
**SENATE COMMITTEE ON
BUSINESS, PROFESSIONS AND ECONOMIC DEVELOPMENT**
Senator Angelique Ashby, Chair
2023 - 2024 Regular

Bill No:	SB 1064	Hearing Date:	April 22, 2024
Author:	Laird		
Version:	April 16, 2024		
Urgency:	No	Fiscal:	Yes
Consultant:	Elissa Silva		

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

SUMMARY: Revises the current licensing framework for retail, distribution, processing and manufacturing of cannabis or cannabis products for commercial cannabis activity by creating a uniform operator license, a revised premises license, as specified, and transforming a cultivation or laboratory license into a unified license by January 1, 2026.

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 Department of Cannabis Control (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) Establishes grounds for disciplinary action against cannabis licensees, including failures to comply with state licensing requirements as well as local laws and ordinances. (BPC § 26030)
- 5) Subjects cannabis businesses operating without a license to civil penalties of up to three times the amount of the license fee for each violation in addition to any criminal penalties. (BPC § 26038)

- 6) Defines “license” to mean a state license which includes both an A-license and M-license as well as a laboratory license for purposes of MAUCRSA. (BPC § 26001 (ac))
- 7) Prohibits a person or entity from engaging in commercial cannabis activity without a state license issued by the DCC, as specified. (BPC § 26037.5)
- 8) Requires the DCC to consider when determining whether to grant, deny, or renew a retail license, microbusiness license, or a license issued, as specified, if an excessive concentration exists in the area where the licensee will operate, and defines “excessive concentration” to apply when the following conditions exist:
 - a) The ratio of licensees to population in the census tract or census division in which the applicant premises is located exceeds the ratio of licensees to population in the county in which the applicant premises is located unless denial of the application would unduly limit the development of the legal market so as to perpetuate the illegal market for cannabis or cannabis products; and,
 - b) The ratio of retail licenses, microbusiness licenses, or nonprofit license classifications, to the population in the census tract, census division, or jurisdiction exceeds that allowable by local ordinance. (BPC § 26051(c))
- 9) Requires an applicant for a state cannabis license to conduct commercial cannabis activity, as defined, to, among other requirements, do the following:
 - a) Provide evidence of the legal right to occupy and used the proposed location and provide a statement from the landowner of real property or that landowner’s agent where the commercial cannabis 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; and
 - b) Provide evidence that the location is in compliance with not selling alcoholic beverages or tobacco products not within 600 feet of a school, daycare center, and youth center, as specified. (BPC §§ 26051.5(a)(2), 26054)
- 10) States that all commercial cannabis activity is to be conducted between licensees, unless specified. (BPC § 26053(a))
- 11) Defines “commercial cannabis activity” to include 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. (BPC § 26001(m))

This bill:

- 1) Revises and/or adds the following definitions:

- a) "Applicant" to mean an owner applying for an operator or unified license or the holder of an operator license applying for a premises license.
 - b) "License" to mean a state operator license, premises license, or unified license issued including an A-license or an M-license.
 - c) "Local permit" to mean a valid, unexpired license, permit, or other authorization to engage in commercial cannabis activities issued by an affirmative act of a local jurisdiction or its duly authorized official, as specified.
 - d) "Operator license" to mean a state license establishing the applicant's eligibility to engage in commercial cannabis activities, other than the commercial activity that is conducted under a unified license, as specified.
 - e) "Premises" with respect to commercial cannabis activity under a unified license, to mean the designated structure or structures and land specified in the application for a unified license that is owned, leased, or otherwise held under the control of the applicant or licensee where the commercial cannabis activity will be conducted and deletes the requirement that .
 - f) "Premises" with respect to any other commercial cannabis activity to mean the designated structure or structures and land permitted by the local jurisdiction and specified in the application for a premises license (as defined) that is owned, leased, or otherwise held under the control of the licensee where the commercial cannabis activity will be or is conducted.
 - g) "Unified license" to mean a state license issued under the cannabis act, authorizing commercial cannabis activity that includes the cultivation or laboratory testing for cannabis or cannabis products.
 - h) "Microbusiness" to mean a license that engages in at least three of the following commercial cannabis activities:
 - i) Cultivation of cannabis on an area less than 10,000 square feet;
 - ii) Level 1 manufacturing;
 - iii) Licensed distribution; or,
 - iv) Retail.
- 2) Requires a microbusiness licensee to demonstrate compliance with all requirements imposed on licensed cultivators, distributors, Level 1 manufacturers, and retailers to the extent the licensee engages in such activities.
 - 3) Requires the DCC to adopt regulations governing the area and occupancy of premises where commercial cannabis activities are conducted.
 - 4) Deletes from the current definition of "premises" the requirement for a premises to be a contiguous area and only be occupied by one licensee.

- 5) Prohibits a person or entity from engaging in cultivation or laboratory testing, as specified without a state unified license.
- 6) Prohibits a person or entity from engaging in any other commercial cannabis activity without a state operator license and a premises license issued by the DCC pursuant to MAUCRSA and a local permit, as specified.
- 7) Divides the microbusiness license into 1) a type 12-1 which authorizes a licensee to conduct any commercial cannabis activities as described in the definition of a microbusiness license in (1)(h) above to include cultivation and 2) a type 12-2 which authorizes any commercial cannabis activity described in (1)(h) above that does not include cultivation, as specified.
- 8) Adds the “operator”, “premises”, and “unified” license classification to the list of licenses under MAUCRSA.
- 9) 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, beginning January 1, 2026.
- 10) Deletes the existing requirement that all cannabis applicants provide evidence of the legal right to occupy and use a proposed location, as specified, and that the proposed location is in compliance with the prohibition being near schools, day care centers, or youth centers and instead, only requires these for applicants for a unified license applicant.
- 11) Specifies that only an applicant for a unified license pay application fees, as specified.
- 12) Specifies the additional requirements that an applicant for a unified license must comply with in order to obtain a unified license, as specified.
- 13) Requires the DCC to prescribe by regulation the criteria for issuance and renewal of operator licenses and unified licenses.
- 14) Requires each applicant or holder of a unified license to apply for, and if approved, obtain a separate unified license for each location where it engages in commercial cannabis activity for cultivation or laboratory testing, as specified.
- 15) Requires each holder or an operator license to apply for, and obtain, a separate premises license for each location where it engages in commercial cannabis activity.
- 16) Authorizes the holder of a unified license to be entitled to exercise all of the rights and privileges of an operator license.
- 17) States that the DCC may issue operator and unified licenses only to qualified applicants and prohibits the DCC from approving an application for a unified license

or premises license if approval of such license violates any local ordinance or regulation, as specified.

- 18) Authorizes the DCC to issue a premises license only to the holder of a current and valid operator license and only for a specific premise permitted by the local jurisdiction.
- 19) Requires the DCC to implement a ministerial process, using only fixed objective standards for the review and approval of modifications, as specified, requested by the holder of a premises license.
- 20) Specifies that only a 'unified license applicant may provide proof or local authorization, instead of all license applicants.
- 21) Requires only a premises applicant to provide proof that the local jurisdiction has issued a local permit, as specified.
- 22) Revises the requirements for DCC to deny an application for a unified license and a premises license if the applicant does not meet the specified requirements for local authorization.
- 23) Revises the requirements for applicants for a unified license related to local authorization, as specified.
- 24) Requires the DCC to deny an application for an operator license or a unified license if either the applicant or the premises for which a unified license is applied do not qualify for licensure.
- 25) Establishes the licensure requirement for a premises license to include the following:
 - a) Provide proof that the applicant hold a current and valid operator license, as specified;
 - b) Provide proof that the local jurisdiction has issued a local permit authorizing the applicant to engage in the subject commercial cannabis activities at the proposed location;
 - c) 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 activity to be conducted on the property by the tenant application;
 - d) Provide evidence of compliance with prohibitions on locations near schools, day care centers or youth centers, as specified;
 - e) Provide valid applicant or seller's permit;

- f) Include operating procedures, as specified;
 - g) Provide a diagram of the proposed premises;
 - h) Provide any other information required by the DCC and pay the application fee.
- 26) Requires the DCC to implement a ministerial process using only fixed objective standards for the review and approval of applications for a premises license.
 - 27) Establishes the denial process for an operator license or a unified license, as specified.
 - 28) Requires a retailer to obtain a premises license for a premise, which is a physical location from which commercial cannabis activities are conducted, as specified.
 - 29) Specifies that a microbusiness that authorizes cultivation of cannabis is to be a unified license, as specified.
 - 30) Revises the requirements for advertising and marketing to include the operator license number or the unified license number, as specified.
 - 31) Requires the holder of a unified license or premises license to keep records identified by the DCC, and the holder of an operator license who does not also hold a current and valid premises license to keep the records identified by the DCC at the physical address of licensee's principal place of business. Licensees are required to make any examination of the records and provide and deliver copies of documents per the DCC's request.
 - 32) Requires the revising licensing provisions to take effect January 1, 2026, and sunsets the current licensing system.
 - 33) Deems the holder of an unexpired annual license authorizing commercial cannabis activity that is cultivation or laboratory testing on January 1, 2026 to hold a unified license, as specified.
 - 34) Deems the holder of an unexpired annual license authorizing any other commercial cannabis activity than cultivation on January 1, 2026, to hold an operator license and a premises license, as specified.
 - 35) States that if an annual license holder has not submitted the newly required item for a premises license, the item should be provided to the DCC as part of the next renewal process, as specified.
 - 36) States that 33-35) above are operative from January 1, 2026 through January 1, 2027.
 - 37) 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.

38) Makes numerous other technical and conforming changes.

FISCAL EFFECT: Unknown. This bill is keyed fiscal by Legislative Counsel.

COMMENTS:

1. **Purpose.** The Rural County Representatives of California and the California Cannabis Industry Association are the sponsors of this bill. According to the author, “Overall, 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.”

2. **Background.**

Cannabis Regulatory Background. In 1996, California first legalized medicinal cannabis via Proposition 215, also known as the Compassionate Use Act. Proposition 215 protected qualified patients and primary caregivers from prosecution related to the possession and cultivation of cannabis for medicinal purposes. In 2003, the Legislature authorized the formation of medical marijuana cooperatives—nonprofit organizations that cultivate and distribute marijuana for medical uses to their members through dispensaries.

In 2015, Governor Brown signed three bills into law that created a comprehensive state licensing and regulatory framework governing the commercial cultivation, manufacture, retail sale, transport, distribution, delivery, and testing of medical cannabis in California. AB 243 (Wood, Chapter 688, Statutes of 2015), AB 266 (Bonta, Chapter 689, Statutes of 2015), and SB 643 (McGuire, Chapter 719, Statutes of 2015) collectively established the Medical Marijuana Regulation and Safety Act (later renamed to the Medical Cannabis Regulation and Safety Act (MCRSA)), to be administered by a number of state agencies: a Bureau of Cannabis Control within the Department of Consumer Affairs; the California Department of Public Health (CDPH); and the California Department of Food and Agriculture (CDFA).

Shortly following the passage of MCRSA, California voters passed Proposition 64 (Prop 64), the “Control, Regulate and Tax Adult Use of Marijuana Act” in November 2016, which decriminalized and legalized adult-use cannabis. Less than a year later in June 2017, the California State Legislature passed a budget trailer bill, SB 94 (Committee on Budget and Fiscal Review, Chapter 27, Statutes of 2017), that integrated MCRSA with Prop 64 to create MAUCRSA, which is the current regulatory structure for both medicinal and adult-use cannabis today.

Beginning in 2018, Prop 64 permitted adults 21 years of age or older to legally grow, possess, and use cannabis for nonmedical purposes, with certain restrictions. MCRSA, the 2015 medical cannabis regulation and safety act required that three

separate regulatory agencies be jointly responsible for the licensure and regulation of cannabis. Each of the three agencies had separate responsibilities for review and structure of regulating cannabis. The old framework required a Bureau of Cannabis Control to issue licenses and regulate dispensaries, distributors, and transporters, and to provide oversight for the state's regulatory framework; CDPH was tasked with the licensure and regulation of testing laboratories and manufacturers; and the CDFA was tasked with the licensure and regulation of cultivators. In 2020, Governor Newsom proposed consolidation of the three licensing and regulatory programs within separate state agencies to form a single department with a goal of streamlining and simplifying access to licensing and regulatory oversight of cannabis. Onset of the COVID-19 pandemic delayed these efforts for one year; however, in 2021, the DCC was formally operational with licensing, regulatory and enforcement authority of cannabis regulation.

The aim of creating a single entity for cannabis regulatory oversight was to centralize and align critical licensing, compliance and enforcement responsibilities to help build a sustainable and successful legal cannabis market by creating a single point of contact for cannabis applicants, licensees and local governments. The goal was to ultimately simplify and centralize state regulatory efforts; improve coordination, including enforcement; reduce barriers to participation in the legal market; and incentivize greater local participation. However, the current regulatory structure continues to pose challenges to the legal market. Concerns have been shared that duplicate licensing processes, expensive upfront business and licensing costs, and local review continue to plague cannabis regulation.

As noted by the sponsor, the California Cannabis Industry Association, "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."

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 report contains a number of recommendations as potential ways to improve the overall cannabis market and regulatory structure in California. The first two recommendations in the report are to simplify the licensing structure as follows: 1) separate the cannabis business review from location licensing, and 2) issue state license by location rather than activity. Both of these recommendations are contemplated under the provisions of this bill.

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” is defined to include 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. Each license type is distinct and must be approved before operating. Under the provisions MAUCRSA, there are 22 separate license types specified in the BPC, which include 14 different cultivation licenses, two manufacturer licenses, and the rest 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

The current licensing process begins both at the local level and then progresses to the state level, essentially creating a dual licensing scheme. According to information from the DCC, 44% of cities and counties allow at least one type of cannabis business, but each locality has a different set of rules and a different process that businesses must undergo in order to comply with regulatory requirements. Local compliance for cannabis businesses include, but are not limited to, a physical location, labor peace agreement, financial interest information,

application fees, and depending on the license type, may include environmental review and considerations. Currently, DCC uses separate licensing systems, which stem from those legacy programs, corresponding with the different types of licensing. The DCC reports that is in the process of restructuring its current multiple licensing programs into one comprehensive unified licensing system, but that timeframe is undetermined. The provisions of this bill are required to take effect on January 1, 2026, likely far ahead of the DCC's licensing system unification.

The DCC's 2023 annual report provided the following licensing processing times.

Cultivation Licenses: 221 days
Manufacturing Licenses: 180 days
Distribution Licenses: 287 days
Testing Laboratory Licenses: 851 days
Retailer Licenses: 183 days
Microbusiness Licenses: 244 days
Event Organizer Licenses: 153 days
Temporary Cannabis Event Licenses: 59 days

Under the current licensing system, for an applicant who wishes to cultivate cannabis and operate as a retailer, the applicant must obtain two separate state licenses from the DCC, a cultivation license (depending on size and location) and the current, Type-10 retailer license. The applicant must meet whatever local requirements are necessary for each license requested. The applicant must submit two separate applications to the DCC for review and processing for each license type. Leading to duplicative applicant information. This duplicative licensing process, likely increases the workload of the DCC, as each application is reviewed separately. The DCC currently does not have affirmative authority to issue a single license to conduct two separate cannabis activities at one location under one application. Specifically pertaining to a cultivation license, many cultivation licenses hold more than one license type, thereby creating a lengthy duplicative review process for the same applicant to hold multiple licenses that allows for the same activity, under different cultivation methods. The current licensing structure is per applicant to cover both the cannabis activity and the location where that activity is taking place.

This bill seeks to revise, in an effort to streamline, the current licensing structure by creating a state "operator" license for purposes of conducting the following commercial cannabis activities at a location that has applied for and received a new "premises" license from the DCC. The "operator" license is intended to be applicable statewide and not be site specific or tied to any location. The aim is to allow a potential licensee to obtain a state license to operate, without the need to first find a location to conduct business and pay the location costs prior to receiving an authorization from both the state and local jurisdiction. A separate "premises" license will be required to conduct commercial cannabis activity at a location, which may only be issued if the applicant has first obtained the "operator" license. The commercial cannabis activity that would need additionally need a "premises" license would include the following type of activity:

Type 6—Manufacturer 1.

Type 7—Manufacturer 2.
Type 10—Retailer.
Type 11—Distributor.
Type 12-2—Microbusiness license (not including cultivation).

Separately, this bill creates a “unified” license, which will authorize commercial cannabis activities without the need to obtain a separate “premises” license from the DCC. However; in order for a “unified” license holder to engage in the following commercial cannabis activities at more than one location, they will be required to obtain a separate “unified” license for each location where engaging in commercial cannabis activity. According to the author, the current licensing structure for cannabis cultivation licenses and laboratory testing will remain the same, under the general “unified” license:

Type 1—Cultivation; Specialty outdoor; Small.
Type 1A—Cultivation; Specialty indoor; Small.
Type 1B—Cultivation; Specialty mixed-light; Small.
Type 1C—Cultivation; Specialty cottage; Small.
Type 2—Cultivation; Outdoor; Small.
Type 2A—Cultivation; Indoor; Small.
Type 2B—Cultivation; Mixed-light; Small.
Type 3—Cultivation; Outdoor; Medium.
Type 3A—Cultivation; Indoor; Medium.
Type 3B—Cultivation; Mixed-light; Medium.
Type 4—Cultivation; Nursery.
Type 5—Cultivation; Outdoor; Large.
Type 5A—Cultivation; Indoor; Large.
Type 5B—Cultivation; Mixed-light; Large.
Type 8—Testing laboratory.
Type 12-1—Microbusiness license (which includes cultivation)

As this bill aims to streamline the licensure process, it will reduce the current number of license types to two. The holder of an “operator” license will not be able to conduct cultivation or laboratory testing activities, as noted above, without also holding a separate “unified” license issued by the DCC. According to information from the DCC’s 2023 Annual Report, various cultivator licensees hold the majority of current licenses. This bill requires the DCC to prescribe by regulation the criteria for issuance and renewal of both the “operator” and “unified” license.

As noted above, the average processing times for issuance of a laboratory license is currently over 800 days, which is a significant amount of time in a licensing process. As noted by the DCC in its 2023, Annual Report “Testing laboratory applications are a notable outlier given the complexity of the license review process due to the requirement for a testing laboratory to submit complete standard operating procedures (SOPs) and method validations that meet regulatory testing standards. Average licensing processing times are impacted because many applicants do not produce all required documentation in a timely manner, if at all, which creates significant delays in the application process.” Given the complexity associated with the review of testing laboratory applications, it is unclear if the

provisions of this bill will help to address the significant timeframes for processing the testing laboratory applications.

With respect to premises, under current law, a premises is defined as the “designated structure or structures and land specified in the application for a state cannabis license that is owned, leased or otherwise held under control of the applicant or licensee where the commercial cannabis activity will be conducted.” Current law permits a premise to be occupied by only one licensee. There is not currently a separate application for a premises license at the state level, meaning depending on the state license applied for (presuming all local requirements and state requirements for a premises are met), the licensee may commence the cannabis business for which they are licensed for at any location. Essentially, any one of the current licensing classifications authorizes a state license holder to conduct cannabis at any premises.

This bill will alter that current structure by requiring an “operator licensee” to obtain a separate “premises” license for each location the operator seeks to engage in commercial cannabis activity. The review process by the DCC for the proposed “premises” permit is required to be ministerial and the DCC will be limited to utilize only fixed objective standards for the review and approval or modifications. The provisions proposed in this bill make it clear that the DCC is not to approve any application for a “premises” license in violation of any local ordinance. As currently drafted, this bill maintains specified requirements that the DCC must comply with for issuing a denial of an application for an “operator” license and a “unified” license, with are consistent with existing law (BPC § 26058). However, it is unclear if the denial of a “premises” license will be consistent with those provisions. The “premises” license is intended to only be issued to an applicant that already has a state “operator” license and has received the appropriate local permit or authorization. Because the local authorities have already approved the location, the DCC’s role in premises approval is to be limited.

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. Existing law further specifies what is considered as “excessive concentration” for purposes of DCC’s review. This bill will remove the requirement for DCC to consider excessive concentration for issuance of an “operator” license. It is unclear how the DCC undertakes this concentration review currently, including what criteria is used and why the DCC is a better determinant of excessive concentration than a local licensing authority.

- 3. Arguments in Support.** The California Cannabis Industry Association writes in support and notes, “Overall, SB 1064 represents a commonsense approach to cannabis licensing reform that will benefit both businesses and regulatory agencies alike. By simplifying the licensing process, clarifying regulatory responsibilities, and reducing unnecessary administrative burdens, SB 1064 will help to promote economic growth and stability in the legal cannabis industry while also expanding access to legal cannabis retail in underserved communities.”

The Rural County Representatives of California writes in support and notes, “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. By replacing the current system with a streamlined process that issues a single premises license for each location, SB 1064 will significantly reduce complexity and streamline the licensing process for cannabis businesses. This will not only make it easier for businesses to comply with regulatory requirements but also improve the efficiency of oversight and enforcement efforts by regulatory agencies.”

4. Policy Considerations.

Changing Proposition 64. It is evident that the current structure of regulation of cannabis in California is not working as hoped or likely intended when Prop 64 passed by the voters in 2016. Should the Legislature continue with a piecemeal approach to update laws in hopes of creating a better framework? Would a comprehensive review of Prop 64 in its entirety be a more effective method to address many of the current challenges, rather than entirely adjusting the licensing process administered by the DCC, which was only established formally in 2021? *The author should continue to work with all stakeholders to ensure that any changes to the current regulatory structure do not have unintended legislative challenges later.*

Continued Technical Changes. This bill makes numerous changes to the current provisions of the BPC under MAUCRSA. In creating a new structure, there are likely code sections that will need updated cross references, or unintentional drafting errors that will need revisions. For example, a “processor” will need to obtain an “operator” license, and subsequently a “premises” license; however, as currently drafted, the provisions of this bill do not include the “processor” license under those required to additionally obtain a “premises” license. There is not a current due process for denial of a “premises” license applicant. *The author should continue to work with stakeholders to address any necessary technical changes.*

Stakeholder Input. The supporters of this measure have been front line in the regulation of cannabis since the passage of Prop 64. However, there are likely many other cannabis stakeholders that have engaged in the oversight and regulation of cannabis. It is beneficial to ensure that all cannabis stakeholders are participate in the dialogue to redesign the regulatory framework and licensing system to ensure that this approach is the best licensing structure moving forward. *The author should continue to work with stakeholders in revising provisions of Prop 64.*

Implementation Delay. This bill would require the new licensing structure to take effect on January 1, 2026. That short timeframe is not likely a sufficient amount of time for the DCC to completely restructure its licensing program, especially as the DCC is in the process of creating a uniform licensing system. The changes proposed by this bill will likely precede the transition to a new licensing platform,

which could ultimately increase costs. In addition, this bill will eliminate the current licensing classifications and shift to the “operator” license and “unified” license while creating a new “premises” license. The changes proposed by this bill will likely require significant staff time and resources to restructure current licensing systems, change forms, and update licensing review requirements. *The author should consider extending the implementation date, upon consultation with the DCC, to ensure a smooth and successful licensing transition.*

SUPPORT AND OPPOSITION:Support:

California Cannabis Industry Association
Rural County Representatives of California

Opposition:

None received

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