

SENATE THIRD READING
SB 1064 (Laird)
As Amended August 22, 2024
2/3 vote

SUMMARY

Restructures the license classifications and application process for certain applicants seeking to engage in commercial cannabis activity under the Department of Cannabis Control (DCC) to provide for a combined activities license, which would authorize two or more commercial cannabis activities to take place at the same premises, with the exception of laboratory testing.

Major Provisions

Defines "combined activities license" as a state license that authorizes two or more commercial cannabis activities at the same premises, with the exception of laboratory testing.

- 1) Requires combined activities licenses to conform with all the requirements imposed by the Medicinal and Adult Use Cannabis Regulation and Safety Act (MAUCRSA) to the extent the licensee engages in those activities.
- 2) Adds references to combined activities licenses in various provisions of law currently applicable to microbusiness licenses.
- 3) Repeals the requirement that a premises be a contiguous area that is only occupied by one licensee and requires the DCC to adopt regulations governing the area and occupancy of premises where commercial cannabis activities are conducted.
- 4) Prohibits the holder of a cultivation license eligible for conversion to a Type 5, Type 5A, or Type 5B from applying for or holding a Type 15 license for those cultivation activities eligible for conversion, or from a Type 11 distribution.
- 5) Repeals the requirement for the DCC to consider if an excessive concentration exists in an area where a licensee will operate when the DCC is determining whether to grant, deny, or renew a retail license.
- 6) Amends provisions of law relating to the collection of fingerprint images and criminal history information to provide that the owner of a cannabis business shall not be required to resubmit owner-related information previously provided to the DCC.
- 7) Makes findings and declarations in support of the bill.

COMMENTS

Licensing Framework Reform. In February 2024, Cannabis Policy Lab (CPL), an organization established to assist governments and the public understand and engage in the state's cannabis laws, published *California Cannabis Report: Licensing and Market Access*. In its executive summary, the report states: "Today, the complexities within California's cannabis laws are impeding government effectiveness, small business survival, and enforcement of public health and safety standards. The state must make a concerted effort to unravel those complexities and incorporate best practices from across the country if it wishes to remain a national leader."

The first of the recommendations published in CPL's report urged lawmakers to "simplify the state license structure." Specifically, the report recommended that cannabis business review be separated from location licensing, wherein state cannabis licensing would be restructured "so the cannabis business operator is reviewed and approved first, separately from the permit to perform cannabis activities at a specific location." The report argued that "separating operator review from location review would reduce the amount of time that an applicant must hold a physical location before becoming licensed, thus reducing upfront capital requirements. This would also allow local governments to cede some of the more specialized aspects of entity-level review to the state, if desired – including untangling multi-layered legal structures or criminal background review of owners."

Earlier language contained in this bill would have fully implemented this recommendation, by dividing the process of applying to engage in commercial cannabis activity would be divided into two separate license types. First, an individual or entity would apply for, and receive, an operator license, at which time it would be determined if the applicant themselves meets the requirements to operate a cannabis business under MAUCRSA. Once an operator license has been obtained, the individual or entity would apply for one or more premises licenses, at which time it would be determined if the location where the operator intends to engage in cannabis activity is authorized by local government and conforms with the requirements for a premises under MAUCRSA.

One advantage of the CPL's proposed licensing framework was that an individual or entity would not have to obtain and maintain a separate and additional license each time they seek to engage to engage in a new type of commercial cannabis activity on the same premises. For example, under the current system, if a licensee who already operates a licensed cannabis business to open a second location or engage in additional activities, would currently have to go through the entire application and review process as an operator even though nothing has changed about their qualifications to operate a business. The CPL's proposal would allow for that review to only occur once when the business owner obtains an operator license; any new business locations would only require the review associated with obtaining a premises license.

As recently amended, this bill would no longer bifurcate the licensing scheme under MAUCRSA into "operator" and "premises" licenses. Instead, the bill would now create a new "combined activities license" to allow for multiple commercial cannabis activities to take place at the same premises, with the exception of laboratory testing. Under this new license category, the DCC would be authorized to issue a single license to unique businesses conducting several activities at one location, similarly to how earlier iterations of the bill intended for the premises licensing process to function. While under existing law, each of these businesses is required to apply for multiple licenses from the DCC, each of which must be separately obtained and maintained, this bill would allow for the DCC to instead issue a single license.

The licensing framework reforms contained in this bill, along with other minor revisions and updates to MAUCRSA consistent with CPL's recommendations, are intended to ease the license application process for cannabis businesses, regulators, and local governments. The DCC estimates that the new combined license could potentially reduce 2,128 eligible licenses down to 730 combined activities licenses. This transition would effectively serve as an additional form of streamlining and efficiency, furthering California's goals when it consolidated the state's cannabis licensing authorities into a unified department.

According to the Author

"Senate Bill 1064 aims to modernize the state's cannabis licensing process by clarifying the roles of state and local governments in the licensing and oversight of cannabis businesses, eliminating duplication of efforts and reducing regulatory burdens while maintaining robust oversight to ensure compliance with regulations. This bill represents a crucial step forward in achieving key objectives to help support the state's legal and regulated cannabis industry by encouraging economic growth and stability, and expanding access to legal cannabis retail."

Arguments in Support

The *Rural County Representatives of California* and the *California Cannabis Industry Associations*, who are co-sponsoring this bill, write in support alongside the *League of California Cities* and the *California State Association of Counties*:

SB 1064 addresses several key challenges faced by cannabis businesses operating in California. One of the most pressing issues is the complexity and inefficiency of the current licensing system, which requires businesses to obtain multiple licenses for different activities conducted at a single location. This not only creates unnecessary administrative burdens for businesses but also increases processing times and costs for both applicants and regulatory agencies." The bill's sponsors and supporters further argue that "this bill seeks to reduce unnecessary complexity and duplication within the cannabis regulatory environment which is impeding government's ability to license businesses in a reasonable timeframe and complicating efforts to enforce the law. By doing so, it seeks to reduce challenges and barriers to basic compliance for businesses.

Arguments in Opposition

No opposition on file.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations, the DCC estimates one-time costs of approximately \$500,000 over several years to modify the existing cannabis licensing framework to implement the bill.

VOTES**SENATE FLOOR: 35-0-5**

YES: Alvarado-Gil, Ashby, Atkins, Becker, Blakespear, Bradford, Caballero, Cortese, Dahle, Dodd, Durazo, Eggman, Glazer, Gonzalez, Grove, Jones, Laird, Limón, McGuire, Menjivar, Min, Newman, Niello, Ochoa Bogh, Padilla, Portantino, Roth, Seyarto, Skinner, Smallwood-Cuevas, Stern, Umberg, Wahab, Wiener, Wilk

ABS, ABST OR NV: Allen, Archuleta, Hurtado, Nguyen, Rubio

ASM BUSINESS AND PROFESSIONS: 18-0-0

YES: Berman, Flora, Alanis, Bains, Juan Carrillo, Chen, Dixon, Grayson, Irwin, Jackson, Low, Lowenthal, McKinnor, Stephanie Nguyen, Pellerin, Sanchez, Soria, Zbur

ASM APPROPRIATIONS: 11-0-4

YES: Wicks, Arambula, Bryan, Calderon, Wendy Carrillo, Mike Fong, Grayson, Haney, Hart, Pellerin, Villapudua

ABS, ABST OR NV: Sanchez, Dixon, Jim Patterson, Ta

UPDATED

VERSION: August 22, 2024

CONSULTANT: Robert Sumner / B. & P. / (916) 319-3301

FN: 0004379