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SB-1064 Cannabis: operator and separate premises license types: excessive concentration of licenses.
(2023-2024)

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Senate Bill No. 1064

CHAPTER 875

An act to amend Sections 26001, 26050, 26051, 26051.5, 26061, and 26070 of, and to amend the heading of Chapter 7 (commencing with Section 26070) of Division 10 of, the Business and Professions Code, relating to cannabis.

[Approved by Governor September 28, 2024. Filed with Secretary of State September 28, 2024.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1064, Laird. Cannabis: operator and separate premises license types: excessive concentration of licenses.

Existing law, the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA), an initiative measure, 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, and establishes the Department of Cannabis Control to administer and enforce its provisions.

MAUCRSA requires an applicant or licensee to apply for a separate license for each location where it engages in commercial cannabis activity. MAUCRSA sets forth a codified list of license types for different commercial cannabis activities, including, among others, retail sale, distribution, 2 types of manufacturing, laboratory testing, and various kinds and sizes of cultivation activities.

This bill would revise the MAUCRSA licensing scheme for commercial cannabis activities by adding a combined activities license classification. The bill would define "combined activities license" as a state license that authorizes 2 or more commercial cannabis activities at the same premises, with the exception of laboratory testing, as specified. The bill would make various related conforming changes.

MAUCRSA requires the department, in determining whether to grant, deny, or renew a specified license, to consider if an excessive concentration, as described, exists in the area where the licensee will operate.

This bill would remove this requirement.

MAUCRSA imposes various requirements on an applicant for a state license, including, among other things, requiring each owner to electronically submit to the Department of Justice fingerprint images and related information required by the Department of Justice, as described. If an owner has previously submitted fingerprint images and related information, as described above, MAUCRSA does not require the owner to submit additional fingerprint images and related information in connection with a subsequent application for a state license.

This bill would additionally specify that an owner is not required to resubmit owner-related information previously provided to the department.

This bill would make related legislative findings and declarations.

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

This bill would declare that its provisions further the purposes and intent of AUMA, as described.

Vote: 2/3 Appropriation: no Fiscal Committee: yes Local Program: no

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

SECTION 1. The Legislature finds and declares as follows:

- (a) In November 1996, voters approved Proposition 215, which decriminalized the use of medicinal cannabis in California.
- (b) In 2015, California enacted three bills—Assembly Bill 243 (Chapter 688 of the Statutes of 2015); Assembly Bill 266 (Chapter 689 of the Statutes of 2015); and Senate Bill 643 (Chapter 719 of the Statutes of 2015)—that collectively established a comprehensive state regulatory framework for the licensing and enforcement of cultivation, manufacturing, retail sale, transportation, storage, delivery, and testing of medicinal cannabis in California. This regulatory scheme is known as the Medical Cannabis Regulation and Safety Act (MCRSA).
- (c) In November 2016, voters approved Proposition 64, the Adult Use of Marijuana Act (AUMA). AUMA makes it legal to sell and distribute cannabis for adult use through a regulated business.
- (d) In 2017, the Legislature enacted Senate Bill 94 (Chapter 27 of the Statutes of 2017) to merge the regulatory provisions of MCRSA and AUMA and provide for a single regulatory structure for both medicinal and adult-use cannabis. This consolidated regulatory structure is known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).
- (e) The intent of MCRSA, AUMA, and MAUCRSA was to ensure a comprehensive regulatory system that takes production and sales of cannabis away from an illegal market and curtails the illegal diversion of cannabis from California into other states or countries, while avoiding duplicative costs and inevitable confusion among licensees, regulatory agencies, and the public and ensuring a regulatory structure that prevents access to minors, protects public safety, public health, and the environment, as well as maintaining local control.
- (f) The purpose of this act is to revise the procedures for issuance of state licenses for certain commercial cannabis activities to promote efficiency, avoid overlap with local land use processes while protecting local control, and reduce barriers to entry into the legal, regulated market, in furtherance of the purposes and intent of MCRSA, AUMA, and MAUCRSA.

SEC. 2. 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, or are intended for use on, or consumption by, animals.
- (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, or are intended for use on, or consumption by, animals.
- (c) “Animal” does not include a food animal as defined in Section 4825.1 or livestock as defined in Section 14205 of the Food and Agricultural Code.
- (d) “Applicant” means an owner applying for a state license pursuant to this division.
- (e) “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.

(f) "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.

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

(h) "Cannabis beverage" means a form of edible cannabis product that is intended to be consumed in its final state as a beverage.

(i) "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, a processed pet food, as defined by Section 113025 of the Health and Safety Code, or a drug, as defined by Section 109925 of the Health and Safety Code.

(j) "Cannabis event organizer" means a person authorized to plan and organize temporary cannabis events as authorized in Section 26200.

(k) "Cannabis products" has the same meaning as in Section 11018.1 of the Health and Safety Code, and includes cannabis products intended for use on, or consumption by, an animal. 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.

(l) "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.

(m) "Combined activities license" means a state license that authorizes two or more commercial cannabis activities at the same premises, with the exception of laboratory testing. A combined activities license shall conform with all requirements imposed by this division to the extent the licensee engages in those activities.

(n) "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.

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

(p) "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.

(q) "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.

(r) "Daycare center" has the same meaning as in Section 1596.76 of the Health and Safety Code.

(s) "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.

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

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

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

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

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

(y) "Edible cannabis product" means a cannabis product that is intended to be used, in whole or in part, for human or animal 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, a processed pet food, as defined by Section 113025 of the Health and Safety Code, or a drug, as defined by Section 109925 of the Health and Safety Code.

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

(aa) "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.

(ab) "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.

(ac) "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.

(ad) "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.

(ae) "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.

(af) "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.

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

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

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

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

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

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

(am) (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.

(an) "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.

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

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

(aq) "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.

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

(as) "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.

(at) "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.

(au) "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.

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

(aw) "Processor" means a person authorized to engage in only trimming, drying, curing, grading, packaging, and labeling of cannabis and nonmanufactured cannabis products.

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

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

(az) "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.

(ba) "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.

(bb) "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.

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

SEC. 3. 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.
- (21) Type 13—Cannabis event organizer.
- (22) Type 14—Processor.
- (23) Type 15—Combined activities.

(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 possess 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. 4. 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.

SEC. 5. 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) Except as provided in subparagraph (G), 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 department 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) 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.

(G) If an owner has previously submitted fingerprint images and related information required by the Department of Justice pursuant to this paragraph in connection with a valid state license issued by a licensing authority, all of the following apply:

(i) The owner shall not be required to submit additional fingerprint images and related information pursuant to this paragraph in connection with a subsequent application for a state license.

(ii) The department shall not consider the owner's criminal history information obtained from the fingerprint images and related information that were previously submitted pursuant to this paragraph when considering whether to issue a subsequent state license.

(iii) An owner shall not be required to resubmit owner-related information previously provided to the department.

(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, or an applicant with 10 or more employees that submits an application on or after July 1, 2024, provide a notarized statement that the applicant will enter into, or demonstrate that it has already entered into, and will abide by the terms of a labor peace agreement. On and after July 1, 2024, the department shall not renew a license for a licensee with 10 or more employees unless the licensee provides a statement that the licensee has already entered into and will abide by the terms of a labor peace agreement.

(ii) For an applicant with 10 or more employees but 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, or on or before July 1, 2024, whichever is earlier.

(iii) For an applicant with less than 10 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 10th employee, or on or before July 1, 2024, whichever is later.

(iv) 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) Compliance with the terms of an applicable labor peace agreement is a condition of licensure. A licensee seeking renewal of any license shall attest to the department that it remains in compliance with the terms of any applicable labor

peace agreement.

(C) Any labor organization, or any current or former employee of the relevant licensee, may report to the department that a licensee has failed to provide a truthful attestation of compliance with subparagraph (B).

(i) The reporting party shall provide documentation, in a form and manner required by the department, to substantiate their allegation before the department considers it. The department shall collaborate with such agencies as it deems relevant to evaluate the report.

(ii) If the department substantiates the validity of a report made pursuant to this subparagraph, the department may suspend, revoke, place on probation with terms and conditions, or otherwise discipline the license and fine the licensee.

(D) (i) Any labor organization, or any current or former employee of the relevant licensee, may file a complaint with the Agricultural Labor Relations Board that an organization with which a licensee has entered into a labor peace agreement is not a bona fide labor organization.

(ii) The Agricultural Labor Relations Board shall consider all relevant evidence provided or obtained in rendering a decision on whether the entity is a bona fide labor organization and issue a report with its findings no later than 90 days from receiving the complaint.

(iii) If the Agricultural Labor Relations Board determines that the entity is not a bona fide labor organization, the labor peace agreement shall be null and void. The department shall promptly notify all licensees that have signed labor peace agreements with the entity that the entity was found not to be a bona fide labor organization and offer those licensees a reasonable time period, not to exceed 180 days, to enter into a labor peace agreement with a bona fide labor organization. Failure to enter into a labor peace agreement with a bona fide labor organization after that reasonable time period shall be a violation of this section.

(E) For the purposes of this paragraph, all of the following shall apply:

(i) "Employee" does not include a supervisor.

(ii) "Labor organization" means any organization of any kind, or any agency or employee representation committee or plan, in which employees participate and which exists, in whole or in part, for the purpose of dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment, or conditions of work for employees.

(iii) "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 Division of Occupational Safety and Health (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. 6. 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 any of the following license types:

(1) Type 8.

(2) Type 11.

(3) Type 12, authorized to engage in Type 11 distribution.

(4) Type 15, authorized to engage in Type 11 distribution.

(e) A licensee that holds a cultivation license eligible for conversion to a Type 5, Type 5A, or Type 5B shall not be eligible to apply for or hold a Type 15 license for those cultivation activities eligible for conversion, or that includes a Type 11 distribution.

SEC. 7. The heading of Chapter 7 (commencing with Section 26070) of Division 10 of the Business and Professions Code is amended to read:

CHAPTER 7. Retailers, Distributors, Microbusinesses, and Combined Activities

SEC. 8. Section 26070 of the Business and Professions Code is amended to read:

26070. Retailers, Distributors, Microbusinesses, and Combined Activities.

(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 or combined activities 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 or combined activities 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 licensed persons authorized to engage in distribution 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 license.

(j) Licensed retailers, microbusinesses, and combined activities, 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. 9. The Legislature finds and declares that this act furthers the purposes and intent of the Control, Regulate and Tax Adult Use of Marijuana Act by accomplishing all of the following:

(a) Reducing barriers to entry into the legal, regulated market by making state licensing processes more efficient and avoiding unnecessary overlap with local land use permitting, while protecting local control.

(b) Improving and strengthening California's comprehensive system to legalize, control, and regulate commercial cannabis activities.

(c) Allowing local governments to enact additional local requirements for adult-use cannabis businesses, and to adopt and enforce other local police power, land use, and business regulations with respect to commercial cannabis activities, but not requiring that they enact cannabis-specific regulations for adult-use cannabis businesses to be issued local permits and state licenses and be legal under state law.

(d) Promoting the strict control of commercial cannabis activities and the prevention of the illegal production or distribution of cannabis and the illegal diversion of cannabis from California to other states or countries or to the illegal market.