monitor shall conduct random quality assurance reviews at a distributor's licensed premises before distribution to ensure the labeling and packaging of the cannabis and cannabis products conform to the requirements of this division.

(3) The quality assurance compliance monitor shall have access to all records and test results required of a licensee by law in order to conduct quality assurance analysis and to confirm test results. All records of inspection and verification by the quality assurance compliance monitor shall be provided to the department. Failure to comply shall be noted by the quality assurance compliance monitor for further investigation. Violations shall be reported to the department. The quality assurance compliance monitor shall also verify the tax payments collected and paid under Sections 34011 and 34012 of the Revenue and Taxation Code are accurate. The monitor shall also have access to the inputs and assumptions in the track and trace system and shall be able to verify their accuracy and that they are commensurate with the tax payments.

(g) After testing, all cannabis and cannabis products fit for sale may be transported only from the distributor's premises to the premises of another licensed distributor for further distribution, or to a licensed retailer, microbusiness, or nonprofit for retail sale.

(h) A licensee is not required to sell cannabis or cannabis products to a distributor and may directly contract for sale with a licensee authorized to sell cannabis and cannabis products to purchasers.

(i) A distributor performing services pursuant to this section may collect a fee from the licensee for the services provided. The fee may include, but is not limited to, the costs incurred for laboratory testing. A distributor may also collect applicable state or local taxes and fees.

(j) This section does not prohibit a licensee from performing testing on the licensee's premises for the purposes of quality control of the product in conjunction with reasonable business operations. The testing conducted on the licensee's premises by the licensee does not meet the testing requirements pursuant to this division.

SEC. 66. Section 26120 of the Business and Professions Code is amended to read:

26120. (a) Prior to delivery or sale at a retailer, cannabis and cannabis products shall be labeled and placed in a tamper-evident, child-resistant package and shall include a unique identifier for the purposes of identifying and tracking cannabis and cannabis products. If the cannabis or cannabis product contains multiple servings, the package shall also be resealable.

(b) Packages and labels shall not be made to be attractive to children.

(c) All cannabis and cannabis product labels and inserts shall include the following information prominently displayed in a clear and legible fashion in accordance with the requirements, including font size, prescribed by the department:

(1) The following statements, in bold print:

(A) For cannabis: "GOVERNMENT WARNING: THIS PACKAGE CONTAINS CANNABIS, A SCHEDULE I CONTROLLED SUBSTANCE. KEEP OUT OF REACH OF CHILDREN AND ANIMALS. CANNABIS MAY ONLY BE POSSESSED OR CONSUMED BY PERSONS 21 YEARS OF AGE OR OLDER UNLESS THE PERSON IS A QUALIFIED PATIENT. CANNABIS USE WHILE PREGNANT OR BREASTFEEDING MAY BE HARMFUL. CONSUMPTION OF CANNABIS IMPAIRS YOUR ABILITY TO DRIVE AND OPERATE MACHINERY. PLEASE USE EXTREME CAUTION."

(B) For cannabis products: "GOVERNMENT WARNING: THIS PRODUCT CONTAINS CANNABIS, A SCHEDULE I CONTROLLED SUBSTANCE. KEEP OUT OF REACH OF CHILDREN AND ANIMALS. CANNABIS PRODUCTS MAY ONLY BE POSSESSED OR CONSUMED BY PERSONS 21 YEARS OF AGE OR OLDER UNLESS THE PERSON IS A QUALIFIED PATIENT. THE INTOXICATING EFFECTS OF CANNABIS PRODUCTS MAY BE DELAYED UP TO TWO HOURS. CANNABIS USE WHILE PREGNANT OR BREASTFEEDING MAY BE HARMFUL. CONSUMPTION OF CANNABIS PRODUCTS IMPAIRS YOUR ABILITY TO DRIVE AND OPERATE MACHINERY. PLEASE USE EXTREME CAUTION."

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

(3) Identification of the type of cannabis or cannabis product and the date of packaging.

(4) The appellation of origin, if any.

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

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

(7) Information associated with the unique identifier issued by the department.

(8) For a medicinal cannabis product sold at a retailer, the statement "FOR MEDICAL USE ONLY."

(9) Any other requirement set by the department.

(d) Only generic food names may be used to describe the ingredients in edible cannabis products.

(e) In the event the Attorney General determines that cannabis is no longer a Schedule I controlled substance under federal law, the label prescribed in subdivision (c) shall no longer require a statement that cannabis is a Schedule I controlled substance.

SEC. 67. Section 26121 of the Business and Professions Code is amended and renumbered to read:

26039.5. (a) Cannabis or a cannabis product is misbranded if it is any of the following:

(1) Cultivated, processed, manufactured, packed, or held in a location not duly licensed as provided in this division.

(2) Consists of cannabis or cannabis product that was cultivated, processed, manufactured, packed, or held in a location not duly licensed as provided in this division.

(3) Its labeling is false or misleading in any particular.

(4) Its labeling or packaging does not conform to the requirements of Section 26120 or any other labeling or packaging requirement established pursuant to this division.

(b) It is unlawful to cultivate, process, manufacture, sell, deliver, hold, or offer for sale cannabis or a cannabis product that is misbranded.

(c) It is unlawful to misbrand cannabis or a cannabis product.

(d) It is unlawful to receive in commerce cannabis or a cannabis product that is misbranded or to distribute, deliver, or offer for delivery any such cannabis or cannabis product.

SEC. 68. Section 26130 of the Business and Professions Code is amended to read:

26130. (a) The department shall promulgate regulations governing the licensing of cannabis manufacturers and standards for the manufacturing, packaging, and labeling of all manufactured cannabis products. Licenses to be issued are as follows:

(1) "Manufacturing Level 1," for sites that manufacture cannabis products using nonvolatile solvents, or no solvents.

(2) "Manufacturing Level 2," for sites that manufacture cannabis products using volatile solvents.

(b) For purposes of this section, "volatile solvents" shall have the same meaning as in paragraph (3) of subdivision (b) of Section 11362.3 of the Health and Safety Code, unless otherwise provided by law or regulation.

(c) Edible cannabis products shall be:

(1) Not designed to be appealing to children or easily confused with commercially sold candy or foods that do not contain cannabis.

(2) Produced and sold with a standardized concentration of cannabinoids not to exceed 10 milligrams tetrahydrocannabinol (THC) per serving.

(3) Delineated or scored into standardized serving sizes if the cannabis product contains more than one serving and is an edible cannabis product in solid form.

(4) Homogenized to ensure uniform disbursement of cannabinoids throughout the product.

(5) Manufactured and sold under sanitation standards established by the department that are similar to the standards for preparation, storage, handling, and sale of food products.

(6) Provided to customers with sufficient information to enable the informed consumption of the product, including the potential effects of the cannabis product and directions as to how to consume the cannabis product, as necessary.

(7) Marked with a universal symbol, as determined by the department through regulation.

(d) Cannabis, including concentrated cannabis, included in a cannabis product manufactured in compliance with law is not considered an adulterant under state law.

SEC. 69. Section 26131 of the Business and Professions Code is amended and renumbered to read:

26039.6. (a) Cannabis or a cannabis product is adulterated if it is any of the following:

(1) It has been produced, prepared, packed, or held under unsanitary conditions in which it may have become contaminated with filth or in which it may have been rendered injurious.

(2) It consists, in whole or in part, of any filthy, putrid, or decomposed substance.

(3) It bears or contains any poisonous or deleterious substance that may render it injurious to users under the conditions of use suggested in the labeling or under conditions that are customary or usual.

(4) It bears or contains a substance that is restricted or limited under this division or regulations promulgated pursuant to this division and the level of substance in the product exceeds the limits specified pursuant to this division or in regulation.

(5) Its concentrations differ from, or its purity or quality is below, that which it is represented to possess.

(6) The methods, facilities, or controls used for its cultivation, manufacture, packing, or holding do not conform to, or are not operated or administered in conformity with, practices established by regulations adopted under this division to ensure that the cannabis or cannabis product meets the requirements of this division as to safety and has the concentrations it purports to have and meets the quality and purity characteristics that it purports or is represented to possess.

(7) Its container is composed, in whole or in part, of any poisonous or deleterious substance that may render the contents injurious to health.

(8) It is an edible cannabis product and a substance has been mixed or packed with it after testing by a testing laboratory so as to reduce its quality or concentration or if a substance has been substituted, wholly or in part, for the edible cannabis product.

(b) It is unlawful to cultivate, manufacture, distribute, sell, deliver, hold, or offer for sale cannabis or a cannabis product that is adulterated.

(c) It is unlawful to adulterate cannabis or a cannabis product.

(d) It is unlawful to receive in commerce cannabis or a cannabis product that is adulterated or to distribute, deliver, or proffer for delivery any such cannabis or cannabis product.

SEC. 70. Section 26132 of the Business and Professions Code is amended and renumbered to read:

26039.1. (a) When the department has evidence that cannabis or a cannabis product is adulterated or misbranded, the department shall notify the licensee. The licensee may conduct a voluntary recall of the affected cannabis or cannabis product and may remediate the cannabis or cannabis product, if approved by the department, or shall destroy the affected cannabis or cannabis product under the supervision of the department.

(b) The department may issue a mandatory recall order and require the licensee to immediately cease distribution of cannabis or a cannabis product and recall the cannabis or cannabis product if the department determines both of the following:

(1) The cultivation, manufacture, distribution, or sale of the cannabis or cannabis product creates or poses an immediate and serious threat to human life or health.

(2) Other procedures available to the department to remedy or prevent the occurrence of the situation would result in an unreasonable delay.

(c) The department shall provide the licensee an opportunity for an informal proceeding on the matter, as determined by the department, within five days, on the actions required by the order and on why the cannabis or cannabis product should not be recalled. Following the proceeding, the order shall be affirmed, modified, or set aside as determined appropriate by the department.

(d) The department's powers set forth in this section expressly include the power to order movement, segregation, isolation, or destruction of cannabis or cannabis products, as well as the power to hold cannabis or cannabis products in place.

(e) If the department determines it is necessary, it may issue the mandatory recall order, may conduct the recall, and may use all appropriate measures to obtain reimbursement from the licensee for any and all costs associated with these orders. All funds obtained by the department from these efforts shall be deposited in the Cannabis Control Fund, and shall be available for use by the department upon appropriation by the Legislature.

(f) It is unlawful to move or allow to be moved cannabis or a cannabis product subject to an order issued pursuant to this section unless that person has first obtained written authorization from the department.

SEC. 71. Section 26133 of the Business and Professions Code is amended and renumbered to read:

26039.3. (a) If the department finds or has probable cause to believe that cannabis or a cannabis product is adulterated or misbranded within the meaning of this division, or the sale of the cannabis or cannabis product would be in violation of this division, the department shall affix to the cannabis or cannabis product, or component thereof, a tag or other appropriate marking. The department shall give notice that the cannabis or cannabis product is, or is suspected of being, adulterated or misbranded, or the sale of the cannabis or cannabis product would be in violation of this division and has been embargoed and that the cannabis or cannabis product shall not be removed or disposed of by sale or otherwise until permission for removal or disposal is given by the department or a court.

(b) (1) It is unlawful to remove, sell, or dispose of embargoed cannabis or an embargoed cannabis product without written permission of the department or a court. The removal, sale, or disposal of each item of embargoed cannabis or cannabis product

without written permission of the department constitutes a violation of this subdivision. A violation of this subdivision is subject to a citation and fine of not more than ten thousand dollars (\$10,000).

(2) Notwithstanding paragraph (1), a licensed cultivator may request permission for the continued cultivation or harvesting of the cannabis subject to embargo. The department may authorize, and may impose conditions on, the continued cultivation or harvesting of the cannabis subject to embargo.

(c) If the adulteration or misbranding can be corrected by proper labeling or additional processing of the cannabis or cannabis product and all of the provisions of this division can be complied with, the licensee may request that the department remove the tag or other marking to permit correction. If, under the supervision of the department, the adulteration or misbranding has been corrected, the department may remove the tag or other marking. Cannabis and cannabis products found at an unlicensed location, or cultivated, processed, produced, or manufactured at an unlicensed location, or derived from an unlicensed source, cannot be corrected and shall be destroyed.

(d) If the department finds that cannabis or a cannabis product that is embargoed is not adulterated or misbranded, or that its sale is not otherwise in violation of this division, the department may remove the tag or other marking.

(e) The cannabis or cannabis product may be destroyed by the licensee or product owner pursuant to a corrective action plan approved by the department and under the supervision of the department. The cannabis or cannabis product shall be destroyed at the expense of the licensee or product owner.

(f) The department may condemn cannabis or a cannabis product under the provisions of this section. A proceeding for condemnation shall be subject to appropriate notice to, and the opportunity for a hearing with regard to, the person or licensee affected in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

(1) Upon a finding by the administrative law judge that the cannabis or cannabis product is adulterated or misbranded, or that its sale is otherwise in violation of this division, the administrative law judge may direct the cannabis or cannabis product to be destroyed at the expense of the licensee or product owner and under the supervision of the department. The licensee or owner of the affected cannabis or cannabis product shall pay fees and reasonable costs, including the costs of storage, testing, and supervision, incurred by the department in investigating and prosecuting the action taken pursuant to this section.

(2) Upon a finding by the administrative law judge that the adulteration or misbranding can be corrected by proper labeling or additional processing of the cannabis or cannabis product and that all provisions of this division can be complied with, the administrative law judge may direct the cannabis or cannabis products to be brought into compliance under the department's supervision. The licensee shall pay fees and reasonable costs, including the costs of storage, testing, and supervision, incurred by the department in investigating and prosecuting the action. After the costs, fees, and expenses have been paid, the department may release the embargo and remove the tag or other marking and supervise the corrective action.

SEC. 72. Section 26134 of the Business and Professions Code is repealed.

SEC. 73. Section 26135 of the Business and Professions Code is amended and renumbered to read:

26039.4. A peace officer, including a peace officer with the department, may seize cannabis and cannabis products in any of the following circumstances:

(a) The cannabis or cannabis product is subject to recall or embargo by the department.

(b) The cannabis or cannabis product is subject to destruction pursuant to this division.

(c) The cannabis or cannabis product is seized related to an investigation or disciplinary action for violation of this division.

SEC. 74. Section 26140 of the Business and Professions Code is amended to read:

26140. (a) An A-licensee shall not:

(1) Sell cannabis or cannabis products to persons under 21 years of age.

(2) Allow any person under 21 years of age on its premises, unless the A-licensee holds an M-license and the licensed premises for the A-license and M-license are the same.

(3) Employ or retain persons under 21 years of age.

(4) Sell or transfer cannabis or cannabis products unless the person to whom the cannabis or cannabis product is to be sold first presents documentation that reasonably appears to be a valid government-issued identification card showing that the

person is 21 years of age or older.

(b) Persons under 21 years of age may be used by peace officers in the enforcement of this division and to apprehend licensees, or employees or agents of licensees, or other persons who sell or furnish cannabis to minors. Notwithstanding any other law, a person under 21 years of age who purchases or attempts to purchase cannabis or cannabis products while under the direction of a peace officer is immune from prosecution for that purchase or attempt to purchase cannabis or cannabis products. Guidelines with respect to the use of persons under 21 years of age as decoys shall be adopted and published by the department in accordance with the rulemaking portion of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(c) Notwithstanding subdivision (a), an M-licensee may:

(1) Allow on the premises a person 18 years of age or older who possesses a valid government-issued identification card, and either a valid county-issued identification card under Section 11362.712 of the Health and Safety Code or a valid physician's recommendation for themselves or for a person for whom that person is a primary caregiver.

(2) Allow a person 21 years of age or older on its premises if the M-licensee holds an A-license and the licensed premises for the M-license and A-license are the same.

(3) Sell cannabis, cannabis products, and cannabis accessories to a person 18 years of age or older who possesses a valid government-issued identification card and either a valid county-issued identification card under Section 11362.712 of the Health and Safety Code or a valid physician's recommendation for themselves or for a person for whom the person is a primary caregiver.

(4) The department may establish requirements for the purchase of cannabis, cannabis products, or cannabis accessories by a primary caregiver for a patient to ensure that the status of a person as a primary caregiver is verified.

SEC. 75. Section 26153 of the Business and Professions Code is amended to read:

26153. (a) A licensee shall not give away any amount of cannabis or cannabis products, or any cannabis accessories, as part of a business promotion or other commercial activity.

(b) For purposes of this section, the donation of cannabis or cannabis products by a licensee to a patient or the primary caregiver of a patient pursuant to Section 26071 shall not be considered a business promotion or other commercial activity.

(c) For purposes of this section, the provision of cannabis or cannabis products by a licensee pursuant to Section 26153.1 shall not be considered a business promotion or other commercial activity.

SEC. 76. Section 26153.1 is added to the Business and Professions Code, to read:

26153.1. (a) The Department of Cannabis Control shall adopt regulations to establish a process authorizing licensees to designate cannabis or cannabis products as a trade sample at any time while the cannabis or cannabis product is in the possession of the licensee.

(b) The department shall adopt regulations to establish a definition of trade sample, the quantity of cannabis and cannabis products that may be designated as trade samples, and any other provisions necessary to implement this section.

(c) Cannabis or cannabis products designated as trade samples shall be subject to quality assurance and testing pursuant to Section 26110, and may be returned to cultivators and manufacturers following quality assurance and testing pursuant to Section 26110.

(d) Cannabis or cannabis products designated as trade samples shall be recorded into the track and trace program established pursuant to Section 26067.

(e) Cannabis or cannabis products designated as trade samples shall be labeled with the following: "TRADE SAMPLE. NOT FOR RESALE OR DONATION."

(f) Cannabis or cannabis products designated as trade samples shall only be given for targeted advertising to licensees about new or existing cannabis or cannabis products. The department may adopt regulations specifying additional purposes of trade samples.

(g) Cannabis or cannabis products designated as trade samples may be transported between any two licensees by an employee of a licensed distributor or microbusiness authorized to engage in distribution, or by a licensee authorized to engage in transportation of cannabis, including a distributor transport-only licensee as established by the department in regulation.

Employees transporting trade samples pursuant to this subdivision but outside of a registered vehicle of the licensed distributor or microbusiness shall be subject to possession limits established in Section 11357 of the Health and Safety Code.

(h) Cannabis and cannabis products designated as trade samples shall not be provided for any form of payment, consideration, cost, or compensation.

(i) This section shall become effective upon adoption of regulations by the department and no later than January 1, 2023.

(j) Notwithstanding any other law, the department may adopt and readopt emergency regulations to implement this section. The provisions of Section 26013 shall be applicable to emergency regulations adopted or readopted pursuant to this section. The emergency regulations authorized by this section shall be deemed an emergency and necessary for the immediate preservation of public peace, health, safety or general welfare.

SEC. 77. Section 26160 of the Business and Professions Code is amended to read:

26160. (a) A licensee shall keep accurate records of commercial cannabis activity.

(b) All records related to commercial cannabis activity as defined by the department shall be maintained for a minimum of seven years.

(c) The department may examine the records of a licensee and inspect the premises of a licensee as the department, or a state or local agency, deems necessary to perform its duties under this division. All inspections and examinations of records shall be conducted during standard business hours of the licensed facility or at any other reasonable time. Licensees shall provide and deliver records to the department upon request.

(d) Licensees shall keep records identified by the department on the premises of the location licensed. The department may make any examination of the records of any licensee. Licensees shall also provide and deliver copies of documents to the department upon request.

(e) A licensee, or its agent or employee, that refuses, impedes, obstructs, or interferes with an inspection of the premises or records of the licensee pursuant to this section, has engaged in a violation of this division.

(f) If a licensee, or an agent or employee of a licensee, fails to maintain or provide the records required pursuant to this section, the licensee shall be subject to a citation and fine of up to thirty thousand dollars (\$30,000) per individual violation.

SEC. 78. Section 26161 of the Business and Professions Code is amended to read:

26161. (a) Every sale or transport of cannabis or cannabis products from one licensee to another licensee must be recorded on a sales invoice or receipt. Sales invoices and receipts may be maintained electronically and must be filed in such manner as to be readily accessible for examination by employees of the department or California Department of Tax and Fee Administration and shall not be commingled with invoices covering other commodities.

(b) Each sales invoice required by subdivision (a) shall include the name and address of the seller and shall include the following information:

(1) Name and address of the purchaser.

(2) Date of sale and invoice number.

(3) Kind, quantity, size, and capacity of packages of cannabis or cannabis products sold.

(4) The cost to the purchaser, together with any discount applied to the price as shown on the invoice.

(5) The place from which transport of the cannabis or cannabis product was made unless transport was made from the premises of the licensee.

(6) Whether the cannabis or cannabis products are designated for donation to a medicinal cannabis patient.

(7) Any other information specified by the department.

SEC. 79. Section 26162 of the Business and Professions Code is amended to read:

26162. (a) Information identifying the names of patients, their medical conditions, or the names of their primary caregivers received and contained in records kept by the office or the department for the purposes of administering this chapter are confidential and shall not be disclosed pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section

6250) of Division 7 of Title 1 of the Government Code), except as necessary for authorized employees of the State of California or any city, county, or city and county to perform official duties pursuant to this chapter, or a local ordinance.

(b) Information identifying the names of patients, their medical conditions, or the names of their primary caregivers received and contained in records kept by the department for the purposes of administering this chapter shall be maintained in accordance with Chapter 1 (commencing with Section 123100) of Part 1 of Division 106 of the Health and Safety Code, Part 2.6 (commencing with Section 56) of Division 1 of the Civil Code, and other state and federal laws relating to confidential patient information.

(c) Nothing in this section precludes the following:

(1) Employees of the department notifying state or local agencies about information submitted to the agency that the employee suspects is falsified or fraudulent.

(2) Notifications from the department to state or local agencies about apparent violations of this division or applicable local ordinance.

(3) Verification of requests by state or local agencies to confirm licenses and certificates issued by the department or other state agency.

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

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

SEC. 80. Section 26163 of the Business and Professions Code is amended to read:

26163. (a) The department shall, upon the request of the CalSavers Retirement Savings Board, furnish to the board, as applicable, the following information with respect to every licensee:

(1) Licensee.

(2) Licensee's physical and mailing addresses.

(3) Federal employer identification number if the licensee is a partnership, or the licensee's individual taxpayer identification number or social security number for all other licensees.

(4) Type of license.

(5) Effective date of license or a renewal.

(6) Expiration date of license.

(7) Whether license is active or inactive, if known.

(b) Information shared with the CalSavers Retirement Savings Board shall be used only for the purposes of administering the CalSavers Retirement Program.

SEC. 81. Section 26180 of the Business and Professions Code is amended to read:

26180. The department shall establish a scale of application, licensing, and renewal fees, based upon the cost of enforcing this division, as follows:

(a) The department shall charge each licensee a licensure and renewal fee, as applicable. The licensure and renewal fee shall be calculated to cover the costs of administering this division. The licensure fee may vary depending upon the varying costs associated with administering the various regulatory requirements of this division as they relate to the nature and scope of the different licensure activities, including, but not limited to, the track and trace program required pursuant to Section 26067, but shall not exceed the reasonable regulatory costs to the department.

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

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

(d) The department shall deposit all fees collected in a fee account to be established in the Cannabis Control Fund. Moneys in the fee account shall be used, upon appropriation by the Legislature, by the department for the administration of this division.

SEC. 82. Section 26190 of the Business and Professions Code is amended to read:

26190. Beginning on March 1, 2023, and on or before March 1 of each year thereafter, the department shall prepare and submit to the Legislature an annual report on the department's activities, in compliance with Section 9795 of the Government Code, and post the report on the department's internet website. The report shall include, but not be limited to, the following information for the previous fiscal year:

- (a) The amount of funds allocated and spent by the department for cannabis licensing, enforcement, and administration.
- (b) The number of state licenses issued, renewed, denied, suspended, and revoked, by state license category.
- (c) The average time for processing state license applications, by state license category.
- (d) The number of appeals from the denial of state licenses or other disciplinary actions taken by the department and the average time spent on these appeals.
- (e) The number of complaints submitted by citizens or representatives of cities or counties regarding licensees, provided as both a comprehensive statewide number and by geographical region.
- (f) The number and type of enforcement activities conducted by the department and by local law enforcement agencies in conjunction with the department.
- (g) The number, type, and amount of penalties, fines, and other disciplinary actions taken by the department.
- (h) The number of licenses on which the department imposed conditions and the categories of conditions imposed on licenses.
- (i) A detailed list of the petitions for regulatory relief or rulemaking changes received by the department from licensees requesting modifications of the enforcement of rules under this division.
- (j) (1) For the first publication of the reports, the department shall provide a joint report to the Legislature regarding the state of the cannabis market in California. This report shall identify any statutory or regulatory changes necessary to ensure that the implementation of this division does not do any of the following:
 - (A) Allow unreasonable restraints on competition by creation or maintenance of unlawful monopoly power.
 - (B) Perpetuate the presence of an illegal market for cannabis or cannabis products in the state or out of the state.
 - (C) Encourage underage use or adult abuse of cannabis or cannabis products, or illegal diversion of cannabis or cannabis products out of the state.
 - (D) Result in an excessive concentration of licensees in a given city, county, or both.
 - (E) Present an unreasonable risk of minors being exposed to cannabis or cannabis products.
 - (F) Result in violations of any environmental protection laws.
- (2) For purposes of this subdivision, "excessive concentration" means when the premises for a retail license, microbusiness license, or a license issued under Section 26070.5 is located in an area where either of the following conditions exist:
 - (A) The ratio of licensees to population in a census tract or census division exceeds the ratio of licensees to population in the county in which the census tract or census division is located, unless reduction of that ratio would unduly limit the development of the legal market so as to perpetuate the illegal market for cannabis or cannabis products.
 - (B) The ratio of retail licenses, microbusiness licenses, or licenses under Section 26070.5 to population in the census tract, division, or jurisdiction exceeds that allowable by local ordinance adopted under Section 26200.

SEC. 83. Section 26190.5 of the Business and Professions Code is amended to read:

26190.5. The department shall contract with the California Cannabis Research Program, known as the Center for Medicinal Cannabis Research, and formerly known as the California Marijuana Research Program, authorized pursuant to Section 11362.9 of the Health and Safety Code, to develop a study that identifies the impact that cannabis has on motor skills.

SEC. 84. Section 26191 of the Business and Professions Code is amended to read:

26191. (a) Commencing January 1, 2022, and by January 1 triennially thereafter, the Office of State Audits and Evaluations within the Department of Finance shall conduct a performance audit of the department's activities under this division, and shall report its findings to the department and the Legislature by July 1 of that same year. The report shall include, but not be limited to, the following:

(1) The actual costs of the program.

(2) The overall effectiveness of enforcement programs.

(3) Any report submitted pursuant to this section shall be submitted in compliance with Section 9795 of the Government Code.

(b) The Legislature shall provide sufficient funds to the Department of Finance to conduct the triennial audit required by this section.

SEC. 85. Section 26200 of the Business and Professions Code is amended to read:

26200. (a) (1) This division shall not be interpreted to supersede or limit the authority of a local jurisdiction to adopt and enforce local ordinances to regulate businesses licensed under this division, including, but not limited to, local zoning and land use requirements, business license requirements, and requirements related to reducing exposure to secondhand smoke, or to completely prohibit the establishment or operation of one or more types of businesses licensed under this division within the local jurisdiction.

(2) This division shall not be interpreted to supersede or limit existing local authority for law enforcement activity, enforcement of local zoning requirements or local ordinances, or enforcement of local license, permit, or other authorization requirements.

(b) This division shall not be interpreted to require the department to undertake local law enforcement responsibilities, enforce local zoning requirements, or enforce local licensing, permitting, or other authorization requirements.

(c) A local jurisdiction shall notify the department upon revocation of any local license, permit, or authorization for a licensee to engage in commercial cannabis activity within the local jurisdiction. Within 60 days of being so informed, the department shall begin the process to determine whether a license issued to the licensee should be suspended or revoked pursuant to Chapter 3 (commencing with Section 26030).

(d) For facilities issued a state license that are located within the incorporated area of a city, the city shall have full power and authority to enforce this division and the regulations promulgated by the department, if delegated by the state. Notwithstanding Sections 101375, 101400, and 101405 of the Health and Safety Code or any contract entered into pursuant thereto, or any other law, the city shall assume complete responsibility for any regulatory function pursuant to this division within the city limits that would otherwise be performed by the county or any county officer or employee, including a county health officer, without liability, cost, or expense to the county.

(e) (1) This division does not prohibit the issuance of a state temporary event license to a licensee authorizing onsite cannabis sales to, and consumption by, persons 21 years of age or older at a county fair event, district agricultural association event, or at another venue expressly approved by a local jurisdiction for the purpose of holding temporary events of this nature, provided that the activities, at a minimum, comply with all the following:

(A) The requirements of paragraphs (1) to (3), inclusive, of subdivision (g).

(B) All participants who are engaged in the onsite retail sale of cannabis or cannabis products at the event are licensed under this division to engage in that activity.

(C) The activities are otherwise consistent with regulations promulgated and adopted by the department governing state temporary event licenses.

(D) A state temporary event license shall only be issued in local jurisdictions that authorize such events.

(E) A licensee who submits an application for a state temporary event license shall, 60 days before the event, provide to the department a list of all licensees that will be providing onsite sales of cannabis or cannabis products at the event. If any changes occur in that list, the licensee shall provide the department with a final updated list to reflect those changes. A person shall not engage in the onsite retail sale of cannabis or cannabis products, or in any way participate in the event, who is not included in the list, including any updates, provided to the department.

(2) The department may impose a civil penalty on any person who violates this subdivision, or any regulations adopted by the department governing state temporary event licenses, in an amount up to three times the amount of the license fee for each violation, consistent with Sections 26018 and 26038.

(3) The department may require the event and all participants to cease operations without delay if in the opinion of the department or local law enforcement it is necessary to protect the immediate public health and safety of the people of the state. The department may also require the event organizer to immediately expel from the event any participant selling cannabis or cannabis products without a license from the department that authorizes the participant to sell cannabis or cannabis products. If the unlicensed participant does not leave the event, the department may require the event and all participants to cease operations immediately.

(4) The order by the department for the event to cease operations pursuant to paragraph (3) does not entitle the event organizer or any participant in the event to a hearing or an appeal of the decision. Chapter 3 (commencing with Section 490) of Division 1.5 and Chapter 4 (commencing with Section 26040) of this division shall not apply to the order by the department for the event to cease operations pursuant to paragraph (3).

(5) The smoking of cannabis or cannabis products at temporary events authorized pursuant to this subdivision is prohibited in locations where smoking is prohibited. For purposes of this section, "smoking" has the same meaning as defined in subdivision (c) of Section 22950.5.

(f) This division, or any regulations promulgated thereunder, shall not be deemed to limit the authority or remedies of a city, county, or city and county under any provision of law, including, but not limited to, Section 7 of Article XI of the California Constitution.

(g) Notwithstanding paragraph (1) of subdivision (a) of Section 11362.3 of the Health and Safety Code, a local jurisdiction may allow for the smoking, vaporizing, and ingesting of cannabis or cannabis products on the premises of a retailer or microbusiness licensed under this division if all of the following are met:

(1) Access to the area where cannabis consumption is allowed is restricted to persons 21 years of age or older.

(2) Cannabis consumption is not visible from any public place or nonage-restricted area.

(3) Sale or consumption of alcohol or tobacco is not allowed on the premises.

(h) This division shall not be interpreted to supersede Section 6404.5 of the Labor Code.

SEC. 86. Section 26202 of the Business and Professions Code is amended to read:

26202. (a) A local jurisdiction may enforce this division and the regulations promulgated by the department if delegated the power to do so by the department.

(b) The department shall implement the delegation of enforcement authority in subdivision (a) through an agreement between the department and the local jurisdiction to which enforcement authority is to be delegated.

SEC. 87. Section 26210 of the Business and Professions Code is amended to read:

26210. (a) The Marijuana Control Fund, formerly known as the Medical Cannabis Regulation and Safety Act Fund and the Medical Marijuana Regulation and Safety Act Fund, is hereby renamed the Cannabis Control Fund. Notwithstanding Section 16305.7 of the Government Code, the fund shall include any interest and dividends earned on moneys in the fund.

(b) Upon the effective date of this section, whenever "Marijuana Control Fund," "Medical Cannabis Regulation and Safety Act Fund," or "Medical Marijuana Regulation and Safety Act Fund" appears in any statute, regulation, or contract, or in any other code, it shall be construed to refer to the Cannabis Control Fund.

(c) Any General Fund or special fund loan that was used to establish and support the regulatory activities of the state licensing entities pursuant to former Section 19351 shall be repaid by the initial proceeds from fees collected pursuant to this division or any rule or regulation adopted pursuant to this division, by January 1, 2022. Should the initial proceeds from fees not be sufficient to repay the loan, moneys from the Cannabis Fines and Penalties Account shall be made available to the department, by appropriation of the Legislature, to repay the loan.

(d) Except as otherwise provided, all moneys collected pursuant to this division as a result of fines or penalties imposed under this division shall be deposited directly into the Cannabis Fines and Penalties Account, which is hereby continued in existence, and shall be available, upon appropriation by the Legislature.

SEC. 88. Section 26210.5 of the Business and Professions Code is amended to read:

26210.5. By July 1, 2018, the Bureau of Cannabis Control, in coordination with the Department of General Services, shall establish an office to collect fees and taxes in the County of Humboldt, County of Trinity, or County of Mendocino in order to

ensure the safe payment and collection of cash in those counties.

SEC. 89. Section 26211 of the Business and Professions Code is amended to read:

26211. (a) Funds for the initial establishment and support of the regulatory activities under this division, including the public information program described in subdivision (c), and for the activities of the California Department of Tax and Fee Administration under Part 14.5 (commencing with Section 34010) of Division 2 of the Revenue and Taxation Code until July 1, 2017, or until the 2017 Budget Act is enacted, whichever occurs later, shall be advanced from the General Fund and shall be repaid by the initial proceeds from fees collected pursuant to this division, any rule or regulation adopted pursuant to this division, or revenues collected from the tax imposed by Sections 34011 and 34012 of the Revenue and Taxation Code, by January 1, 2025.

(1) Funds advanced pursuant to this subdivision shall be appropriated to the department as necessary to implement the provisions of this division, and to the California Department of Tax and Fee Administration, as necessary, to implement the provisions of Part 14.5 (commencing with Section 34010) of Division 2 of the Revenue and Taxation Code.

(2) Within 45 days of November 9, 2016, the date this section became operative:

(A) The Director of Finance shall determine an amount of the initial advance from the General Fund to the Cannabis Control Fund that does not exceed thirty million dollars (\$30,000,000); and

(B) There shall be advanced a sum of five million dollars (\$5,000,000) from the General Fund to the State Department of Health Care Services to provide for the public information program described in subdivision (c).

(b) Notwithstanding subdivision (a), the Legislature shall provide sufficient funds to the Cannabis Control Fund to support the activities of the department under this division, and the California Department of Tax and Fee Administration to support its activities under Part 14.5 (commencing with Section 34010) of Division 2 of the Revenue and Taxation Code. It is anticipated that this funding will be provided annually beginning on July 1, 2017.

(c) The State Department of Health Care Services shall establish and implement a public information program no later than September 1, 2017. This public information program shall, at a minimum, describe the provisions of the Control, Regulate and Tax Adult Use of Marijuana Act of 2016, the scientific basis for restricting access of cannabis and cannabis products to persons under the age of 21 years, describe the penalties for providing access to cannabis and cannabis products to persons under the age of 21 years, provide information regarding the dangers of driving a motor vehicle, boat, vessel, aircraft, or other vehicle used for transportation while impaired from cannabis use, the potential harms of using cannabis while pregnant or breastfeeding, and the potential harms of overusing cannabis or cannabis products.

SEC. 90. Section 26223 of the Business and Professions Code is amended to read:

26223. (a) Three or more natural persons, who are engaged in the cultivation of any cannabis product, may form an association pursuant to this chapter for the purpose of engaging in any activity in connection with any of the following:

(1) The cultivation, marketing, or selling of the cannabis products of its members.

(2) The growing, harvesting, curing, drying, trimming, packing, grading, storing, or handling of any product of its members.

(3) The manufacturing, selling, or supplying to its members of machinery, equipment, or supplies.

(4) The financing of the activities that are specified by this section.

(b) Members of a cannabis cooperative shall be disclosed to the department before the application is processed.

(c) Members of a cannabis cooperative formed pursuant to this chapter shall be limited to cultivators who only hold a single Type 1 or Type 2 license.

(d) Collectively, members of a cannabis cooperative shall not grow more than four acres of total canopy size of cultivation throughout the state during the period that the respective licensees are valid.

(e) No member of a cooperative formed pursuant to this section shall be licensed to operate a cannabis business in another state or country.

SEC. 91. Section 26240 of the Business and Professions Code is amended to read:

26240. For purposes of this chapter, the following definitions apply:

(a) "Eligible local jurisdiction" means a local jurisdiction that demonstrates an intent to develop a local program or that has adopted or operates a local equity program.

(b) "Equity assessment" means an assessment conducted by the local jurisdiction that was used to inform the creation of a local equity program, and that assessment may include the following:

(1) Reference to local historical rates of arrests or convictions for cannabis law violations.

(2) Identification of the impacts that cannabis-related policies have had historically on communities and populations within that local jurisdiction.

(3) Other information that demonstrates how individuals and communities within the local jurisdiction have been disproportionately or negatively impacted by the War on Drugs.

(c) "Local equity applicant" means an applicant who has submitted, or will submit, an application to a local jurisdiction to engage in commercial cannabis activity within the jurisdictional boundaries of that jurisdiction and who meets the requirements of that jurisdiction's local equity program.

(d) "Local equity licensee" means a person who has obtained a license from a local jurisdiction to engage in commercial cannabis activity within the jurisdictional boundaries of that jurisdiction and who meets the requirements of that jurisdiction's local equity program.

(e) "Local equity program" means a program adopted or operated by a local jurisdiction that focuses on inclusion and support of individuals and communities in California's cannabis industry who are linked to populations or neighborhoods that were negatively or disproportionately impacted by cannabis criminalization as evidenced by the local jurisdiction's equity assessment. Local equity programs may include, but are not limited to, the following types of services:

(1) Small business support services offering technical assistance or professional and mentorship services to those persons from economically disadvantaged communities that experience high rates of poverty or communities most harmed by cannabis prohibition, determined by historically high rates of arrests or convictions for cannabis law violations.

(2) Tiered fees or fee waivers for cannabis-related permits and licenses.

(3) Assistance in paying state regulatory and licensing fees.

(4) Assistance securing business locations prior to or during the application process.

(5) Assistance securing capital investments or direct access to capital.

(6) Assistance with regulatory compliance.

(7) Assistance in recruitment, training, and retention of a qualified and diverse workforce, including transitional workers.

(8) Other services deemed by the Governor's Office of Business and Economic Development to be consistent with the intent of this chapter.

(f) "Transitional worker" means a person who, at the time of starting employment at the business premises, resides in a ZIP Code or census tract area with higher than average unemployment, crime, or child death rates, and faces at least one of the following barriers to employment: (1) is homeless; (2) is a custodial single parent; (3) is receiving public assistance; (4) lacks a GED or high school diploma; (5) has a criminal record or other involvement with the criminal justice system; (6) suffers from chronic unemployment; (7) is emancipated from the foster care system; (8) is a veteran; or (9) is over 65 years of age and is financially compromised.

SEC. 92. Section 26242 of the Business and Professions Code is amended to read:

26242. (a) The department may provide technical assistance to a local equity program that helps local equity applicants or local equity licensees. When determining whether to provide technical assistance, the department shall make individual determinations based on the reasonableness of the request and available resources.

(b) "Technical assistance" includes providing training and educational sessions regarding state cannabis licensing and regulatory processes and requirements to equity applicants or equity licensees that are coordinated with the local equity program.

SEC. 93. Section 26244 of the Business and Professions Code is amended to read:

26244. (a) (1) An eligible local jurisdiction may, in the form and manner prescribed by the Governor's Office of Business and Economic Development, submit an application to the Governor's Office of Business and Economic Development for a grant to

assist with the development of an equity program or to assist local equity applicants and local equity licensees through that local jurisdiction's equity program.

(2) An eligible local jurisdiction that has a local equity program shall include in its application submitted pursuant to paragraph (1) the equity assessment that was used to inform the creation of the local equity program.

(3) The Governor's Office of Business and Economic Development shall consider the following factors when reviewing an application:

(A) Whether the local jurisdiction is an eligible local jurisdiction.

(B) Whether the local jurisdiction has identified communities and populations within that local jurisdiction that have been disproportionately or negatively impacted by arrests and convictions for cannabis law violations and has demonstrated a nexus between the individuals served through the local equity program and the communities and populations identified by the local jurisdiction.

(C) Whether the local jurisdiction has adopted or operates a local equity program, and, if so, the Governor's Office of Business and Economic Development shall consider the following:

(i) How long the local jurisdiction has operated the program.

(ii) The outcomes of the program.

(D) Whether the local jurisdiction has demonstrated the ability to provide, or created a plan to provide, the services identified in subdivision (b).

(E) Whether the local jurisdiction has demonstrated a financial commitment to the implementation and administration of the program.

(F) Whether the local jurisdiction has demonstrated a commitment to remove, or has taken steps to remove, local barriers to entering the legal cannabis market for local equity applicants and local equity licensees, including, but not limited to, developing a local regulatory framework that facilitates an equitable and economically just industry.

(G) The number of existing and potential local equity applicants and local equity licensees in the local jurisdiction.

(H) Any additional relevant and reasonable criteria the Governor's Office of Business and Economic Development deems necessary.

(4) The Governor's Office of Business and Economic Development shall grant funding to an eligible local jurisdiction based on the eligible local jurisdiction's compliance with paragraph (2), if applicable, and its review of the factors in paragraph (3).

(b) (1) An eligible local jurisdiction that receives a grant pursuant to subdivision (a) shall use grant funds to do either of the following:

(A) Assist the local jurisdiction in the development of a local equity program.

(B) Assist local equity applicants or local equity licensees in that local jurisdiction to gain entry to, and to successfully operate in, the state's regulated cannabis marketplace.

(2) For purposes of this subdivision, "assist" includes, but is not limited to, any of the following methods:

(A) To provide a low-interest or no-interest loan or a grant to a local equity applicant or local equity licensee to assist the applicant or licensee with startup and ongoing costs. For purposes of this paragraph, "startup and ongoing costs" include, but are not limited to, the following:

(i) Rent.

(ii) Leases.

(iii) Local and state application, licensing, and regulatory fees.

(iv) Legal assistance.

(v) Regulatory compliance.

(vi) Testing of cannabis.

(vii) Furniture.

(viii) Fixtures and equipment.

(ix) Capital improvements.

(x) Training and retention of a qualified and diverse workforce.

(B) To support local equity program efforts to provide sources of capital to local equity applicants and local equity licensees.

(C) To provide or fund direct technical assistance to local equity applicants and local equity licensees.

(D) To assist in the development or administration of local equity programs.

(E) To fund the creation of an equity assessment to inform the development of a local equity program.

(c) An eligible local jurisdiction that receives a grant pursuant to subdivision (a) shall, on or before January 1 of the year following receipt of the grant and annually thereafter for each year that grant funds are expended, submit an annual report to the Governor's Office of Business and Economic Development that includes all of the following information:

(1) How the local jurisdiction disbursed grant funds.

(2) How the local jurisdiction identified local equity applicants or local equity licensees, including how the local jurisdiction determines who qualifies as a local equity applicant or local equity licensee.

(3) The number of local equity applicants and local equity licensees that were served by the grant funds.

(4) Aggregate demographic data on equity applicants, equity licensees, and all other applicants and licensees in the jurisdiction, including, but not limited to, race, ethnicity, gender, sexual orientation, income level, education level, prior convictions, and veteran status. This information will be consolidated and reported without the individual's identifying information.

(5) If the local jurisdiction requires equity applicants to become eligible through specific ownership percentages, a breakdown of equity applicants' and equity licensees' business ownership types and percentages of ownership.

(6) Other information that the Governor's Office of Business and Economic Development deems necessary to evaluate the outcomes of the program consistent with the intent of this chapter and that was specified in the grant agreement between the Governor's Office of Business and Economic Development and the local jurisdiction.

(d) An eligible local jurisdiction that receives a grant pursuant to this section shall use no more than 10 percent of the state grant for administration, including employing staff or hiring consultants to administer grants and the program.

(e) The Governor's Office of Business and Economic Development may review, adopt, amend, and repeal guidelines to implement uniform standards, criteria, requirements, or forms that supplement or clarify the terms, references, or standards set forth in this section and Section 26240. The adoption, amendment, or repeal of a guideline, term, or standard authorized by this subdivision is hereby exempted from the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

SEC. 94. Section 26246 of the Business and Professions Code is amended to read:

26246. (a) To facilitate greater equity in business ownership and employment in the cannabis market, the department shall serve as a point of contact for local equity programs.

(b) On or before January 1, 2022, the Governor's Office of Business and Economic Development shall publish on its internet website local equity ordinances that have been enacted by the legislative body of the respective local jurisdiction, and model local equity ordinances created by advocacy groups and experts. Advocacy groups and experts may include, but are not limited to, minority business owners and entrepreneurs, organizations with expertise in addressing barriers to employment and licensure for low-income communities or persons with prior arrests or convictions, and unions representing cannabis workers.

(c) To the extent feasible, the department and the Governor's Office of Business and Economic Development shall coordinate with the relevant local jurisdictions to carry out the responsibilities described in this section.

SEC. 95. Section 26248 of the Business and Professions Code is amended to read:

26248. (a) On or before July 1, 2021, and annually thereafter, the Governor's Office of Business and Economic Development shall submit a report to the Legislature regarding the progress of local equity programs that have received funding pursuant to

Section 26244.

(b) The report shall include, but is not limited to, the following information:

(1) The local jurisdictions that have enacted local equity programs.

(2) A copy of the equity assessment and equity program description of each local jurisdiction that applied for grant funding pursuant to Section 26244.

(3) The number of local equity applicants and general applicants applying for and receiving licenses in the jurisdictions that received grants pursuant to Section 26244.

(4) Information collected pursuant to subdivision (c) of Section 26244.

(c) The Governor's Office of Business and Economic Development shall post the report required by this section on its internet website.

(d) The report required by this section shall be submitted in compliance with Section 9795 of the Government Code, and shall apply notwithstanding Section 10231.5 of the Government Code.

SEC. 96. Section 26249 of the Business and Professions Code is amended to read:

26249. (a) Notwithstanding Sections 26012 and 26180, on or before January 1, 2021, the department shall develop and implement a program to provide a deferral or waiver for an application fee, a licensing fee, or renewal fee otherwise required by this division for a needs-based applicant or needs-based licensee.

(b) (1) At least 60 percent of the total dollar amount of deferrals of fees pursuant to the program developed and implemented by the department pursuant to subdivision (a) shall be allocated to the deferral of fees for local equity applicants and licensees.

(2) At least 60 percent of the total dollar amount of waivers of fees pursuant to the program developed and implemented by the department pursuant to subdivision (a) shall be allocated to the waiver of fees for local equity applicants and licensees.

(c) The department may adopt emergency regulations to implement this section. The adoption, amendment, repeal, or readoption of a regulation authorized by this section is deemed to address an emergency, for purposes of Sections 11346.1 and 11349.6 of the Government Code, and the department is hereby exempted from the requirements of subdivision (b) of Section 11346.1 of the Government Code.

(d) The operation of this section is contingent upon an appropriation in the annual Budget Act or another statute for purposes of this section.

SEC. 97. Section 26260 of the Business and Professions Code is amended to read:

26260. (a) An entity that receives deposits, extends credit, conducts fund transfers, transports cash or financial instruments, or provides other financial services does not commit a crime under any California law, including Chapter 10 (commencing with Section 186.9) of Title 7 of Part 1 of the Penal Code, solely by virtue of the fact that the person receiving the benefit of any of those services engages in commercial cannabis activity as a licensee pursuant to this division.

(b) (1) A person licensed to engage in commercial cannabis activity pursuant to this division may request in writing that the department, a local licensing authority, a state or local agency, or a joint powers authority share the person's application, license, and other regulatory and financial information with a financial institution of the person's designation. The person shall include in that written request a waiver authorizing the transfer of that information and waiving any confidentiality or privilege that applies to that information.

(2) Notwithstanding any other law that might proscribe the disclosure of application, licensee, and other regulatory and financial information, upon receipt of a written request and waiver pursuant to paragraph (1), the department, a local licensing authority, a state or local agency, or a joint powers authority may share application, licensee, and other regulatory and financial information with the financial institution designated by the licensee in that request for the purpose of facilitating the provision of financial services for that licensee.

(3) A person who provides a waiver may withdraw that waiver at any time. Upon receipt of the withdrawal, the department, local licensing authority, state or local agency, or joint powers authority shall cease to share application, licensee, or other regulatory or financial information with the financial institution.

(c) For purposes of this section, all of the following definitions apply:

(1) "Application, licensee, and other regulatory and financial information" includes, but is not limited to, information in the track and trace system established pursuant to Sections 26067 and 26068.

(2) "Entity" means a financial institution as defined in this section, an armored car service licensed by the Department of the California Highway Patrol pursuant to Section 2510 of the Vehicle Code that has been contracted by a financial institution, or a person providing financial services to persons licensed to engage in commercial cannabis activity pursuant to this division.

(3) "Financial institutions" means a licensee defined in Section 185 of the Financial Code.

(4) "Firm" has the same meaning as in Section 5035.1.

(5) "Joint powers authority" is one formed pursuant to Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code.

(6) "State or local agency" has the same meaning as in Section 50001 of the Government Code.

(d) An individual or firm, that practices public accounting pursuant to Chapter 1 (commencing with Section 5000) of Division 3, does not commit a crime under California law solely for providing professional accounting services as specified to persons licensed to engage in commercial cannabis activity pursuant to this division.

(e) This section shall be construed to refer only to the disclosure of information by the department, a local licensing authority, a state or local agency, or a joint powers authority reasonably necessary to facilitate the provision of financial services for the licensee making a request pursuant to this section. Nothing in this section shall be construed to authorize the disclosure of confidential or privileged information, nor waive a licensee's rights to assert confidentiality or privilege, except to a financial institution as provided herein and except as reasonably necessary to facilitate the provision of financial services for the licensee making the request.

SEC. 98. Section 1602 of the Fish and Game Code is amended to read:

1602. (a) An entity shall not substantially divert or obstruct the natural flow of, or substantially change or use any material from the bed, channel, or bank of, any river, stream, or lake, or deposit or dispose of debris, waste, or other material containing crumbled, flaked, or ground pavement where it may pass into any river, stream, or lake, unless all of the following occur:

(1) The department receives written notification regarding the activity in the manner prescribed by the department. The notification shall include, but is not limited to, all of the following:

(A) A detailed description of the project's location and a map.

(B) The name, if any, of the river, stream, or lake affected.

(C) A detailed project description, including, but not limited to, construction plans and drawings, if applicable.

(D) A copy of any document prepared pursuant to Division 13 (commencing with Section 21000) of the Public Resources Code.

(E) A copy of any other applicable local, state, or federal permit or agreement already issued.

(F) Any other information required by the department.

(2) The department determines the notification is complete in accordance with Chapter 4.5 (commencing with Section 65920) of Division 1 of Title 7 of the Government Code, irrespective of whether the activity constitutes a development project for the purposes of that chapter.

(3) The entity pays the applicable fees, pursuant to Section 1609.

(4) One of the following occurs:

(A) (i) The department informs the entity, in writing, that the activity will not substantially adversely affect an existing fish or wildlife resource, and that the entity may commence the activity without an agreement, if the entity conducts the activity as described in the notification, including any measures in the notification that are intended to protect fish and wildlife resources.

(ii) Each region of the department shall log the notifications of activities where no agreement is required. The log shall list the date the notification was received by the department, a brief description of the proposed activity, and the location of the activity. Each item shall remain on the log for one year. Upon written request by any person, a regional office shall send the log to that person monthly for one year. A request made pursuant to this clause may be renewed annually.

(B) The department determines that the activity may substantially adversely affect an existing fish or wildlife resource and issues a final agreement to the entity that includes reasonable measures necessary to protect the resource, and the entity conducts the activity in accordance with the agreement.

(C) A panel of arbitrators issues a final agreement to the entity in accordance with subdivision (b) of Section 1603, and the entity conducts the activity in accordance with the agreement.

(D) The department does not issue a draft agreement to the entity within 60 days from the date notification is complete, and the entity conducts the activity as described in the notification, including any measures in the notification that are intended to protect fish and wildlife resources.

(b) (1) If an activity involves the routine maintenance and operation of water supply, drainage, flood control, or waste treatment and disposal facilities, notice to and agreement with the department shall not be required after the initial notification and agreement, unless the department determines either of the following:

(A) The work described in the agreement has substantially changed.

(B) Conditions affecting fish and wildlife resources have substantially changed, and those resources are adversely affected by the activity conducted under the agreement.

(2) This subdivision applies only if notice to, and agreement with, the department was attained prior to January 1, 1977, and the department has been provided a copy of the agreement or other proof of the existence of the agreement that satisfies the department, if requested.

(c) Notwithstanding subdivision (a), the department is not required to determine whether the notification is complete or otherwise process the notification until the department has received the applicable fees.

(d) (1) Notwithstanding subdivision (a), an entity shall not be required to obtain an agreement with the department pursuant to this chapter for activities authorized by a license or renewed license for cannabis cultivation issued by the Department of Cannabis Control for the term of the license or renewed license if all of the following occur:

(A) The entity submits all of the following to the department:

(i) The written notification described in paragraph (1) of subdivision (a).

(ii) A copy of the license or renewed license for cannabis cultivation issued by the Department of Cannabis Control that includes the requirements specified in Section 26060.1 of the Business and Professions Code.

(iii) The fee specified in paragraph (3) of subdivision (a).

(B) The department determines in its sole discretion that compliance with the requirements specified in Section 26060.1 of the Business and Professions Code that are included in the license will adequately protect existing fish and wildlife resources that may be substantially adversely affected by the cultivation without the need for additional measures that the department would include in a draft streambed alteration agreement in accordance with Section 1603.

(C) The department notifies the entity in writing that the exemption applies to the cultivation authorized by the license or renewed license.

(2) The department shall notify the entity in writing whether the exemption in paragraph (1) applies to the cultivation authorized by the license or renewed license within 60 days from the date that the notification is complete and the fee has been paid.

(3) If an entity receives an exemption pursuant to this subdivision and fails to comply with any of the requirements described in Section 26060.1 of the Business and Professions Code that are included in the license, the failure shall constitute a violation under this section, and the department shall notify the Department of Cannabis Control of any enforcement action taken.

(e) It is unlawful for any entity to violate this chapter.

SEC. 99. Section 12029 of the Fish and Game Code is amended to read:

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

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

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

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

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

(d) In order to facilitate the remediation and permitting of cannabis cultivation sites, the department may adopt regulations to enhance the fees on any entity subject to Section 1602 for cannabis cultivation sites that require remediation. The fee schedule established pursuant to this subdivision shall not exceed the fee limits in Section 1609.

SEC. 100. Section 52452 of the Food and Agricultural Code is amended to read:

52452. (a) Except as otherwise provided in Section 52454, each container of agricultural seed that is for sale or sold within this state for sowing purposes shall bear upon it or have attached to it in a conspicuous place a plainly written or printed label or tag in the English language that includes all of the following information:

(1) The commonly accepted name of the kind, kind and variety, or kind and type of each agricultural seed component in excess of 5 percent of the whole, and the percentage by weight of each. If the aggregate of agricultural seed components, each present in an amount not exceeding 5 percent of the whole, exceeds 10 percent of the whole, each component in excess of 1 percent of the whole shall be named together with the percentage by weight of each. If more than one component is required to be named, the names of all components shall be shown in letters of the same type and size.

(2) The lot number or other lot identification.

(3) The percentage by weight of all weed seeds.

(4) The name and approximate number of each kind of restricted noxious weed seed per pound.

(5) The percentage by weight of any agricultural seed except that which is required to be named on the label.

(6) The percentage by weight of inert matter. If a percentage by weight is required to be shown by any provision of this section, that percentage shall be exclusive of any substance that is added to the seed as a coating and shown on the label as such.

(7) For each agricultural seed in excess of 5 percent of the whole, stated in accordance with paragraph (1), the percentage of germination exclusive of hard seed, the percentage of hard seed, if present, and the calendar month and year the test was completed to determine the percentages. Following the statement of those percentages, the additional statement "total germination and hard seed" may be stated.

(8) The name and address of the person who labeled the seed or of the person who sells the seed within this state.

(b) Subdivision (a) does not apply in the following instances:

(1) The sale is an occasional sale of seed grain by the producer of the seed grain to their neighbor for use by the purchaser within the county of production.

(2) Any cannabis seed, as defined in Section 26001 of the Business and Professions Code, sold or offered for sale in the state.

(c) All determinations of noxious weed seeds are subject to tolerances and methods of determination prescribed in the regulations that are adopted pursuant to this chapter.

(d) For purposes of this section, "neighbor" means a person who lives in close proximity, not to exceed three miles, to another.

SEC. 101. Section 81006 of the Food and Agricultural Code is amended to read:

81006. Industrial Hemp Growth Limitations; Prohibitions; Imports; Laboratory Testing.

(a) Except when grown by a registered established agricultural research institution or a registered hemp breeder, industrial hemp shall be grown in acreages of not less than one-tenth of an acre at the same time.

(b) Clandestine cultivation of industrial hemp is prohibited. All plots shall have adequate signage indicating they are industrial hemp.

(c) Industrial hemp shall not be cultivated on a premises licensed by the Department of Cannabis Control to cultivate or process cannabis. Industrial hemp, regardless of its THC content, that is cultivated on a premises licensed by the Department of Cannabis Control for cannabis cultivation shall be considered cannabis as defined in Section 26001 of the Business and Professions Code and subject to licensing and regulatory requirements for cannabis pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code.

(d) Industrial hemp shall include products imported under the Harmonized Tariff Schedule of the United States (2013) of the United States International Trade Commission, including, but not limited to, hemp seed, per subheading 1207.99.03, hemp oil, per subheading 1515.90.80, oilcake, per subheading 2306.90.01, true hemp, per heading 5302, true hemp yarn, per subheading 5308.20.00, and woven fabrics of true hemp fibers, per subheading 5311.00.40.

(e) (1) Except when industrial hemp is grown by a registered established agricultural research institution and tested in accordance with an approved research plan or by a registered hemp breeder and tested in accordance with an approved variety development plan, a registrant that grows industrial hemp under this section shall, before the harvest of each crop and as provided below, obtain a laboratory test report indicating the THC levels of a random sampling of the dried flowering tops of the industrial hemp grown.

(2) Sampling shall occur no more than 30 days before harvest.

(3) The sample collected for THC testing shall be taken with the grower or hemp breeder present. The department shall establish, by regulation, the sampling procedures, including all of the following:

(A) The number of plants to be sampled per field, and any composting of samples.

(B) The portions of the plant to be sampled.

(C) The plant parts to be included in a sample.

(D) Additional procedures as necessary to ensure accuracy and the sanitation of samples and fields.

(4) The sample collected for THC testing shall be accompanied by the registrant's proof of registration.

(5) The laboratory test report shall be issued by a laboratory approved by the department, using a department-approved testing method. The testing method shall use postdecarboxylation or similarly reliable methods for determining THC concentration levels. The laboratory test report shall indicate the percentage concentration of THC on a dry-weight basis, indicate the date and location of samples taken, and state the Global Positioning System coordinates and total acreage of the crop. If the laboratory test report indicates a percentage concentration of THC that is equal to or less than 0.3 percent, the words "PASSED AS CALIFORNIA INDUSTRIAL HEMP" shall appear at or near the top of the laboratory test report. If the laboratory test report indicates a percentage concentration of THC that is greater than 0.3 percent, the words "FAILED AS CALIFORNIA INDUSTRIAL HEMP" shall appear at or near the top of the laboratory test report.

(6) If the laboratory test report indicates a percentage concentration of THC that is equal to or less than 0.3 percent, the laboratory shall provide the person who requested the testing not less than 10 original copies signed by an employee authorized by the laboratory and shall retain one or more original copies of the laboratory test report for a minimum of two years from its date of sampling.

(7) If the laboratory test report indicates a percentage concentration of THC that is greater than 0.3 percent and does not exceed 1 percent, the registrant that grows industrial hemp shall submit additional samples for testing of the industrial hemp grown.

(8) A registrant that grows industrial hemp shall destroy the industrial hemp grown upon receipt of a first laboratory test report indicating a percentage concentration of THC that exceeds 1 percent or a second laboratory test report pursuant to paragraph (7) indicating a percentage concentration of THC that exceeds 0.3 percent but is less than 1 percent. If the percentage concentration of THC exceeds 1 percent, the destruction shall begin within 48 hours, and be completed within seven days, after receipt of the laboratory test report. If the percentage concentration of THC in the second laboratory test report exceeds 0.3 percent but is less than 1 percent, the destruction shall take place as soon as practicable, but no later than 45 days after receipt of the second test report.

(9) A registrant that intends to grow industrial hemp and who complies with this section shall not be prosecuted for the cultivation or possession of marijuana as a result of a laboratory test report that indicates a percentage concentration of THC that is greater than 0.3 percent but does not exceed 1 percent.

(10) A registered established agricultural research institution or a registered hemp breeder shall obtain laboratory results in accordance with its approved research plan or variety development plan. The secretary may authorize a registered established agricultural research institution or hemp breeder to cultivate or possess industrial hemp with a laboratory test report that indicates a percentage concentration of THC that is greater than 0.3 percent in accordance with its approved research plan or variety development plan if that cultivation or possession contributes to the development of types of industrial hemp that will comply with the 0.3 percent THC limit established in this division.

(11) A registrant that grows industrial hemp shall retain an original signed copy of the laboratory test report for two years from its date of sampling, make an original signed copy of the laboratory test report available to the department, the commissioner, or law enforcement officials or their designees upon request, and shall provide an original copy of the laboratory test report to each person purchasing, transporting, or otherwise obtaining from the registrant that grows industrial hemp the fiber, oil, cake, or seed, or any component of the seed, of the plant.

SEC. 102. Section 9147.7 of the Government Code is amended to read:

9147.7. (a) For the purpose of this section, “eligible agency” means any agency, authority, board, bureau, commission, conservancy, council, department, division, or office of state government, however denominated, excluding an agency that is constitutionally created or an agency related to postsecondary education, for which a date for repeal has been established by statute on or after January 1, 2011.

(b) The Joint Sunset Review Committee is hereby created to identify and eliminate waste, duplication, and inefficiency in government agencies. The purpose of the committee is to conduct a comprehensive analysis over 15 years, and on a periodic basis thereafter, of every eligible agency to determine if the agency is still necessary and cost effective.

(c) Each eligible agency scheduled for repeal shall submit to the committee, on or before December 1 before the year it is set to be repealed, a complete agency report covering the entire period since last reviewed, including, but not limited to, the following:

- (1) The purpose and necessity of the agency.
- (2) A description of the agency budget, priorities, and job descriptions of employees of the agency.
- (3) Programs and projects under the direction of the agency.
- (4) Measures of the success or failures of the agency and justifications for the metrics used to evaluate successes and failures.
- (5) Recommendations of the agency for changes or reorganization in order to better fulfill its purpose.

(d) The committee shall take public testimony and evaluate the eligible agency before the date the agency is scheduled to be repealed. An eligible agency shall be eliminated unless the Legislature enacts a law to extend, consolidate, or reorganize the eligible agency. An eligible agency shall not be extended in perpetuity unless specifically exempted from the provisions of this section. The committee may recommend that the Legislature extend the statutory sunset date for no more than one year to allow the committee more time to evaluate the eligible agency.

(e) The committee shall be comprised of 10 members of the Legislature. The Senate Committee on Rules shall appoint five members of the Senate to the committee, not more than three of whom shall be members of the same political party. The Speaker of the Assembly shall appoint five members of the Assembly to the committee, not more than three of whom shall be members of the same political party. Members shall be appointed within 15 days after the commencement of the regular session. Each member of the committee who is appointed by the Senate Committee on Rules or the Speaker of the Assembly shall serve during that committee member's term of office or until that committee member no longer is a Member of the Senate or the Assembly, whichever is applicable. A vacancy on the committee shall be filled in the same manner as the original appointment. Three Assembly Members and three Senators who are members of the committee shall constitute a quorum for the conduct of committee business. Members of the committee shall receive no compensation for their work with the committee.

(f) The committee shall meet not later than 30 days after the first day of the regular session to choose a chairperson and to establish the schedule for eligible agency review provided for in the statutes governing the eligible agencies. The chairperson of the committee shall alternate every two years between a Member of the Senate and a Member of the Assembly, and the vice chairperson of the committee shall be a member of the opposite house as the chairperson.

(g) This section shall not be construed to change the existing jurisdiction of the budget or policy committees of the Legislature.

(h) This section does not apply to the Department of Cannabis Control.

SEC. 103. Section 11041 of the Government Code is amended to read:

11041. (a) Section 11042 does not apply to the Regents of the University of California, the Trustees of the California State University, Legal Division of the Department of Transportation, Division of Labor Standards Enforcement of the Department of Industrial Relations, Workers' Compensation Appeals Board, Public Utilities Commission, State Compensation Insurance Fund, Legislative Counsel Bureau, Inheritance Tax Department, Secretary of State, State Lands Commission, Alcoholic Beverage Control Appeals Board (except when the board affirms the decision of the Department of Alcoholic Beverage Control), Department of Cannabis Control (except in proceedings in state or federal court), State Department of Education, Department of Financial Protection and Innovation, and Treasurer with respect to bonds, nor to any other state agency which, by law enacted after Chapter 213 of the Statutes of 1933, is authorized to employ legal counsel.

(b) The Trustees of the California State University shall pay the cost of employing legal counsel from their existing resources.

SEC. 104. Section 20391 of the Government Code is amended to read:

20391. "State peace officer/firefighter member" means:

(a) All persons in the Board of Parole Hearings, the Department of Consumer Affairs, the Department of Cannabis Control, the Department of Developmental Services, the Department of Health Care Services, the Department of Toxic Substances Control, the California Horse Racing Board, the Department of Industrial Relations, the Department of Insurance, the State Department of State Hospitals, the Department of Motor Vehicles, the Department of Social Services employed with the class title of Special Investigator (Class Code 8553), Senior Special Investigator (Class Code 8550), and Investigator Assistant (Class Code 8554) who have been designated as peace officers as defined in Sections 830.2 and 830.3 of the Penal Code.

(b) All persons in the Department of Alcoholic Beverage Control employed with the class title Investigator Trainee, Alcoholic Beverage Control (Class Code 7553), Investigator I, Alcoholic Beverage Control, Range A and B (Class Code 7554), and Investigator II, Alcoholic Beverage Control (Class Code 7555) who have been designated as peace officers as defined in Sections 830.2 and 830.3 of the Penal Code.

(c) All persons within the Department of Justice who are state employees as defined in subdivision (c) of Section 3513 and who have been designated as peace officers and performing investigative duties.

(d) All persons in the Department of Parks and Recreation employed with the class title of Park Ranger (Intermittent) (Class Code 0984) who have been designated as peace officers as defined in Sections 830.2 and 830.3 of the Penal Code.

(e) All persons in the Franchise Tax Board who have been designated as peace officers in subdivision (s) of Section 830.3 of the Penal Code.

(f) A member who is employed in a position that is reclassified to state peace officer/firefighter pursuant to this section may make an irrevocable election in writing to remain subject to the service retirement benefit and the normal rate of contribution applicable prior to reclassification by filing a notice of election with the board within 90 days of notification by the board. A member who so elects shall be subject to the reduced benefit factors specified in Section 21353 or 21354.1, as applicable, only for service included in the federal system.

SEC. 105. Section 11474 of the Health and Safety Code is amended to read:

11474. A court order for the destruction of controlled substances, instruments, or paraphernalia pursuant to the provisions of Section 11473 or 11473.5 may be carried out by a police or sheriff's department, the Department of Justice, the Department of the California Highway Patrol, the Department of Cannabis Control, or the Department of Alcoholic Beverage Control. The court order shall specify the agency responsible for the destruction. Controlled substances, instruments, or paraphernalia not in the possession of the designated agency at the time the order of the court is issued shall be delivered to the designated agency for destruction in compliance with the order.

SEC. 106. Section 830.2 of the Penal Code is amended to read:

830.2. The following persons are peace officers whose authority extends to any place in the state:

(a) Any member of the Department of the California Highway Patrol including those members designated under subdivision (a) of Section 2250.1 of the Vehicle Code, provided that the primary duty of the peace officer is the enforcement of any law relating to the use or operation of vehicles upon the highways, or laws pertaining to the provision of police services for the protection of state officers, state properties, and the occupants of state properties, or both, as set forth in the Vehicle Code and Government Code.

(b) A member of the University of California Police Department appointed pursuant to Section 92600 of the Education Code, provided that the primary duty of the peace officer shall be the enforcement of the law within the area specified in Section 92600 of the Education Code.

(c) A member of the California State University Police Departments appointed pursuant to Section 89560 of the Education Code, provided that the primary duty of the peace officer shall be the enforcement of the law within the area specified in Section 89560 of the Education Code.

(d) (1) Any member of the Office of Correctional Safety of the Department of Corrections and Rehabilitation, provided that the primary duties of the peace officer shall be the investigation or apprehension of inmates, wards, parolees, parole violators, or escapees from state institutions, the transportation of those persons, the investigation of any violation of criminal law discovered while performing the usual and authorized duties of employment, and the coordination of those activities with other criminal justice agencies.

(2) Any member of the Office of Internal Affairs of the Department of Corrections and Rehabilitation, provided that the primary duties shall be criminal investigations of Department of Corrections and Rehabilitation personnel and the coordination of those activities with other criminal justice agencies. For purposes of this subdivision, the member of the Office of Internal Affairs shall possess certification from the Commission on Peace Officer Standards and Training for investigators, or have completed training pursuant to Section 6126.1.

(e) Employees of the Department of Fish and Game designated by the director, provided that the primary duty of those peace officers shall be the enforcement of the law as set forth in Section 856 of the Fish and Game Code.

(f) Employees of the Department of Parks and Recreation designated by the director pursuant to Section 5008 of the Public Resources Code, provided that the primary duty of the peace officer shall be the enforcement of the law as set forth in Section 5008 of the Public Resources Code.

(g) The Director of Forestry and Fire Protection and employees or classes of employees of the Department of Forestry and Fire Protection designated by the director pursuant to Section 4156 of the Public Resources Code, provided that the primary duty of the peace officer shall be the enforcement of the law as that duty is set forth in Section 4156 of the Public Resources Code.

(h) Persons employed by the Department of Alcoholic Beverage Control for the enforcement of Division 9 (commencing with Section 23000) of the Business and Professions Code and designated by the Director of Alcoholic Beverage Control, provided that the primary duty of any of these peace officers shall be the enforcement of the laws relating to alcoholic beverages, as that duty is set forth in Section 25755 of the Business and Professions Code.

(i) Marshals and police appointed by the Board of Directors of the California Exposition and State Fair pursuant to Section 3332 of the Food and Agricultural Code, provided that the primary duty of the peace officers shall be the enforcement of the law as prescribed in that section.

(j) Persons employed by the Department of Cannabis Control for the enforcement of Division 10 (commencing with Section 26000) of the Business and Professions Code and designated by the Director of the Department of Cannabis Control, provided that the primary duty of any of these peace officers shall be the enforcement of the laws as that duty is set forth in Section 26015 of the Business and Professions Code.

SEC. 107. Section 830.11 of the Penal Code is amended to read:

830.11. (a) The following persons are not peace officers but may exercise the powers of arrest of a peace officer as specified in Section 836 and the power to serve warrants as specified in Sections 1523 and 1530 during the course and within the scope of their employment, if they receive a course in the exercise of those powers pursuant to Section 832. The authority and powers of the persons designated under this section extend to any place in the state:

(1) A person employed by the Department of Financial Protection and Innovation designated by the Commissioner of Financial Protection and Innovation, provided that the person's primary duty is the enforcement of, and investigations relating to, the provisions of law administered by the Commissioner of Business Oversight.

(2) A person employed by the Bureau of Real Estate designated by the Real Estate Commissioner, provided that the person's primary duty is the enforcement of the laws set forth in Part 1 (commencing with Section 10000) and Part 2 (commencing with Section 11000) of Division 4 of the Business and Professions Code. The Real Estate Commissioner may designate a person under this section who, at the time of their designation, is assigned to the Special Investigations Unit, internally known as the Crisis Response Team.

(3) A person employed by the State Lands Commission designated by the executive officer, provided that the person's primary duty is the enforcement of the law relating to the duties of the State Lands Commission.

(4) A person employed as an investigator of the Investigations Bureau of the Department of Insurance, who is designated by the Chief of the Investigations Bureau, provided that the person's primary duty is the enforcement of the Insurance Code and

other laws relating to persons and businesses, licensed and unlicensed by the Department of Insurance, who are engaged in the business of insurance.

(5) A person employed as an investigator or investigator supervisor by the Public Utilities Commission, who is designated by the commission's executive director and approved by the commission, provided that the person's primary duty is the enforcement of the law as that duty is set forth in Section 308.5 of the Public Utilities Code.

(6) (A) A person employed by the State Board of Equalization, Investigations Division, who is designated by the board's executive director, provided that the person's primary duty is the enforcement of laws administered by the State Board of Equalization.

(B) A person designated pursuant to this paragraph is not entitled to peace officer retirement benefits.

(7) A person employed by the Department of Food and Agriculture and designated by the Secretary of Food and Agriculture as an investigator, investigator supervisor, or investigator manager, provided that the person's primary duty is enforcement of, and investigations relating to, the Food and Agricultural Code or Division 5 (commencing with Section 12001) of the Business and Professions Code.

(8) The Inspector General and those employees of the Office of the Inspector General designated by the Inspector General, provided that the person's primary duty is the enforcement of the law relating to the duties of the Office of the Inspector General.

(9) A person employed by the Department of Cannabis Control and designated by the director of the department as an investigator, investigator supervisor, or investigator manager, provided that the person's primary duty is enforcement of, and investigations relating to, Division 10 (commencing with Section 26000) of the Business and Professions Code. This section shall apply to only those investigator positions occupied by persons previously designated by the Secretary of the Department of Food and Agriculture as an investigator, investigator supervisor, or investigative manager whose primary duty was to enforce Division 10 (commencing with Section 26000) of the Business and Professions Code.

(b) Notwithstanding any other law, a person designated pursuant to this section may not carry a firearm.

(c) A person designated pursuant to this section shall be included as a "peace officer of the state" under paragraph (2) of subdivision (c) of Section 11105 for the purpose of receiving state summary criminal history information and shall be furnished that information on the same basis as other peace officers designated in paragraph (2) of subdivision (c) of Section 11105.

SEC. 108. Section 30625 of the Penal Code is amended to read:

30625. Sections 30600, 30605, and 30610 do not apply to the sale of an assault weapon or .50 BMG rifle to, or the purchase, importation, or possession of an assault weapon or a .50 BMG rifle by, the Department of Justice, police departments, sheriffs' offices, marshals' offices, the Department of Corrections and Rehabilitation, the Department of the California Highway Patrol, district attorneys' offices, the Department of Fish and Wildlife, the Department of Parks and Recreation, the Department of Cannabis Control, or the military or naval forces of this state or of the United States, or any federal law enforcement agency for use in the discharge of their official duties.

SEC. 109. Section 32000 of the Penal Code is amended to read:

32000. (a) (1) A person in this state who manufactures or causes to be manufactured, imports into the state for sale, keeps for sale, offers or exposes for sale, gives, or lends an unsafe handgun shall be punished by imprisonment in a county jail not exceeding one year.

(2) The failure to report to the Department of Justice in accordance with the provisions of paragraph (2) of subdivision (f) the sale or transfer of an unsafe handgun obtained pursuant to paragraph (4), (6), or (7) of subdivision (b) may be subject to a civil penalty not to exceed ten thousand dollars (\$10,000).

(3) In addition to any criminal penalty provided in paragraph (1), the unlawful sale or transfer of an unsafe handgun obtained pursuant to paragraph (4), (6), or (7) of subdivision (b) may be subject to a civil penalty not to exceed ten thousand dollars (\$10,000).

(b) This section shall not apply to any of the following:

(1) The manufacture in this state, or importation into this state, of a prototype handgun when the manufacture or importation is for the sole purpose of allowing an independent laboratory certified by the Department of Justice pursuant to Section 32010 to conduct an independent test to determine whether that handgun is prohibited by Sections 31900 to 32110, inclusive, and, if not, allowing the department to add the firearm to the roster of handguns that may be sold in this state pursuant to Section 32015.

(2) The importation or lending of a handgun by employees or authorized agents of entities determining whether the weapon is prohibited by this section.

(3) Firearms listed as curios or relics, as defined in Section 478.11 of Title 27 of the Code of Federal Regulations.

(4) The sale or purchase of a handgun, if the handgun is sold to, or purchased by, the Department of Justice, a police department, a sheriff's official, a marshal's office, the Department of Corrections and Rehabilitation, the Department of the California Highway Patrol, any district attorney's office, any federal law enforcement agency, or the military or naval forces of this state or of the United States for use in the discharge of their official duties. This section does not prohibit the sale to, or purchase by, sworn members of these agencies of a handgun.

(5) The sale, purchase, or delivery of a handgun, if the sale, purchase, or delivery of the handgun is made pursuant to subdivision (d) of Section 10334 of the Public Contract Code.

(6) Subject to the limitations set forth in subdivision (c), the sale or purchase of a handgun for use as a service weapon, if the handgun is sold to, or purchased by, any of the following entities for use by, or sold to or purchased by, sworn members of these entities who have satisfactorily completed the POST basic course or, before January 1, 2021, have satisfactorily completed the firearms portion of a training course prescribed by the Commission on Peace Officer Standards and Training (POST) pursuant to Section 832, and who, as a condition of carrying that handgun, complete a live-fire qualification prescribed by their employing entity at least once every six months:

(A) The Department of Parks and Recreation.

(B) The Department of Alcoholic Beverage Control.

(C) The Division of Investigation of the Department of Consumer Affairs.

(D) The Department of Motor Vehicles.

(E) The Fraud Division of the Department of Insurance.

(F) The State Department of State Hospitals.

(G) The Department of Fish and Wildlife.

(H) The State Department of Developmental Services.

(I) The Department of Forestry and Fire Protection.

(J) A county probation department.

(K) The Los Angeles World Airports, as defined in Section 830.15.

(L) A K-12 public school district for use by a school police officer, as described in Section 830.32.

(M) A municipal water district for use by a park ranger, as described in Section 830.34.

(N) A county for use by a welfare fraud investigator or inspector, as described in Section 830.35.

(O) A county for use by the coroner or the deputy coroner, as described in Section 830.35.

(P) The Supreme Court and the courts of appeal for use by marshals of the Supreme Court and bailiffs of the courts of appeal, and coordinators of security for the judicial branch, as described in Section 830.36.

(Q) A fire department or fire protection agency of a county, city, city and county, district, or the state for use by either of the following:

(i) A member of an arson-investigating unit, regularly paid and employed in that capacity pursuant to Section 830.37.

(ii) A member other than a member of an arson-investigating unit, regularly paid and employed in that capacity pursuant to Section 830.37.

(R) The University of California Police Department, or the California State University Police Departments, as described in Section 830.2.

(S) A California Community College police department, as described in Section 830.32.

(T) A harbor or port district or other entity employing peace officers described in subdivision (b) of Section 830.33, the San Diego Unified Port District Harbor Police, and the Harbor Department of the City of Los Angeles.

(U) A local agency employing park rangers described in subdivision (b) of Section 830.31.

(V) The Department of Cannabis Control.

(7) (A) Subject to the limitations set forth in subdivision (c), the sale or purchase of a handgun, if the handgun is sold to, or purchased by, any of the following entities for use as a service weapon by the sworn members of these entities who have satisfactorily completed the POST basic course or, before January 1, 2021, have satisfactorily completed the firearms portion of a training course prescribed by the POST pursuant to Section 832, and who, as a condition of carrying that handgun, complete a live-fire qualification prescribed by their employing entity at least once every six months:

- (i) The California Horse Racing Board.
- (ii) The State Department of Health Care Services.
- (iii) The State Department of Public Health.
- (iv) The State Department of Social Services.
- (v) The Department of Toxic Substances Control.
- (vi) The Office of Statewide Health Planning and Development.
- (vii) The Public Employees' Retirement System.
- (viii) The Department of Housing and Community Development.
- (ix) Investigators of the Department of Business Oversight.
- (x) The Law Enforcement Branch of the Office of Emergency Services.
- (xi) The California State Lottery.
- (xii) The Franchise Tax Board.

(B) This paragraph does not authorize the sale to, or purchase by, sworn members of the entities specified in subparagraph (A) in a personal capacity.

(c) (1) Notwithstanding Section 26825, a person licensed pursuant to Sections 26700 to 26915, inclusive, shall not process the sale or transfer of an unsafe handgun between a person who has obtained an unsafe handgun pursuant to an exemption specified in paragraph (6) or (7) of subdivision (b) and a person who is not exempt from the requirements of this section.

(2) (A) A person who obtains or has use of an unsafe handgun pursuant to paragraph (6) or (7) of subdivision (b) shall, when leaving the handgun in an unattended vehicle, lock the handgun in the vehicle's trunk, lock the handgun in a locked container and place the container out of plain view, or lock the handgun in a locked container that is permanently affixed to the vehicle's interior and not in plain view.

(B) A violation of subparagraph (A) is an infraction punishable by a fine not exceeding one thousand dollars (\$1,000).

(C) For purposes of this paragraph, the following definitions shall apply:

- (i) "Vehicle" has the same meaning as defined in Section 670 of the Vehicle Code.
- (ii) A vehicle is "unattended" when a person who is lawfully carrying or transporting a handgun in the vehicle is not within close proximity to the vehicle to reasonably prevent unauthorized access to the vehicle or its contents.
- (iii) "Locked container" has the same meaning as defined in Section 16850.

(D) Subparagraph (A) does not apply to a peace officer during circumstances requiring immediate aid or action that are within the course of their official duties.

(E) This paragraph does not supersede any local ordinance that regulates the storage of handguns in unattended vehicles if the ordinance was in effect before January 1, 2017.

(d) Violations of subdivision (a) are cumulative with respect to each handgun and shall not be construed as restricting the application of any other law. However, an act or omission punishable in different ways by this section and other provisions of law

shall not be punished under more than one provision, but the penalty to be imposed shall be determined as set forth in Section 654.

(e) (1) The Department of Justice shall maintain a database of unsafe handguns obtained pursuant to paragraph (4), (6), or (7) of subdivision (b). This requirement shall apply retroactively to include information in the department's possession. The department may satisfy this requirement by maintaining this information in any existing firearm database that reasonably facilitates compliance with this subdivision.

(2) A person or entity that is in possession of an unsafe handgun obtained pursuant to paragraph (4), (6), or (7) of subdivision (b), shall notify the department of any sale or transfer of that handgun within 72 hours of the sale or transfer in a manner and format prescribed by the department. This requirement shall be deemed satisfied if the sale or transfer is processed through a licensed firearms dealer pursuant to Section 27545. A sale or transfer accomplished through an exception to Section 27545 is not exempt from this reporting requirement.

(3) By no later than March 1, 2021, the department shall provide a notification to persons or entities possessing an unsafe handgun pursuant to paragraph (4), (6), or (7) of subdivision (b) regarding the prohibitions on the sale or transfer of that handgun contained in this section. Thereafter, the department shall, upon notification of sale or transfer, provide the same notification to the purchaser or transferee of any unsafe handgun sold or transferred pursuant to those provisions.

SEC. 110. Section 6414 of the Revenue and Taxation Code is amended to read:

6414. (a) The storage, use, or other consumption in this state of medicinal cannabis or medicinal cannabis product shall be exempt from the use tax in either of the following circumstances:

(1) The medicinal cannabis or medicinal cannabis product is donated by a cannabis retailer licensed under Division 10 (commencing with Section 26000) of the Business and Professions Code to a medicinal cannabis patient.

(2) The medicinal cannabis or medicinal cannabis product is donated by a person licensed under Division 10 (commencing with Section 26000) of the Business and Professions Code to a cannabis retailer for subsequent donation to a medicinal cannabis patient.

(b) (1) The exemption specified in subdivision (a) shall apply only if the cannabis retailer certifies in writing to the licensee that donates the medicinal cannabis or medicinal cannabis product, in such a form as the department may prescribe, that the medicinal cannabis and medicinal cannabis product will be used in a manner and for a purpose specified in subdivision (a). The licensee that donates the medicinal cannabis or medicinal cannabis product shall keep a copy of the certification for no less than seven years. The certification in writing shall relieve the licensee that donates the medicinal cannabis or medicinal cannabis product of liability for use tax only if it is taken in good faith.

(2) If a licensee uses the donated medicinal cannabis or medicinal cannabis product in some manner or for some purpose other than those specified in subdivision (a), the licensee shall be liable for the payment of use tax, the measure of tax to the licensee shall be deemed that licensee's purchase price for similar product, and the licensee shall be subject to having their license suspended by the Department of Cannabis Control pursuant to Section 26031 of the Business and Professions Code.

(c) "Medicinal cannabis" and "medicinal cannabis product" shall have the same meaning as those terms are defined in Section 26001 of the Business and Professions Code.

(d) "Cannabis retailer" shall have the same meaning as that term is defined in Section 34010.

(e) "Medicinal cannabis patient" shall mean a qualified patient, as defined in Section 11362.7 of the Health and Safety Code, who possesses a physician's recommendation that complies with Article 25 (commencing with Section 2525) of Chapter 5 of Division 2 of the Business and Professions Code, or a qualified patient or primary caregiver for a qualified patient issued a valid identification card pursuant to Section 11362.71 of the Health and Safety Code.

(f) (1) This section shall become operative upon completion of the necessary changes to the track and trace program in order to implement the act adding this section, as determined by the Department of Food and Agriculture, or on March 1, 2020, whichever occurs first.

(2) This section shall remain in effect only until five years after it becomes operative, and as of that date is repealed.

SEC. 111. Section 34010 of the Revenue and Taxation Code is amended to read:

34010. For purposes of this part:

(a) "Arm's length transaction" shall mean a sale entered into in good faith and for valuable consideration that reflects the fair market value in the open market between two informed and willing parties, neither under any compulsion to participate in the transaction.

(b) "Average market price" shall mean both of the following:

(1) (A) In an arm's length transaction, the average retail price determined by the wholesale cost of the cannabis or cannabis products sold or transferred to a cannabis retailer, plus a mark-up, as determined by the department on a biannual basis in six-month intervals.

(B) Notwithstanding subparagraph (A), the department shall not increase the mark-up amount during the period beginning on and after the operative date of the act amending this section by adding this subparagraph and before July 1, 2021.

(2) In a nonarm's length transaction, the cannabis retailer's gross receipts from the retail sale of the cannabis or cannabis products.

(c) "Department" means the California Department of Tax and Fee Administration or its successor agency.

(d) "Tax Fund" means the California Cannabis Tax Fund created by Section 34018.

(e) "Cannabis" has the same meaning as set forth in Section 11018 of the Health and Safety Code and shall also mean medicinal cannabis.

(f) "Cannabis products" has the same meaning as set forth in Section 11018.1 of the Health and Safety Code and shall also mean medicinal concentrates and medicinal cannabis products.

(g) "Cannabis flowers" means the dried flowers of the cannabis plant as defined by the board.

(h) "Cannabis leaves" means all parts of the cannabis plant other than cannabis flowers that are sold or consumed.

(i) "Cannabis retailer" means a person required to be licensed as a retailer, non-storefront retailer, microbusiness, or nonprofit pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code.

(j) "Cultivator" means all persons required to be licensed to cultivate cannabis pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code.

(k) "Distributor" means a person required to be licensed as a distributor pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code.

(l) "Enters the commercial market" means cannabis or cannabis products, except for immature cannabis plants and seeds, that complete and comply with a quality assurance review and testing, as described in Section 26110 of the Business and Professions Code.

(m) "Gross receipts" has the same meaning as set forth in Section 6012.

(n) "Microbusiness" has the same meaning as set forth in paragraph (3) of subdivision (a) of Section 26070 of the Business and Professions Code.

(o) "Nonprofit" has the same meaning as set forth in Section 26070.5 of the Business and Professions Code.

(p) "Person" has the same meaning as set forth in Section 6005.

(q) "Retail sale" has the same meaning as set forth in Section 6007.

(r) "Sale" and "purchase" mean any change of title or possession, exchange, or barter, conditional or otherwise, in any manner or by any means whatsoever, for consideration.

(s) "Transfer" means to grant, convey, hand over, assign, sell, exchange, or barter, in any manner or by any means, with or without consideration.

(t) "Unprocessed cannabis" includes cannabis flowers, cannabis leaves, or other categories of harvested cannabis, categories for unprocessed or frozen cannabis or immature plants, or cannabis that is shipped directly to manufacturers.

(u) "Manufacturer" means a person required to be licensed as a manufacturer pursuant to Division 10 (commencing with Section 26000) of the Business and Professions Code.

(v) "Medicinal cannabis patient" shall mean a qualified patient, as defined in Section 11362.7 of the Health and Safety Code, who possesses a physician's recommendation that complies with Article 25 (commencing with Section 2525) of Chapter 5 of Division 2 of the Business and Professions Code, or a qualified patient or primary caregiver for a qualified patient issued a valid identification card pursuant to Section 11362.71 of the Health and Safety Code.

(w) "Designated for donation" shall mean medicinal cannabis donated by a cultivator to a cannabis retailer for subsequent donation to a medicinal cannabis patient pursuant to Section 26071 of the Business and Professions Code.

SEC. 112. Section 34011 of the Revenue and Taxation Code is amended to read:

34011. (a) (1) Effective January 1, 2018, a cannabis excise tax shall be imposed upon purchasers of cannabis or cannabis products sold in this state at the rate of 15 percent of the average market price of any retail sale by a cannabis retailer. A purchaser's liability for the cannabis excise tax is not extinguished until the cannabis excise tax has been paid to this state except that an invoice, receipt, or other document from a cannabis retailer given to the purchaser pursuant to this subdivision is sufficient to relieve the purchaser from further liability for the tax to which the invoice, receipt, or other document refers.

(2) Each cannabis retailer shall provide a purchaser with an invoice, receipt, or other document that includes a statement that reads: "The cannabis excise taxes are included in the total amount of this invoice."

(3) The department may prescribe other means to display the cannabis excise tax on an invoice, receipt, or other document from a cannabis retailer given to the purchaser.

(b) (1) A distributor in an arm's length transaction shall collect the cannabis excise tax from the cannabis retailer on or before 90 days after the sale or transfer of cannabis or cannabis product to the cannabis retailer. A distributor in a nonarm's length transaction shall collect the cannabis excise tax from the cannabis retailer on or before 90 days after the sale or transfer of cannabis or cannabis product to the cannabis retailer, or at the time of retail sale by the cannabis retailer, whichever is earlier. A distributor shall report and remit the cannabis excise tax to the department pursuant to Section 34015. A cannabis retailer shall be responsible for collecting the cannabis excise tax from the purchaser and remitting the cannabis excise tax to the distributor in accordance with rules and procedures established under law and any regulations adopted by the department.

(2) A distributor shall provide an invoice, receipt, or other similar document to the cannabis retailer that identifies the licensee receiving the product, the distributor from which the product originates, including the associated unique identifier, the amount of cannabis excise tax, and any other information deemed necessary by the department. The department may authorize other forms of documentation under this paragraph.

(c) The excise tax imposed by this section shall be in addition to the sales and use tax imposed by the state and local governments.

(d) Gross receipts from the sale of cannabis or cannabis products for purposes of assessing the sales and use taxes under Part 1 (commencing with Section 6001) shall include the tax levied pursuant to this section.

(e) Cannabis or cannabis products shall not be sold to a purchaser unless the excise tax required by law has been paid by the purchaser at the time of sale.

(f) The sales and use taxes imposed by Part 1 (commencing with Section 6001) shall not apply to retail sales of medicinal cannabis, medicinal cannabis concentrate, edible medicinal cannabis products, or topical cannabis as those terms are defined in Division 10 (commencing with Section 26000) of the Business and Professions Code when a qualified patient or primary caregiver for a qualified patient provides their card issued under Section 11362.71 of the Health and Safety Code and a valid government-issued identification card.

(g) Nothing in this section shall be construed to impose an excise tax upon medicinal cannabis, or medicinal cannabis product, donated for no consideration to a medicinal cannabis patient pursuant to Section 26071 of the Business and Professions Code.

(h) (1) Nothing in this section shall be construed to impose an excise tax upon cannabis or cannabis products designated as a trade sample pursuant to Section 26153.1 of the Business and Professions Code.

(2) A person licensed under Division 10 (commencing with Section 26000) of the Business and Professions Code that sells cannabis or cannabis products designated as a trade sample pursuant to Section 26153.1 of the Business and Professions Code shall be liable for the excise tax imposed by this section as if the person were a cannabis retailer at the time of sale.

SEC. 113. Section 34012 of the Revenue and Taxation Code is amended to read:

34012. (a) Effective January 1, 2018, there is hereby imposed a cultivation tax on all harvested cannabis that enters the commercial market upon all cultivators. The tax shall be due after the cannabis is harvested and enters the commercial market.

(1) The tax for cannabis flowers shall be nine dollars and twenty-five cents (\$9.25) per dry-weight ounce.

(2) The tax for cannabis leaves shall be set at two dollars and seventy-five cents (\$2.75) per dry-weight ounce.

(b) The department may adjust the tax rate for cannabis leaves annually to reflect fluctuations in the relative price of cannabis flowers to cannabis leaves.

(c) The department may from time to time establish other categories of harvested cannabis, categories for unprocessed or frozen cannabis or immature plants, or cannabis that is shipped directly to manufacturers. These categories shall be taxed at their relative value compared with cannabis flowers.

(d) The department may prescribe by regulation a method and manner for payment of the cultivation tax that utilizes tax stamps or state-issued product bags that indicate that all required tax has been paid on the product to which the tax stamp is affixed or in which the cannabis is packaged.

(e) The tax stamps and product bags shall be of the designs, specifications, and denominations as may be prescribed by the department and may be purchased by any licensee under Division 10 (commencing with Section 26000) of the Business and Professions Code.

(f) Subsequent to the establishment of a tax stamp program, the department may by regulation provide that cannabis shall not be removed from a licensed cultivation facility or transported on a public highway unless in a state-issued product bag bearing a tax stamp in the proper denomination.

(g) The tax stamps and product bags shall be capable of being read by a scanning or similar device and must be traceable utilizing the track and trace system pursuant to Section 26068 of the Business and Professions Code.

(h) Cultivators shall be responsible for payment of the tax pursuant to regulations adopted by the department. A cultivator's liability for the tax is not extinguished until the tax has been paid to this state except that an invoice, receipt, or other document from a distributor or manufacturer given to the cultivator pursuant to paragraph (3) is sufficient to relieve the cultivator from further liability for the tax to which the invoice, receipt, or other document refers. Cannabis shall not be sold unless the tax has been paid as provided in this part.

(1) A distributor shall collect the cultivation tax from a cultivator on all harvested cannabis that enters the commercial market. This paragraph shall not apply where a cultivator is not required to send, and does not send, the harvested cannabis to a distributor.

(2) (A) A manufacturer shall collect the cultivation tax from a cultivator on the first sale or transfer of unprocessed cannabis by a cultivator to a manufacturer. The manufacturer shall remit the cultivation tax collected on the cannabis product sold or transferred to a distributor for quality assurance, inspection, and testing, as described in Section 26110 of the Business and Professions Code. This paragraph shall not apply where a distributor collects the cultivation tax from a cultivator pursuant to paragraph (1).

(B) Notwithstanding subparagraph (A), the department may prescribe a substitute method and manner for collection and remittance of the cultivation tax under this paragraph, including a method and manner for collection of the cultivation tax by a distributor.

(3) A distributor or manufacturer shall provide to the cultivator, and a distributor that collects the cultivation tax from a manufacturer pursuant to paragraph (2) shall provide to the manufacturer, an invoice, receipt, or other similar document that identifies the licensee receiving the product, the cultivator from which the product originates, including the associated unique identifier, the amount of cultivation tax, and any other information deemed necessary by the department. The department may authorize other forms of documentation under this paragraph.

(4) The department may adopt regulations prescribing procedures for the refund of cultivation tax collected on cannabis or cannabis product that fails quality assurance, inspection, and testing as described in Section 26110 of the Business and Professions Code.

(i) All cannabis removed from a cultivator's premises, except for plant waste or medicinal cannabis or medicinal cannabis products designated for donation, shall be presumed to be sold and thereby taxable under this section, except as otherwise exempt pursuant to Section 34012.2.

(j) The tax imposed by this section shall be imposed on all cannabis cultivated in the state pursuant to rules and regulations promulgated by the department, but shall not apply to cannabis cultivated for personal use under Section 11362.1 of the Health and Safety Code or cultivated by a qualified patient or primary caregiver in accordance with the Compassionate Use Act of 1996 (Proposition 215), found in Section 11362.5 of the Health and Safety Code.

(k) (1) For the 2020 calendar year, the rates set forth in subdivisions (a), (b), and (c) shall be adjusted by the department for inflation.

(2) For the 2021 calendar year, the rates shall be those imposed for the 2020 calendar year in paragraph (1) and shall not be adjusted for inflation unless the adjustment is for an inflation rate that is less than zero.

(3) For the 2022 calendar year, the rates shall be those imposed for the 2021 calendar year in paragraph (2) and shall be adjusted by the department for inflation.

(4) Beginning January 1, 2023, the rates imposed for the previous calendar year shall be adjusted by the department annually for inflation.

(l) The Department of Cannabis Control is not responsible for enforcing any provisions of the cultivation tax.

SEC. 114. Section 34012.2 is added to the Revenue and Taxation Code, to read:

34012.2. (a) On and after January 1, 2022, there is exempt from the cultivation tax imposed pursuant to Section 34012 the cultivation of all harvested cannabis that will be, or has been, designated a trade sample pursuant to Section 26153.1 of the Business and Professions Code and all harvested cannabis that is used to manufacture a cannabis product that is designated a trade sample pursuant to Section 26153.1 of the Business and Professions Code.

(b) The department shall adopt regulations prescribing the procedures for how the exemption provided in subdivision (a) shall be implemented.

(c) A person licensed under Division 10 (commencing with Section 26000) of the Business and Professions Code that sells cannabis exempt from the cultivation tax pursuant to subdivision (a) or sells any cannabis product that is manufactured with cannabis exempt from the cultivation tax pursuant to subdivision (a) shall be liable for the cultivation tax imposed by Section 34012 as if the person were a cultivator of the cannabis at the time of sale.

(d) Notwithstanding any other law, the department may adopt and readopt emergency regulations to implement this section. The provisions of this section shall be applicable to emergency regulations adopted or readopted pursuant to this section. The emergency regulations authorized by this section shall be deemed an emergency and necessary for the immediate preservation of public peace, health, safety or general welfare.

SEC. 115. Section 34019 of the Revenue and Taxation Code is amended to read:

34019. (a) Beginning with the 2017–18 fiscal year, the Department of Finance shall estimate revenues to be received pursuant to Sections 34011 and 34012 and provide those estimates to the Controller no later than June 15 of each year. The Controller shall use these estimates when disbursing funds pursuant to this section. Before any funds are disbursed pursuant to subdivisions (b), (c), (d), and (e) of this section, the Controller shall disburse from the Tax Fund to the appropriate account, without regard to fiscal year, the following:

(1) Reasonable costs incurred by the board for administering and collecting the taxes imposed by this part; provided, however, such costs shall not exceed 4 percent of tax revenues received.

(2) Reasonable costs incurred by the Department of Cannabis Control for implementing, administering, and enforcing Division 10 (commencing with Section 26000) of the Business and Professions Code to the extent those costs are not reimbursed pursuant to Section 26180 of the Business and Professions Code. This paragraph shall remain operative through the 2022–23 fiscal year.

(3) Reasonable costs incurred by the Department of Fish and Wildlife, the State Water Resources Control Board, and the Department of Pesticide Regulation for carrying out their respective duties under Division 10 (commencing with Section 26000) of the Business and Professions Code to the extent those costs are not otherwise reimbursed.

(4) Reasonable costs incurred by the Governor's Office of Business and Economic Development for implementing, administering, and enforcing Chapter 23 (commencing with Section 26240) of Division 10 of the Business and Professions Code.

(5) Reasonable costs incurred by the Controller for performing duties imposed by the Control, Regulate and Tax Adult Use of Marijuana Act, including the audit required by Section 34020.

(6) Reasonable costs incurred by the Department of Finance for conducting the performance audit pursuant to Section 26191 of the Business and Professions Code.

(7) Reasonable costs incurred by the Legislative Analyst's Office for performing duties imposed by Section 34017.

(8) Sufficient funds to reimburse the Division of Labor Standards Enforcement and the Division of Occupational Safety and Health within the Department of Industrial Relations and the Employment Development Department for the costs of applying and enforcing state labor laws to licensees under Division 10 (commencing with Section 26000) of the Business and Professions Code.

(b) The Controller shall next disburse the sum of ten million dollars (\$10,000,000) to a public university or universities in California annually beginning with the 2018–19 fiscal year until the 2028–29 fiscal year to research and evaluate the implementation and effect of the Control, Regulate and Tax Adult Use of Marijuana Act, and shall, if appropriate, make recommendations to the Legislature and Governor regarding possible amendments to the Control, Regulate and Tax Adult Use of Marijuana Act. The recipients of these funds shall publish reports on their findings at a minimum of every two years and shall make the reports available to the public. The Department of Cannabis Control shall select the universities to be funded. The research funded pursuant to this subdivision shall include but not necessarily be limited to:

(1) Impacts on public health, including health costs associated with cannabis use, as well as whether cannabis use is associated with an increase or decrease in use of alcohol or other drugs.

(2) The impact of treatment for maladaptive cannabis use and the effectiveness of different treatment programs.

(3) Public safety issues related to cannabis use, including studying the effectiveness of the packaging and labeling requirements and advertising and marketing restrictions contained in the act at preventing underage access to and use of cannabis and cannabis products, and studying the health-related effects among users of varying potency levels of cannabis and cannabis products.

(4) Cannabis use rates, maladaptive use rates for adults and youth, and diagnosis rates of cannabis-related substance use disorders.

(5) Cannabis market prices, illicit market prices, tax structures and rates, including an evaluation of how to best tax cannabis based on potency, and the structure and function of licensed cannabis businesses.

(6) Whether additional protections are needed to prevent unlawful monopolies or anti-competitive behavior from occurring in the adult-use cannabis industry and, if so, recommendations as to the most effective measures for preventing such behavior.

(7) The economic impacts in the private and public sectors, including, but not necessarily limited to, job creation, workplace safety, revenues, taxes generated for state and local budgets, and criminal justice impacts, including, but not necessarily limited to, impacts on law enforcement and public resources, short and long term consequences of involvement in the criminal justice system, and state and local government agency administrative costs and revenue.

(8) Whether the regulatory agencies tasked with implementing and enforcing the Control, Regulate and Tax Adult Use of Marijuana Act are doing so consistent with the purposes of the act, and whether different agencies might do so more effectively.

(9) Environmental issues related to cannabis production and the criminal prohibition of cannabis production.

(10) The geographic location, structure, and function of licensed cannabis businesses, and demographic data, including race, ethnicity, and gender, of license holders.

(11) The outcomes achieved by the changes in criminal penalties made under the Control, Regulate and Tax Adult Use of Marijuana Act for cannabis-related offenses, and the outcomes of the juvenile justice system, in particular, probation-based treatments and the frequency of up-charging illegal possession of cannabis or cannabis products to a more serious offense.

(c) The Controller shall next disburse the sum of three million dollars (\$3,000,000) annually to the Department of the California Highway Patrol beginning with the 2018–19 fiscal year until the 2022–23 fiscal year to establish and adopt protocols to determine whether a driver is operating a vehicle while impaired, including impairment by the use of cannabis or cannabis products, and to establish and adopt protocols setting forth best practices to assist law enforcement agencies. The department may hire personnel to establish the protocols specified in this subdivision. In addition, the department may make grants to public and private research institutions for the purpose of developing technology for determining when a driver is operating a vehicle while impaired, including impairment by the use of cannabis or cannabis products.

(d) The Controller shall next disburse the sum of ten million dollars (\$10,000,000) beginning with the 2018–19 fiscal year and increasing ten million dollars (\$10,000,000) each fiscal year thereafter until the 2022–23 fiscal year, at which time the disbursement shall be fifty million dollars (\$50,000,000) each year thereafter, to the Governor's Office of Business and Economic Development, in consultation with the Labor and Workforce Development Agency and the State Department of Social Services, to administer a community reinvestments grants program to local health departments and at least 50 percent to qualified community-based nonprofit organizations to support job placement, mental health treatment, substance use disorder treatment, system navigation services, legal services to address barriers to reentry, and linkages to medical care for communities

disproportionately affected by past federal and state drug policies. The office shall solicit input from community-based job skills, job placement, and legal service providers with relevant expertise as to the administration of the grants program. In addition, the office shall periodically evaluate the programs it is funding to determine the effectiveness of the programs, shall not spend more than 4 percent for administrative costs related to implementation, evaluation, and oversight of the programs, and shall award grants annually, beginning no later than January 1, 2020.

(e) The Controller shall next disburse the sum of two million dollars (\$2,000,000) annually to the University of California San Diego Center for Medicinal Cannabis Research to further the objectives of the center, including the enhanced understanding of the efficacy and adverse effects of cannabis as a pharmacological agent.

(f) By July 15 of each fiscal year beginning in the 2018–19 fiscal year, the Controller shall, after disbursing funds pursuant to subdivisions (a), (b), (c), (d), and (e), disburse funds deposited in the Tax Fund during the prior fiscal year into sub-trust accounts, which are hereby created, as follows:

(1) Sixty percent shall be deposited in the Youth Education, Prevention, Early Intervention and Treatment Account, and disbursed by the Controller to the State Department of Health Care Services for programs for youth that are designed to educate about and to prevent substance use disorders and to prevent harm from substance use. The State Department of Health Care Services shall enter into interagency agreements with the State Department of Public Health and the State Department of Education to implement and administer these programs. The programs shall emphasize accurate education, effective prevention, early intervention, school retention, and timely treatment services for youth, their families and caregivers. The programs may include, but are not limited to, the following components:

(A) Prevention and early intervention services including outreach, risk survey and education to youth, families, caregivers, schools, primary care health providers, behavioral health and substance use disorder service providers, community and faith-based organizations, fostercare providers, juvenile and family courts, and others to recognize and reduce risks related to substance use, and the early signs of problematic use and of substance use disorders.

(B) Grants to schools to develop and support student assistance programs, or other similar programs, designed to prevent and reduce substance use, and improve school retention and performance, by supporting students who are at risk of dropping out of school and promoting alternatives to suspension or expulsion that focus on school retention, remediation, and professional care. Schools with higher than average dropout rates should be prioritized for grants.

(C) Grants to programs for outreach, education, and treatment for homeless youth and out-of-school youth with substance use disorders.

(D) Access and linkage to care provided by county behavioral health programs for youth, and their families and caregivers, who have a substance use disorder or who are at risk for developing a substance use disorder.

(E) Youth-focused substance use disorder treatment programs that are culturally and gender competent, trauma-informed, evidence-based and provide a continuum of care that includes screening and assessment (substance use disorder as well as mental health), early intervention, active treatment, family involvement, case management, overdose prevention, prevention of communicable diseases related to substance use, relapse management for substance use and other cooccurring behavioral health disorders, vocational services, literacy services, parenting classes, family therapy and counseling services, medication-assisted treatments, psychiatric medication and psychotherapy. When indicated, referrals must be made to other providers.

(F) To the extent permitted by law and where indicated, interventions shall utilize a two-generation approach to addressing substance use disorders with the capacity to treat youth and adults together. This would include supporting the development of family-based interventions that address substance use disorders and related problems within the context of families, including parents, foster parents, caregivers and all their children.

(G) Programs to assist individuals, as well as families and friends of drug using young people, to reduce the stigma associated with substance use including being diagnosed with a substance use disorder or seeking substance use disorder services. This includes peer-run outreach and education to reduce stigma, anti-stigma campaigns, and community recovery networks.

(H) Workforce training and wage structures that increase the hiring pool of behavioral health staff with substance use disorder prevention and treatment expertise. Provide ongoing education and coaching that increases substance use treatment providers' core competencies and trains providers on promising and evidenced-based practices.

(I) Construction of community-based youth treatment facilities.

(J) The departments may contract with each county behavioral health program for the provision of services.

(K) Funds shall be allocated to counties based on demonstrated need, including the number of youth in the county, the prevalence of substance use disorders among adults, and confirmed through statistical data, validated assessments, or submitted reports prepared by the applicable county to demonstrate and validate need.

(L) The departments shall periodically evaluate the programs they are funding to determine the effectiveness of the programs.

(M) The departments may use up to 4 percent of the moneys allocated to the Youth Education, Prevention, Early Intervention and Treatment Account for administrative costs related to implementation, evaluation, and oversight of the programs.

(N) If the Department of Finance ever determines that funding pursuant to cannabis taxation exceeds demand for youth prevention and treatment services in the state, the departments shall provide a plan to the Department of Finance to provide treatment services to adults as well as youth using these funds.

(O) The departments shall solicit input from volunteer health organizations, physicians who treat addiction, treatment researchers, family therapy and counseling providers, and professional education associations with relevant expertise as to the administration of any grants made pursuant to this paragraph.

(2) Twenty percent shall be deposited in the Environmental Restoration and Protection Account, and disbursed by the Controller as follows:

(A) To the Department of Fish and Wildlife and the Department of Parks and Recreation for the cleanup, remediation, and restoration of environmental damage in watersheds affected by cannabis cultivation and related activities including, but not limited to, damage that occurred prior to enactment of this part, and to support local partnerships for this purpose. The Department of Fish and Wildlife and the Department of Parks and Recreation may distribute a portion of the funds they receive from the Environmental Restoration and Protection Account through grants for purposes specified in this paragraph.

(B) To the Department of Fish and Wildlife and the Department of Parks and Recreation for the stewardship and operation of state-owned wildlife habitat areas and state park units in a manner that discourages and prevents the illegal cultivation, production, sale, and use of cannabis and cannabis products on public lands, and to facilitate the investigation, enforcement, and prosecution of illegal cultivation, production, sale, and use of cannabis or cannabis products on public lands.

(C) To the Department of Fish and Wildlife to assist in funding the watershed enforcement program and multiagency taskforce established pursuant to subdivisions (b) and (c) of Section 12029 of the Fish and Game Code to facilitate the investigation, enforcement, and prosecution of these offenses and to ensure the reduction of adverse impacts of cannabis cultivation, production, sale, and use on fish and wildlife habitats throughout the state.

(D) For purposes of this paragraph, the Secretary of the Natural Resources Agency shall determine the allocation of revenues between the departments. During the first five years of implementation, first consideration should be given to funding purposes specified in subparagraph (A).

(E) Funds allocated pursuant to this paragraph shall be used to increase and enhance activities described in subparagraphs (A), (B), and (C), and not replace allocation of other funding for these purposes. Accordingly, annual General Fund appropriations to the Department of Fish and Wildlife and the Department of Parks and Recreation shall not be reduced below the levels provided in the Budget Act of 2014 (Chapter 25 of the Statutes of 2014).

(3) Twenty percent shall be deposited into the State and Local Government Law Enforcement Account and disbursed by the Controller as follows:

(A) To the Department of the California Highway Patrol for conducting training programs for detecting, testing and enforcing laws against driving under the influence of alcohol and other drugs, including driving under the influence of cannabis. The department may hire personnel to conduct the training programs specified in this subparagraph.

(B) To the Department of the California Highway Patrol to fund internal California Highway Patrol programs and grants to qualified nonprofit organizations and local governments for education, prevention, and enforcement of laws related to driving under the influence of alcohol and other drugs, including cannabis; programs that help enforce traffic laws, educate the public in traffic safety, provide varied and effective means of reducing fatalities, injuries, and economic losses from collisions; and for the purchase of equipment related to enforcement of laws related to driving under the influence of alcohol and other drugs, including cannabis.

(C) To the Board of State and Community Corrections for making grants to local governments to assist with law enforcement, fire protection, or other local programs addressing public health and safety associated with the implementation

of the Control, Regulate and Tax Adult Use of Marijuana Act. The board shall not make any grants to local governments that ban both indoor and outdoor commercial cannabis cultivation, or ban retail sale of cannabis or cannabis products pursuant to Section 26200 of the Business and Professions Code or as otherwise provided by law.

(D) For purposes of this paragraph, the Department of Finance shall determine the allocation of revenues between the agencies; provided, however, beginning in the 2022–23 fiscal year the amount allocated pursuant to subparagraph (A) shall not be less than ten million dollars (\$10,000,000) annually and the amount allocated pursuant to subparagraph (B) shall not be less than forty million dollars (\$40,000,000) annually. In determining the amount to be allocated before the 2022–23 fiscal year pursuant to this paragraph, the Department of Finance shall give initial priority to subparagraph (A).

(g) Funds allocated pursuant to subdivision (f) shall be used to increase the funding of programs and purposes identified and shall not be used to replace allocation of other funding for these purposes.

(h) Effective July 1, 2028, the Legislature may amend this section by majority vote to further the purposes of the Control, Regulate and Tax Adult Use of Marijuana Act, including allocating funds to programs other than those specified in subdivisions (d) and (f). Any revisions pursuant to this subdivision shall not result in a reduction of funds to accounts established pursuant to subdivisions (d) and (f) in any subsequent year from the amount allocated to each account in the 2027–28 fiscal year. Prior to July 1, 2028, the Legislature may not change the allocations to programs specified in subdivisions (d) and (f).

SEC. 116. Section 13149 of the Water Code is amended to read:

13149. (a) (1) (A) The board, in consultation with the Department of Fish and Wildlife, shall adopt principles and guidelines for diversion and use of water for cannabis cultivation in areas where cannabis cultivation may have the potential to substantially affect instream flows. The principles and guidelines adopted under this section may include, but are not limited to, instream flow objectives, limits on diversions, and requirements for screening of diversions and elimination of barriers to fish passage. The principles and guidelines may include requirements that apply to groundwater extractions where the board determines those requirements are reasonably necessary for purposes of this section.

(B) Prior to adopting principles and guidelines under this section, the board shall allow for public comment and hearing, pursuant to Section 13147. The board shall provide an opportunity for the public to review and comment on the proposal for at least 60 days and shall consider the public comments before adopting the principles and guidelines.

(2) The board, in consultation with the Department of Fish and Wildlife, shall adopt principles and guidelines pending the development of long-term principles and guidelines under paragraph (1). The principles and guidelines, including the interim principles and guidelines, shall include measures to protect springs, wetlands, and aquatic habitats from negative impacts of cannabis cultivation. The board may update the interim principles and guidelines as it determines to be reasonably necessary for purposes of this section.

(3) The Department of Fish and Wildlife, in consultation with the board, may establish interim requirements to protect fish and wildlife from the impacts of diversions for cannabis cultivation pending the adoption of long-term principles and guidelines by the board under paragraph (1). The requirements may also include measures to protect springs, wetlands, and aquatic habitats from negative impacts of cannabis cultivation.

(b) (1) Notwithstanding Section 15300.2 of Title 14 of the California Code of Regulations, actions of the board and the Department of Fish and Wildlife under this section shall be deemed to be within Section 15308 of Title 14 of the California Code of regulations, provided that those actions do not involve relaxation of existing streamflow standards.

(2) The board shall adopt principles and guidelines under this section as part of state policy for water quality control adopted pursuant to Article 3 (commencing with Section 13140) of Chapter 3 of Division 7.

(3) If the Department of Fish and Wildlife establishes interim requirements under this section, it shall do so as emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. The adoption of those interim requirements is an emergency and shall be considered by the Office of Administrative Law as necessary for the immediate preservation of the public peace, health, safety, and general welfare. Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the emergency regulations shall remain in effect until revised by the Department of Fish and Wildlife, provided that the emergency regulations shall not apply after long-term principles and guidelines adopted by the board under this section take effect for the stream or other body of water where the diversion is located.

(4) A diversion for cannabis cultivation is subject to both the interim principles and guidelines and the interim requirements in the period before final principles and guidelines are adopted by the board.

(5) The board shall have primary enforcement responsibility for principles and guidelines adopted under this section, and shall notify the Department of Cannabis Control of any enforcement action taken.

SEC. 117. The sum of ten thousand dollars (\$10,000) is hereby appropriated from the General Fund to the Department of Cannabis Control for purposes of implementing this act.

SEC. 118. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

SEC. 119. The Legislature finds and declares that this act furthers the purposes and intent of the Control, Regulate and Tax Adult Use of Marijuana Act.

SEC. 120. The Legislature finds and declares that Section 12 of this act, which adds Section 26012.5 to the Business and Professions Code, imposes a limitation on the public's right of access to the meetings of public bodies or the writings of public officials and agencies within the meaning of Section 3 of Article I of the California Constitution. Pursuant to that constitutional provision, the Legislature makes the following findings to demonstrate the interest protected by this limitation and the need for protecting that interest:

This act balances the right of the public to access relevant information about licensees while protecting the privacy rights of individuals whose data is collected for licensing purposes.

SEC. 121. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.