



**CALIFORNIA CANNABIS
INDUSTRY ASSOCIATION**
California's Collective Voice for the Cannabis Industry

2017 Legislative Priorities and Accomplishments

CCIA and our Legislative advocates worked tirelessly to advance the business interests of our members in Sacramento and around the state. Early in 2017 we identified priorities for the year with the input from CCIA Legislative Committee and Board of Directors (Board).

CCIA's *Guiding Policies and Principles* represent our policy positions adopted by the Board in response to legislation in prior legislative sessions. We keep these *Guiding Policies and Principles* in mind as we advocate for a responsible and sustainable industry where our members can be treated like any other business in the state

Formed in 2012, CCIA strives to unite California's cannabis industry and speak with one voice at the state and local levels. CCIA educates and informs policy makers on all segments of the cannabis industry, currently representing over 400 members and roughly 5,000 employees statewide.

I. **LEGISLATIVE & REGULATORY PRIORITIES : ACCOMPLISHMENTS and UPDATES ON ONGOING PRIORITIES**

MCRSA / Prop 64 reconciliation and MCRSA clean-up

While distinctions between the medical and adult use cannabis frameworks are important, discrepancies between the two frameworks will complicate implementation for state and local agencies and make compliance more difficult for licensees. CCIA's legislative and regulatory priorities concerning the [Medical Marijuana Regulation and Safety Act](#) (MCRSA) and [Prop 64](#) reconciliation as well as the MCRSA clean-up are outlined below.

1. Support greater flexibility with owner or applicant thresholds by conforming the language in the MCRSA to the language in Prop 64.

STATUS UPDATE: COMPLETED.

Legislative advocates successfully advanced changes in SB 94 (Budget & Fiscal Review) that simplified the owner/applicant definition in a manner consistent with Prop. 64 and CCIA objectives. Specifically, SB 94 requires only one designee to be listed as an applicant easing the administrative burden of processing applications, while giving cannabis operators more flexibility in determining what constitutes an owner/applicant.

As attention shifts to regulation development and implementation, legislative advocates will continue to advocate for greater flexibility and simplicity relative to owner/applicant disclosure requirements to ensure that access to much-needed capital is not undermined.

As currently written, SB 94, which enacted the Medicinal and Adult Use Cannabis Regulation and Safety Act (MAUCRSA), directs the licensing entities to specify in regulations what additional

disclosure requirements must be included with the license application. [See Business & Professions Code § 26051.5(c)]

- 2. Eliminate cross licensure restrictions in the MCRSA by allowing vertical integration, as currently authorized under Prop 64.**

STATUS UPDATE: COMPLETED.

Legislative advocates successfully advocated to remove cross licensure restrictions in SB 94 with some limited exceptions consistent with language contained in Prop. 64.

- 3. Modify the closed distribution model under the MCRSA and allow for both third-party distributors (aka “independent” distributors) and licensed “in-house” distributors owned by licensed cultivators, manufacturers and/or retailers.**

STATUS UPDATE: COMPLETED.

With the help of our coalition partners, legislative advocates sought changed in the MAUCRSA to eliminate the independent, third party distribution model contained in the MCRSA to allow cultivators, manufacturers and dispensary operators to hold distribution licenses as allowed under Prop 64. To achieve this objective, legislative advocates employed numerous strategies. Most notable was the development of the cannabis business coalition, which helped to advance CCIA’s efforts in the capitol. Business coalition members included the California Manufacturers and Technology Association, the California Retailers Association, the California Restaurant Association and the National Federal of Independent Businesses.

- 4. Co-location of cannabis businesses: Define “premises” to support multiple licenses “under one roof.”**

STATUS UPDATE: COMPLETED.

Legislative advocates successfully sought changes to the medical and adult use frameworks with the passage of AB 133 (Budget), which provides that licensees may co-locate both medical and adult use on a single premise. The language further removes restrictions contained in the MCRSA and SB 94 that precluded licensees from conducting multiple licensed activities on the same premises.

- 5. Enact a phased-in licensure model to allow businesses to temporarily continue working with unlicensed entities.**

STATUS UPDATE: ONGOING.

After considerable discussion with the Brown Administration, Assembly and Senate Leadership and the regulatory agencies, SB 94 includes language establishing a temporary license program. The language aims to minimize market disruption while the licensing entities review applications from cannabis operators for non-temporary licenses. While such efforts represent a step in the right direction, legislative advocates continue to advocate for more time before licensed cannabis operators will be prohibited from working with unlicensed operators.

In private discussions with the Business, Consumer Services and Housing Agency (Agency), as well as with the Bureau of Cannabis Control, some regulators have indicated that they believe they have existing statutory authority to adjust the temporary program, as needed. In a meeting between legislative advocates and the Agency it was also suggested that additional clarity concerning the extent to which the state would be enforcing said requirements would be clarified when the emergency regulations are released in November.

6. Allow testing laboratories to perform quality assurance testing prior to the distribution step.

STATUS UPDATE: COMPLETED

Legislative advocates successfully advanced language that was amended into SB 94 to permit in-house testing labs to test cannabis and cannabis products from third party operators. The language further provides that such laboratories will not be regulated by the Bureau and that final testing must still be performed by a licensed testing lab in possession of a Type 8 license for final quality assurance. [Business & Professions Code §26100(k)]

7. Suitability criteria: Ensure equitable treatment of locally authorized applicants when determining license eligibility.

STATUS UPDATE: ONGOING

Legislative advocates worked with the Administration to streamline the appeals process in instances where applicants are denied licensure by allowing applicants to go directly to the Cannabis Appeals Panel in lieu of the Superior Court to appeal licensing decisions. Legislative advocates also successfully fought against additional language modifications proposed by the California Police Chiefs Association that would have rolled back permissive language to instead require licensing entities to deny applications if said applicants are convicted of certain offenses. [Business & Professions Code § 26057(b)]

Legislative advocates will continue to advocate for policies that ensure that locally authorized licensees are also authorized to obtain state licenses, whether they have a prior conviction on their record or not.

8. Ensure non-profit vs. for profit conversion is efficiently and effectively completed.

STATUS UPDATE: ONGOING

Legislative advocates advanced language, which was included in AB 64 (Bonta), to authorize existing collectives and cooperatives to operate for profit or not for profit provided that said entities possess a valid seller's permit from the State Board of Equalization and a valid local license, permit, or other authorization. Unfortunately, this bill was held in the Senate Appropriations Committee in August. Legislative advocates have also been working with the Administration, the Legislature and the Secretary of State to ensure that existing state laws and regulations do not hinder the Secretary of State from completing the conversion process for collectives to and cooperatives to transition to for profit entities in a timely manner.

9. Conform the MCRSA to Prop 64 as it pertains to delivery. Support the creation of a new state license authorizing, non-storefront delivery license.

STATUS UPDATE: COMPLETED

Legislative advocates advanced language that was amended into SB 94 to clarify that retailers with licensed premises are authorized to conduct sales exclusively by delivery.

10. Create a monetary transportation threshold so security requirements are not cost-prohibitive for small and startup companies.

STATUS UPDATE: ONGOING

Not much was done in this area because SB 94 eliminated the transportation license together. Nonetheless, legislative advocates had extensive conversations with Senate and Assembly Leadership about policies that would be cost prohibitive for smaller cannabis operators. Such conversations largely occurred in the context of distribution. Legislative advocates also supported efforts by other cannabis entities to reinstate a transport-only license. The Board may wish to prioritize the issuance of a transportation-only license as part of its recommendations to the Bureau of Cannabis Control, as it develops its non-emergency regulations next year.

11. Legalize inter-collective contracts.

STATUS UPDATE: NO ACTION

Legislative advocates did not make progress in this area, as there was little appetite to focus on interim efforts in advance of the state framework taking effect in January. The only exception to this was in instance where the need was urgent.

12. Support urgency legislation to establish uniform law enforcement standards relative to cannabis transport.

STATUS UPDATE: ONGOING

Despite attempts by legislative advocates to include language to establish uniform law enforcement standards for local compliant cannabis businesses in SB 94, the issue of cannabis transport remains outstanding until the state begins issuing licenses in January 2018. In a meeting with the Administration, the CHP, the Business, Consumer Protection and Housing Agency and the Bureau of Cannabis Control, concerns were expressed that until the state's track and trace system is operational and until state licenses are issued, there is no way of knowing whether a cannabis transporter is legally authorized to transport cannabis and cannabis products. Consequently, enforcement continues to vary widely between the eight geographic divisions of the CHP and there is no consistent application of enforcement laws. While this situation will be largely remedied in January 2018, legislative advocates requested and received a commitment that in the interim the CHP would communicate with CHP divisions where arrests of cannabis transporters is most acute to minimize such arrests and confiscation of cannabis and cannabis products.

13. Clarify language in the MCRSA relative to cannabis misbranding.

STATUS UPDATE: ONGOING

Legislative advocates worked with the Secretary of State (SOS) and Assemblymember Bonta's office on language to expressly authorize the SOS to issue cannabis trademarks at the state level. Trademark language was amended into AB 64 (Bonta). Unfortunately, AB 64 was held in the Senate Appropriations Committee in August. Legislative advocates are currently in discussions with Assemblymember Bonta and others about introducing a stand-alone bill in 2018.

OTHER KEY LEGISLATIVE PRIORITIES

14. Prevent federal actions against compliant cannabis operators.

STATUS UPDATE: ONGOING

Legislative advocates worked with a broad coalition spearhead by the Drug Policy Alliance to advance

15. Oppose excessive and overly burdensome taxation schemes at the state and local level.

STATUS UPDATE: ONGOING

- By January 2018, dispensaries of medical cannabis will be required to collect the new state excise tax on all sales. There will also be state taxes on cultivation. This does not include any local taxes that may be imposed.
- The cannabis industry is willing to pay its fair share of taxes, but opposes overly burdensome tax schemes that encourage black market activity, harms patients or forces businesses to relocate to jurisdictions with reasonable tax structures.
- The cannabis industry also supports the imposition of a statewide taxation cap.

16. Support efforts to address banking challenges for cannabis industries and allow such businesses to fully and effectively participate in commerce.

STATUS UPDATE: ONGOING

- In the absence of a current banking solution, support legislation authorizing the BOE and counties to collect cash payments from medical cannabis-related businesses for state agencies [[SB 148, Wiener/Atkins](#)].
- Work with the newly created [Cannabis Banking Working Group](#), created by the California State Treasurer, to develop recommendations designed to open access to the banking system to cannabis-related businesses allowing such businesses to fully and effectively participate in commerce.
- Support the [National Cannabis Industry Association](#) and other coalition partners in their efforts to enact a banking solution at the federal level.

17. Ensure access to funding and investment opportunities for cannabis businesses.

STATUS UPDATE: ONGOING

- Educate legislators, regulators and other stakeholder groups to ensure that access to capital is not further constricted because of overly burdensome regulations.
- For funding and investment, the market is still very selective about funding and investment for cannabis businesses. At the same time, there's a huge demand for capital investment in the absence of a banking solution.

18. Allow cannabis trademarks.

STATUS UPDATE: ONGOING

- Allow the registration of cannabis trademarks in California.
- Under existing federal law, the U.S. Patent and Trademark Office is not permitted to register trademarks for use on cannabis and any other cannabis related goods and services,

pursuant to the Controlled Substances Act. However, some states permit state trademark registration for cannabis and related products, limited geographically to the state of registration.

- Existing state law does not allow the registration of cannabis related trademarks pursuant to [Section 14272](#) of the Business & Professions Code, which states that California trademark law is to be “substantially consistent” with U.S. trademark law.

II. GUIDING POLICIES AND PRINCIPLES

1. Land Use and Environmental Sustainability. Support policies and new technologies that improve environmental sustainability within the cannabis industry, including efforts to promote water and energy efficiency.

- *Zoning and Permitting:* With many cities looking to tighten local land use and zoning controls, cannabis operators are likely to face an increasingly complex set of compliance and regulatory challenges. Navigating the political and legal landscape to reach successful business outcomes will likely depend on active outreach and an integrated approach by the cannabis industry to build community support.
- *Sustainability:* California’s historic drought and global climate change have increased the need for private sector innovation. With the passage of Prop 64, the cannabis industry should work to develop creative sustainability solutions and best practices to manage water and energy resources efficiently.
- *Environmental Impacts and Outreach:* California’s growing cannabis industry will draw greater attention from environmental interests and other stakeholder groups concerned about the environmental effects of cannabis operators. The cannabis industry should prepare to ramp up its community and environmental outreach to develop mutually beneficial solutions for both the industry and the environment.

2. Patient Protections and Access. Support policies that improve patient access to medical cannabis.

- Remove barriers that hinder a patient’s ability to obtain a physician recommendation or safe, affordable medicine.
- The cannabis industry should work with patient groups to ensure county health departments have the necessary infrastructure in place allowing patients to obtain their medical cannabis identification cards in a timely manner.
- The cannabis industry should oppose excessive tax schemes at the local level that hinder a patient’s ability to access safe, affordable medicine.

3. Research & Development. Promote efforts to expand medical research on the efficacy of cannabis.

- There is bipartisan support in the U.S. House and Senate to amend the Controlled Substances Act (CSA) and ease federal impediments for medical research to conduct clinical studies on the efficacy of medical cannabis. However, the election of Donald Trump could undermine federal support for its use and production. The cannabis industry should work to ensure that medical research on the efficacy of cannabis at the federal level continues.

4. Driving Under the Influence of Cannabis. Work with law enforcement and relevant stakeholders to address impacts associated with driving under the influence of cannabis.

- Existing state law does not sufficiently address driving under the influence (DUI) of cannabis. While existing law states, “It is unlawful for a person who is under the influence of any drug to drive a vehicle,” there is no clear threshold to measure cannabis-impaired driving.

- The cannabis industry should work with local law enforcement and other relevant stakeholders to establish a standard for measuring DUI impairment and oppose attempts to adopt a per se standard that is not scientifically based.

5. Labor & Employment. Educate and inform employers about the efficacy of medical cannabis.

- Support policies to ensure that employees, who are also medical cannabis patients, are not terminated based on legitimate medical use during non-work hours.
- The passage of Prop 64 does not affect employers' rights to implement policies to ensure a drug-free workplace. Proposition 64 expressly preserves employer's right to "enact and enforce workplace policies pertaining to cannabis." Thus, employers can continue to prohibit possession or use on their premises or while an employee is on duty, as well as prohibit employees from being under the influence.

6. Training. Oppose policies that intentionally and/or unfairly prohibit licensed cannabis businesses from training its employees if such training meets requirements set forth by the licensing entities. Oppose policies that create an unfair advantage for labor organizations and independent out-of-state training program providers.

7. Agreements with Tribal Governments. With respect to tribal governments seeking to obtain medical cannabis licenses, support policies that require provisions requiring individuals conducting medical cannabis business activity on tribal land to meet the same state and local licensure requirements in which the tribal land is located.

