



**SUMMARY OF PROPOSED TRAILER BILL LANGUAGE
Medical Cannabis Regulation**

Issue	Summary	Rationale	CCIA Policy Position	CCIA Position
Dual State and Local Licensing	<p>Shifts the burden of proof of local licensure to local governments and the Bureau of Cannabis Control (Bureau) with some exceptions.</p> <p>Local governments will be required to submit before January 1, 2018 a copy of their ordinances to the state, including those jurisdictions that have bans.</p> <p>Applicants may voluntarily submit a copy of the permit, license, or other authorization, but it will not be a requirement.</p> <p>For localities that do not issue permits, but authorize cannabis operations, applicants will be required to submit an Environmental Impact Report (EIR) as a condition of receiving a state license.</p>	<p>According to the administration: <i>With 58 counties and 482 cities it is unrealistic to expect the licensing entities to verify that each applicant is in compliance with any local law of regulation.</i></p>		SUPPORT
CEQA	<p>Streamlines CEQA process for local governments that opt to regulate.</p> <p><i>Note:</i> Compliance requirements are detailed in SB 837 (Committee on Budget, Chapter 32, Statutes of 2016) and will be further clarified in regulations.</p>	<p>According to the administration, this provision seeks to “incentivize local governments to take on more of the environmental compliance work.”</p>		SUPPORT
Ownership	<p>Creates two separate definitions for applicant and owner and provides that only one designee will be required as the applicant.</p> <p>Owner/Applicant – Defined as having at least 20 percent aggregate ownership interest <u>or</u> day-to-day control or management of the licensed commercial cannabis business.</p> <p>Owners must pass a background check under both systems.</p> <p>Provides that licensees must</p>	<p>According to the administration, requiring only one designee to be listed as an applicant will “ease” the administrative burden of processing applications.</p>	<p>Support greater flexibility with owner or applicant thresholds by conforming the language in the MCRSA to the language in Prop 64. [Priority 1 and 17]</p>	SUPPORT

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	<p>disclose the identity of all investors to the licensing authorities</p> <p>Additional clarification concerning owner/applicant will appear in regulations.</p>			
Vertical Integration	<p>Allows for complete vertical integration consistent with AUMA, except for the Type 8, which will remain independent.</p> <p>Applies to both systems.</p> <p>Eliminates the 2-license category restrictions required in the MCRSA.</p>	<p>According to the administration: <i>Overly restrictive vertical integration stifles new business models and does not enhance public and consumer safety.</i></p>	<p>Eliminate cross licensure restrictions in the MCRSA by allowing vertical integration, as currently authorized under Prop 64. [Priority 2]</p>	SUPPORT
Distribution	<p>Maintains the open distribution model as permitted in AUMA, for both recreational and medical.</p> <p>Requires distributors to arrange for an independent licensed testing laboratory to obtain a representative sample of each cannabis batch at the distributor’s licensed premises.</p>	<p>According to the administration: <i>Allowing for a business to hold multiple licenses including a distribution license will make it easier for businesses to enter the market, encourage innovation, and strengthen compliance with state law.</i></p>	<p>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. [Priority 3]</p>	SUPPORT
Testing	<p>Provides that independent licensed testing laboratories are responsible for acquiring the batch sample from the distributor, transporting the batch to the laboratory and testing the batch.</p>		<p>Allow testing laboratories to perform quality assurance testing prior to the distribution step. [Priority 6]</p>	SUPPORT
Testing Requirement Phase-In	<p>Provides that licensees may sell cannabis that has not been tested for a limited time, which will be determined by regulations established by the Bureau.</p> <p>Provides that untested cannabis and cannabis products must be affixed with a label stating that the product has not been tested.</p>		<p>Enact a phased-in licensure model to allow businesses to temporarily continue working with unlicensed entities. [Priority 5]</p>	SUPPORT
Cultivation	<p>Maintains the cap on the number of medium size (Type 3) cultivation licenses that can be issued.</p>	<p>According to the administration: <i>In furtherance of the intent of Proposition 64 to prevent</i></p>		CONCERNS: Pending review of regulations defining the

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	Caps will be further defined in regulations to be promulgated by the California Department of Food and Agriculture.	<i>illegal production and avoid illegal diversion to other states, the administration proposes to limit the number of Type 3 licenses consistent with MCRSA.</i>		cultivation cap and premises.
Microbusiness	<p>Maintains the requirement in Proposition 64 that the Bureau will issue microbusiness licenses.</p> <p>Establishes a process whereby the other licensing entities will be able to ensure that applicants/licensees are following all rules governing the different license types within their respective jurisdictions.</p>			SUPPORT
Environmental Protections	Amends the AUMA to include the same environmental protection requirements as MCRSA.	<p>According to the administration:</p> <p><i>SB 837 clarified the roles of the appropriate state environmental entities, all of which must coordinate with the California Department of Food and Agriculture (CFDA) before a cultivation license is issued. For example, SB 837 requires that all CDFA licenses include a pending application, registration, or other water right documentation that has been filed with the State Water Resources Control Board. SB 837 clarifies that the State Water Board has enforcement authority if water is diverted or illegally used for cannabis cultivation.</i></p>		NEUTRAL
Marijuana Control Appeals Panel	<p>Extends the review panel to all licensing decisions relating to cannabis.</p> <p>Streamlines the appeals process by allowing applicants to go directly to the Marijuana Appeals Panel in lieu of the Superior Court to appeal licensing decisions.</p> <p>Provides that applicants/licensee may appeal a Panel decision to the</p>	<p>According to the administration, this provision will “streamline the appeals process and bring need expertise and due process to the review of any licensing decision.”</p>		SUPPORT

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	<p>Supreme Court or court of appeal for the appellate district in which the proceeding arose.</p> <p>Note: This is modeled after the Alcohol Beverage Control Appeals Board works.</p>			
Appellations of Origin	<p>Transfers the responsibility to establish appellations of origin from the Bureau to the CDFA.</p> <p>Extends the deadline to accomplish this from January 1, 2018 to January 1, 2020.</p>	<p>According to the administration, “sufficient time and expertise” will be required by the CDFA to establish and set standards for appellations or origin, which is typically determined by the federal government.</p>		SUPPORT
Medical ID Cards	<p>Eliminates the state medical ID card program and shift responsibility to counties.</p> <p>Makes ID card program at the county level optional.</p> <p>Provides that patients may use their medical recommendation to qualify for the sales tax exemption.</p>	<p>According to the administration: <i>Approximately 80 percent of cannabis patients do not currently use medical cannabis identification cards, but instead use their physician recommendation to purchase medical cannabis.</i></p>	<p>Support policies that improve patient access to medical cannabis.</p>	SUPPORT
Co-Location of Medical and Non-Medical Licenses	<p>Designates A-Type licenses for adult use and M-Type license for medical use.</p> <p>Prohibits licensees from holding both medical and nonmedical license types on the same premises, unless otherwise specified in regulation.</p> <p>Premises will still be defined in regulations.</p> <p>Provides that an applicant will have to note which license he/she is applying for.</p> <p>Applies to all license categories except for testing labs (Type 8).</p>	<p>According to the administration, requiring medical and nonmedical licensees to operate on separate premises will minimize impacts on medical establishments if there is federal intervention.</p>	<p>Co-location of cannabis businesses: Define “premises” to support multiple licenses “under one roof.” [Priority 4]</p>	CONCERNS: While the intent - to protect medical operations from potential federal intervention – is laudable, CCIA believes it will have the opposite effect and only harm California’s growing cannabis industry.