
UNFINISHED BUSINESS

Bill No: SB 1064
Author: Laird (D)
Amended: 8/22/24
Vote: 27

SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 11-0, 4/22/24
AYES: Ashby, Alvarado-Gil, Archuleta, Becker, Dodd, Eggman, Glazer, Niello,
Roth, Smallwood-Cuevas, Wilk
NO VOTE RECORDED: Nguyen, Menjivar

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/16/24
AYES: Caballero, Jones, Ashby, Becker, Bradford, Seyarto, Wahab

SENATE FLOOR: 35-0, 5/22/24
AYES: 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
NO VOTE RECORDED: Allen, Archuleta, Hurtado, Nguyen, Rubio

ASSEMBLY FLOOR: 73-0, 8/26/24 - See last page for vote

SUBJECT: Cannabis: operator and separate premises license types: excessive
concentration of licenses

SOURCE: Rural County Representatives of California
California Cannabis Industry Association

DIGEST: This bill creates a new combined activities license (CAL), under the Department of Cannabis Control (DCC), which will authorize two or more commercial cannabis activities to take place at the same premises, except laboratory testing, as specified.

Assembly Amendments delete provisions of the bill that would have restructured the licensing system under the DCC to create the single “operator” and “unified” licenses and replace with the creation of a new license type, the CAL.

ANALYSIS:

Existing law:

- 1) Enacts the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) to provide for a comprehensive regulatory framework for the cultivation, distribution, transport, storage, manufacturing, processing, and sale of medicinal and adult-use cannabis. (Business and Professions Code (BPC) §§ 26000 *et seq.*)
- 2) Establishes the DCC to regulate cannabis with the sole authority to create, issue, deny, renew, discipline, suspend, or revoke licenses for microbusinesses, transportation, storage unrelated to manufacturing activities, distribution, testing, and sale of cannabis and cannabis products within the state. Requires the DCC to administer the portions of MAUCRSA related to and associated with the cultivation of cannabis and with the manufacturing of cannabis products. Delegates to the DCC authority to create, issue, deny, and suspend or revoke cultivation or manufacturing licenses for violations of MAUCRSA. (BPC §§ 26010, 26012)
- 3) Provides for 22 total types of cannabis licenses including subtypes for cultivation, manufacturing, testing, retail, distribution, and microbusiness; requires each licensee except for testing laboratories to clearly designate whether their license is for adult-use or medicinal cannabis. (BPC § 26050)
- 4) Requires the DCC to consider when determining whether to grant, deny, or renew a retail license, microbusiness license, or a licensed issued, as specified, if an excessive concentration exists in the area where the licensee will operate, and defines “excessive concentration. (BPC § 26051(c))

This bill:

- 1) Establishes the CAL and defines “CAL” to mean a state license that authorizes two or more commercial cannabis activities at the same premises, with the exception of laboratory testing, and a CAL must conform with all requirements imposed under MAUCRSA, to the extent the licensee engages in those

activities.

- 2) Deletes the requirement that a premises be a contiguous area and only be occupied by one licensee.
- 3) Deletes the existing 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, as specified.
- 4) Amends provisions of law relating to the collection of fingerprint images and criminal history information to provide that the owner of a cannabis business is not required to resubmit owner-related information previously provided to the DCC.
- 5) 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.
- 6) Includes references to the CAL in specified provisions of law applicable to microbusiness licenses.
- 7) Makes findings and declarations, as specified, and states that 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.
- 8) Makes other technical and conforming changes.

Background

Cannabis Policy Lab Report. In 2024, the Cannabis Policy Lab released the *California Cannabis Report: Licensing and Marketing Access. How to Improve the State's Cannabis Laws and Regulating Framework.* That report analyzed the current structure of the legal cannabis system, and provided various recommendations on ways to improve the regulation of cannabis in California. The report noted generally that those states including California, that had approved cannabis in the early to mid-2000's, likely created a regulatory construct that "focused on avoiding federal intervention and enforcement, which meant creating restrictively and tightly controlled regulatory oversight." As further explained in

the report, because the federal landscape has shifted where 24 states allow for some form of non-medicinal cannabis and 38 states allow medicinal cannabis, the regulatory landscape has likely shifted from a reactive approach to tightly control all aspects of the industry to a more efficient and streamlined way of regulation which may allow for more success in the legal and licensed market. The report is critical of California's current model, noting that fundamental challenges in the regulatory framework are impeding the functionality of the many aspects of the State's cannabis program. The first of the recommendations published in the report urged lawmakers to "simplify the state license structure."

Licensure and the Licensing Process. Under current law, a separate license is required for every corner of the cannabis market, including growing cannabis, transporting cannabis, making cannabis products, testing cannabis products, selling cannabis, and holding an event where cannabis is sold. Under current law, "commercial cannabis activity" as defined, includes all aspects of the cannabis market. A separate license is required even if multiple cannabis licensing activities are taking place at one location. Current licensing processes require an applicant to obtain multiple licenses for different commercial cannabis activities conducted at a single location. Under the provisions MAUCRSA, there are 22 separate license types specified in the BPC. Prior to the recent amendments, this bill sought to address potential deficiencies in the current licensing classification scheme by completely restructuring the licensure system to create a single "operator" license and a separate "unified" license, which would have authorized commercial cannabis activities without the need to obtain a separate "premises" license from the DCC.

However, recent amendments have moved away from creating an entirely new licensing structure. Instead, this bill proposes to create a new "combined activities license" to allow multiple commercial cannabis activities to take place at the same premises, with the exception of laboratory testing. Under this new license type, 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. This bill will add an additional license classification, the CAL to help streamline the licensure process for those licensees who seek to provide combined services at one location. In another effort to streamline the DCC's licensure review process, this bill deletes a provision in current law which requires the DCC to consider when determining whether to

grant, deny, or renew a retail license or microbusiness license to consider if an excessive concentration exists in the area where the licensee will operate.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Assembly Committee on Appropriations, DCC estimates one-time costs of approximately \$12 million over several years to modify the existing cannabis licensing framework to implement the bill (Cannabis Control Fund). DCC states it will need resources for information technology system development and licensing data conversion, project management consultant costs, software to support development and testing environments and track and trace software system modifications.

SUPPORT: (Verified 8/26/24)

Rural County Representatives of California (source)
California Cannabis Industry Association (source)
California State Association of Counties
League of California Cities

OPPOSITION: (Verified 8/26/24)

None received

ARGUMENTS IN SUPPORT: Supporters note that overall, this bill seeks to reduce unnecessary complexity and duplication within the cannabis regulatory environment and reduce challenges and barriers to basic compliance for businesses.

ASSEMBLY FLOOR: 73-0, 8/26/24

AYES: Addis, Aguiar-Curry, Alanis, Alvarez, Arambula, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Juan Carrillo, Wendy Carrillo, Chen, Connolly, Megan Dahle, Davies, Dixon, Essayli, Flora, Mike Fong, Friedman, Gabriel, Gallagher, Garcia, Gipson, Grayson, Haney, Hart, Holden, Hoover, Irwin, Jackson, Jones-Sawyer, Kalra, Lackey, Lee, Low, Maienschein, Mathis, McCarty, McKinnor, Stephanie Nguyen, Pacheco, Papan, Jim Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Rendon, Reyes, Luz Rivas, Rodriguez, Blanca Rubio, Sanchez, Santiago, Schiavo, Soria, Ting,

Valencia, Villapudua, Waldron, Wallis, Ward, Weber, Wicks, Wilson, Wood,
Zbur, Robert Rivas

NO VOTE RECORDED: Cervantes, Lowenthal, Muratsuchi, Ortega, Joe
Patterson, Ta

Prepared by: Elissa Silva / B., P. & E.D. / 916-651-4104
8/27/24 11:32:29

**** END ****