

2024 Legislative & Regulatory Work Program

The California Cannabis Industry Association (CCIA) is proud to present its Legislative and Regulatory Work Program for the 2024 legislative year, demonstrating our unwavering commitment to the growth and success of the regulated cannabis industry in California. United in our pursuit, CCIA's diverse membership collectively represents every aspect of the state's legal cannabis supply chain.

Since our establishment in 2013, CCIA has been a steadfast advocate for the development of a robust legal framework for the cannabis industry; one that prioritizes public health and safety, while tirelessly working to create a favorable social, economic, and legal environment for our industry within California.

Our Legislative and Regulatory Work Program remains a cornerstone of our advocacy efforts, structured into three distinct sections. Section 1 outlines our legislative priorities for 2024, providing a clear roadmap for CCIA's state legislative advocacy efforts. Section 2 delves into our regulatory priorities for 2024, while Section 3 articulates our standing policies and guiding principles, shaped in response to significant state legislation and policy developments that impact the cannabis industry.

This document serves as a vital resource for informing state policymakers about the unique needs of California's legal cannabis industry. It also offers a policy compass for CCIA's legislative advocate, affiliates, coalition partners, members, and the general public.

The following Legislative and Regulatory Work Program has been carefully crafted and regularly updated by CCIA's legislative advocate and dedicated Board of Directors. These priorities are shaped by invaluable input from CCIA's supply chain committees, members, affiliates, and coalition partners. Final recommendations undergo thoughtful deliberation by CCIA's Legislative Committee and are subsequently ratified by our Board of Directors.

For inquiries or additional information, please feel free to reach out to CCIA's legislative advocate, Amy O'Gorman-Jenkins, at (707) 291-3270 or <u>amy@precisionadvocacy.co</u>.

CCIA highly values the enduring partnership we share with the governor, state regulators, and the legislature in our collective endeavor to cultivate a thriving and compliant legal cannabis industry in California. Together, we shape the future of California cannabis.

SECTION 1: LEGISLATIVE PRIORITIES

I. Preserve and Improve the Cannabis Tax Reforms Enacted in 2022

Work with the administration and the legislature to maintain the integrity of AB 195 (Budget Committee, 2022). Oppose efforts to increase state cannabis taxes. Explore solutions to reduce excessive tax burdens on the legal cannabis industry.

The passage of AB 195 in July 2022 marked a significant milestone in our ongoing efforts to reform taxes within the legal cannabis industry. This legislation achieved several key objectives, including the indefinite elimination of the cultivation tax and the transition of excise tax collection from distribution to the retail level. AB 195 also delivered meaningful tax relief, preventing an automatic tax increase until FY 2025-2026, where it could potentially reach 19 percent.

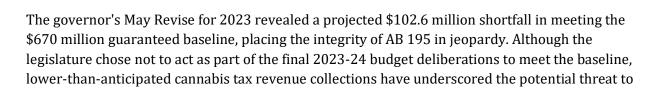
However, the months following AB 195's approval witnessed a consecutive drop in tax revenue, leading to significant concerns about the legislation's integrity. To protect the existing beneficiaries of cannabis tax funds, AB 195 established a funding baseline guarantee of \$670 million for specified beneficiaries (also referred to as Allocation 3 beneficiaries) for fiscal years 2022-23, 2023-24, and 2024-25, with a \$150 million General Fund allocation to cover any revenue shortfalls due to the cultivation tax cut.

Allocation 3 State Cannabis Tax Revenue Disbursements

AB 195 (Budget Committee, 2022) requires that cannabis tax beneficiaries be funded at a baseline of approximately \$670 million.

The current year budget projects and estimated shortfall of **\$102.6 million General Fund** to backfill the estimated decline in cannabis tax revenues to fund the baseline:

- Education, prevention, and treatment of youth substance use disorders and school retention— \$340.4 million
- Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation—\$113.5 million
- Public safety-related activities—\$113.5 million



60%

20%

20%

funding guarantees established by AB 195. This situation highlights the pressing need to explore additional solutions to reduce the excessive tax burdens currently impacting the legal cannabis industry.

Support / Co-sponsor Legislation to Address Double Taxation of Cannabis Products

Pursue equitable and transparent taxation in the cannabis industry with the reintroduction of SB 512 (Bradford) to redefine the terms "gross receipts" and "sales price" when applying state and local taxes to legal cannabis products.

Specifically, legislation should clarify that the state's 15% excise tax is calculated solely based on the gross receipts of cannabis products, excluding any local taxes or fees. Following the implementation of AB 195 (Budget Committee, 2022), which shifted the collection of excise tax to the point of sale, the current method of calculating the 15% excise tax includes the retail price of cannabis products and any locally imposed cannabis taxes or fees. This method disproportionately affects consumers, patients, and licensed retailers.

Furthermore, the legislation aims to establish that the sales and use tax is the final tax, aligning with the <u>guidance</u> provided by the California Department of Tax and Fee Administration (CDTFA). This clarification is essential to resolve the existing conflict between state and local tax regulations, ensuring that legal operators can accurately calculate and remit their taxes.

II. Modernize the State Licensing Structure for Cannabis in a Manner that Encourages Economic Growth and Stability in the Legal Cannabis Industry

Support incentives that encourage local governments to permit commercial cannabis activity in banned jurisdictions and expand access to legal retail.

- Restructure State Cannabis Licenses: Restructure state cannabis licenses so that licensing so that cannabis business entities are reviewed by the DCC first, including owner and financial interest disclosures, and reviewed separately from the location specific operating license. Transition to a location-based licensing model where licenses are granted for specific locations, each with a defined set of authorized activities, instead of issuing separate licenses for each activity.
- **2.** *Clarify Roles of Local and State Governments:* Clearly delineate the roles of local and state governments in regulating cannabis businesses. Specify that the state's responsibility is to regulate the core cannabis activities, while local governments are tasked with regulating aspects related to time, place, and manner, including land use requirements, permits, and code enforcement in alignment with general plan and zoning requirements.

- **3.** *Integrate Cannabis into Local General Plans:* Encourage local governments to incorporate cannabis into their general plans, regulating it under existing general plan and zoning codes when analogous activities (e.g., retail, manufacturing, distribution) already exist. Additionally, promote the use of a ministerial process for by-right cannabis activities wherever permissible under local land use requirements.
- **4.** *Modernize CEQA Requirements for Licensing:* Revise CEQA requirements to simplify the licensing process, with a focus on reducing costs and delays for annual licenses. Explore the acceptance of CEQA compliance pathways established by local jurisdictions, including ministerial and principal permits, while preserving site-specific CEQA assessments for new land developments or significant operational changes.
- **5.** *Ownership Transfers:* Consider statutory changes needed to allow DCC to create simpler processes for ownership transfers or location changes.
- **6.** *Debt Management & Collection Remedies.* Support legislative and other efforts to address the ballooning debt bubble across the cannabis supply chain through the enactment of clear and comprehensive measures to safeguard licensed distributors and ensure timely excise tax collection and the implementation of robust credit law protections to curtail the flow of goods to licensees defaulting on credit terms. Advocate for legislative changes that provide greater legal clarity for debt resolution in the cannabis industry.
- 7. Type 5 Conversion Mandate / Type 11 (Distribution License) Prohibition: Oppose legislative and budget efforts that seek to mandate that any person holding a cannabis cultivation license for activity covered under a "Type 5" cultivation license obtain a Type 5 cultivation license unless pathways are provided to permit licensed cultivators to also hold a Type 11 (distribution) license.

III. Strengthen the State's Testing Regime for Cannabis

Continue to support AB 1610 (Jones-Sawyer) and pursue other legislative and regulatory solutions to ensure the integrity of the State's testing regime for cannabis.

The primary advantage of purchasing legal cannabis lies in its guaranteed safety due to rigorous testing protocols. The objective is to ensure that what consumers are buying is both tested and safe for consumption. Presently, the enforcement of standards and regulations in cannabis testing must be reevaluated to ensure product safety and authenticity. For consumers to trust the "buy legal" message, labs must be held to the highest standard of accountability.

IV. Address the Proliferation of Dangerous Intoxicating Hemp Products and Establish a Pathway for Hemp Cannabinoid Integration into the Cannabis Supply Chain

Sponsor legislation to provide a path to integrate hemp into the cannabis supply chain, including authorization to incorporate specified hemp cannabinoids into cannabis products; and address enforcement and implementation challenges identified following enactment of AB 45 (Aguiar-Curry, 2021).

Overview of AB 420 (Aguiar-Curry, 2023)

In 2023, CCIA sponsored AB 420 (Aguiar-Curry) to enhance enforcement measures established in AB 45 and create a regulatory framework for the legal manufacture and sale of hemp cannabinoids in various products statewide. AB 420 introduced several critical provisions:

- *Clear Definition of "Chemically Synthesized Cannabinoids":* Eliminates ambiguity in the industrial hemp and hemp products definition by providing a clear definition for "chemically synthesized cannabinoids."
- *Compliance:* Clarifies that no industrial hemp products can be manufactured in the state unless the manufacturer conforms with all the laws and regulations applicable to manufactured hemp products.
- **Prohibition on Non-Approved Cannabinoids:** Prohibits manufacturing, distributing, and selling industrial hemp products containing cannabinoids not present in significant quantities unless approved by CDPH.
- *Mandatory Registration:* Requires both in-state and out-of-state hemp manufacturers to register with CDPH.
- *Removal of Safe Harbor Provision:* Eliminates the safe harbor provision that allows hemp manufacturers to operate in good faith during the promulgation of regulations.

Proposed Amendments for Stronger Protections

Before AB 420 was held, the DCC, in consultation with the CDPH, drafted substantial amendments to enhance protections against the manufacturing and sale of intoxicating hemp products. These amendments included:

- *Limits on Serving Sizes:* Emphasizes the need for prepackaged and shelf-stable hemp-derived food and beverages, with serving sizes based on customary consumption amounts.
- **Industrial Hemp Enrollment & Oversight Authorization:** Stipulates that violations of the law related to industrial hemp products could lead to CDPH denying, suspending, or revoking an industrial hemp enrollment and oversight authorization.
- **Retail Enforcement: Industrial Hemp Product Seizure & Embargo:** Grants specific state employees and peace officers the authority to seize or embargo hemp products under certain conditions such as recalls, investigations, or potential violations.
- **Procedures Following Seizure/Embargo:** Establishes post-seizure and embargo protocols. Permits certain state employees and peace officers to request product destruction, initiate legal proceedings, or release compliant products.

- *Civil Penalties for Violations:* Specifies violations and penalties of up to \$2,500 per violation. Considers factors like gravity, intent, and profit from the violation.
- *Criminal Penalties.* Indicates that specific violations can result in misdemeanor charges and additional fines and penalties.

Integration Amendments

Additionally, CCIA has prepared integration amendments to provide statutory guidance on lawfully incorporating hemp into the cannabis supply chain. These amendments aim to clarify that any naturally derived intoxicating cannabinoid derived from hemp may only be permitted in cannabis products and regulated under the Medicinal and Adult Use Cannabis Regulation and Safety Act (MAUCRSA).

- *Clarify Licensee Rights:* Ensure that cannabis licensees with cultivation, manufacturing, distribution, or micro-business licenses can source specified hemp and hemp products from individuals authorized under AB 45.
- **Tracking and Reporting Requirements:** Require hemp or hemp extract purchased by a licensee to be tracked in the state's track and trace system during the manufacturing process.
- **Quality Control and Record Keeping:** Ensure that hemp or hemp products received by a cannabis licensee under the MAUCRSA are considered cannabis and must comply with all relevant testing and quality control requirements.
- *Single Licensed Premises (aka co-location):* Authorize the DCC to outline a process for licensees holding both cannabis and hemp licenses to use a single licensed premises for both activities.

SECTION 2: REGULATORY PRIORITIES

I. Work with the DCC to Ensure Timely Implementation of 2023 Legislation

In 2023, several crucial pieces of cannabis legislation were enacted in California, aiming to address various aspects of the industry and improve regulatory processes. CCIA remains committed to collaborating with the Department of Cannabis Control (DCC) to ensure the successful and timely implementation of these legislative measures. These efforts are essential to advancing the goals outlined in Proposition 64 and fostering a safe and equitable cannabis market in the state.

- 1. <u>SB 51</u> (Bradford): Supporting Social Equity Applicants. Facilitate the effective implementation of SB 51 (Bradford). This legislation extends the provisional licensing program for social equity applicants and licensees, addressing significant challenges they face during local permitting processes. By extending this program, we aim to uphold the objectives established in Proposition 64, promoting inclusivity and diversity within the California cannabis industry.
- 2. <u>SB 540</u> (Laird): Cannabis Consumer Education. SB 540 (Laird), a bill co-sponsored by CCIA, underscores our commitment to consumer and patient safety within the cannabis industry. Ensure the successful execution of this legislation. SB 540 (Laird) reevaluates California's cannabis product labeling requirements based on evolving scientific insights. By aligning labeling regulations with the latest knowledge, we aim to enhance safety and awareness among consumers and patients.
- **3.** <u>SB 622</u> (Allen): Cannabis Plant Tagging. Work with the DCC to facilitate the effective implementation of SB 622. This legislation eliminates an unnecessary and redundant requirement, which previously mandated licensed cannabis cultivators to affix a single-use plastic tag to each individual cannabis plant. By streamlining plant identification processes, we seek to reduce administrative burdens while maintaining robust regulatory oversight.

II. Work with the DCC to Develop Debt Management & Collection Remedies

CCIA is committed to working with our coalition partners to address the ballooning debt bubble across the cannabis supply chain. We recognize the importance of developing clear and comprehensive regulations to ensure timely payment for goods and services across the supply chain, and the need for greater oversight around significant accounts receivable. This collaborative effort may include the development of regulations that outline a debt resolution process. Additionally, we support regulatory efforts to bring greater clarity to debt proceedings and pathways for legal businesses to seek relief in lieu of the ability to pursue normal bankruptcy. Specifically, we support policies such as those recently established by Nevada's Cannabis Compliance Board that create a receivership process directly under the purview and administration of the regulatory agency.

SECTION 3: GUIDING POLICIES & PRINCIPLES

1. Access to Banking. Support legislative and regulatory efforts to address access to financial services, including banking and credit card services, insurance, and venture capital, for compliant cannabis businesses and allow such businesses to fully and effectively participate in commerce.

2. Access & Patient Protections

- a. Support policies that improve patient access to medical cannabis.
- b. Remove barriers that hinder a patient's ability to obtain a physician recommendation or safe, affordable medicine.
- c. Work with patient groups to ensure county health departments have the necessary infrastructure in place so patients can obtain their medical cannabis identification cards in a timely manner.

3. Advertising & Marketing

- a. Support legislation permitting cannabis billboard advertising along interstate highways that includes additional protections aimed at deterring youth access and consumption.
- b. Support legislation and other policies that permit responsible marketing that supports the legal industry while reducing youth access through the unregulated market.
- 4. **Biomass Recycling & Reuse.** Support legislation that exempts green cannabis waste from being classified as hazardous waste, and allows for green cannabis waste to be composted.
- **5. Cannabis Advisory Committee (CAC).** Oppose recommendations that seek to exclude the licensed cannabis industry from CAC task forces and subcommittees and support efforts that foster greater input and transparency in CAC proceedings.
- **6. Cannabis as an Agricultural Crop.** Advocate for cannabis cultivation to be considered an agricultural crop produced for human consumption and regulated in the California Food and Agricultural Code rather than the Business and Professions Code.

7. Cannabis Appellations Program

- a. Support efforts to advance comprehensive labeling requirements for all cannabis geographical indications, including county of origin, city of origin, city and county of origin, and appellation of origin designations.
- b. Sufficiently fund the California Department of Food and Agriculture to manage the appellation of origin program and the establishment of a petition review panel.

- **8. Cannabis Products for Pets.** Support the implementation of <u>AB 1885</u> (Kalra, 2022) to expressly permit the manufacture and sale of cannabis products designed for pets. AB 1885 requires the DCC to promulgate regulations for animal product standards no later than July 1, 2025.
- **9. Cannabis Trade Samples.** Support legislative or regulatory changes to increase the permissible amount of cannabis and cannabis products that can be designated as business-to-business trade samples.

10. Child Resistant Packaging (CRP)

- a. Support legislative and regulatory efforts that advance sensible child resistant packaging requirements that encourage:
- b. Use of recyclable and/or biodegradable materials.
- c. Consideration of CRP packaging on a product-by-product basis and the reduction of landfill waste.
- d. Development of a robust consumer education program to promote responsible cannabis storage that deters underage access.
- e. Efforts aimed at protecting cannabis businesses from strict liability if consumers misuse or abuse cannabis and cannabis products.
- **11. Compassionate Care Programs.** Support legislative efforts to extend indefinitely <u>SB 34</u> (Wiener, 2019), also known as the Dennis Person and Brown Mary Act, which relieves cannabis licensees from liability for any taxes required to be collected on cannabis and cannabis products if those products are designated for donation.

12. Consumer & Patient Access

- a. Support legislative, regulatory, and other efforts that encourage local governments to adopt ordinances permitting commercial cannabis activity and provide pathways for unlicensed cannabis businesses to enter the compliant market.
- b. Support legislative and regulatory efforts that expand access to medicinal and adultuse consumers.
- c. Oppose legislative, regulatory, and legal efforts hindering licensed delivery businesses delivering to any jurisdiction within the State of California.
- d. Support efforts aimed at removing barriers for medicinal patients from receiving the sales and use tax exemption and/or obtaining the State Medical ID Card.
- e. Support legislative and regulatory efforts to ensure consumers can easily verify that the products they purchase are legal.

13. Consumer and Patient Safety / Youth Access

- a. Advocate for policies that prioritize safe and responsible cannabis consumption.
- b. Support robust laws and initiatives that aim to prevent youth access to cannabis products and develop and implement measures that effectively deter underage individuals from obtaining and using cannabis.
- c. Support policies that uphold and fine-tune MAUCRSA's existing rigorous packaging and labeling standards for cannabis products. These standards are crucial to inform consumers about the contents, effects, and responsible usage of cannabis products.
- d. Support the DCC's ability to review and refine labeling guidelines to adapt to emerging science and product innovation.
- e. Support the development of educational resources to empower retail customers with essential information, including guidance on avoiding cannabis during pregnancy and while breastfeeding, understanding the effects of high THC potency products, and strategies to prevent youth access.
- f. Promote strategies that promote consistency in licensed cannabis product information using the latest scientific findings.
- 14. Direct to Consumer Sales. Support legislation to permit small cultivators, processors, and manufacturers to engage in direct-to-consumer sales, including but not limited to direct-to-consumer sales through on-farm sales, farmers' markets, and direct to consumer delivery operations.

15. Distribution: Quality Assurance, Inspection, and Testing:

- a. Support statutory changes to eliminate the requirement that licensed distributors exclusively arrange for a testing laboratory to obtain a representative sample of each cannabis batch at the distributor's licensed premises, as mandated by MAUCRSA.
- **b.** Retain the requirement that, upon issuance of a certificate of analysis by the testing laboratory, a licensed distributor conduct a quality assurance review before distribution to ensure the labeling and packaging of the cannabis and cannabis products conform to the requirements of this division.
- **16. Disaster Relief.** Advocate for access to state-funded disaster relief programs and grant programs for licensed commercial cannabis businesses.
- **17. Driving Under the Influence of Cannabis.** Continue to work with the Office of Traffic Safety and the California Highway Patrol, local law enforcement, and other relevant stakeholders to identify resources and develop best practices aimed at reducing "drugged driving."

18. Employment Discrimination. Support protections from termination or being denied employment on the basis of cannabis metabolites testing consistent with <u>AB 2188</u> (Quirk, 2022) and <u>SB 700</u> (Bradford, 2023). AB 2188 prohibits employers from using the results of hair or urine tests for cannabis — which can detect traces of cannabis for days or weeks — in their decisions to hire, fire or penalize workers. SB 700 makes it unlawful under the Fair Employment and Housing Act (FEHA) for an employer to discriminate against a job applicant based on information regarding prior use of cannabis learned from the person's criminal history. Neither bill preempts state or federal laws requiring an applicant to be tested for controlled substances.

19. Enforcement

- Support the passage of <u>AB 1616</u> (Lackey) to amend the Board of State and Community Corrections grant program. Sponsored by CCIA, this legislation expands grant eligibility criteria, enabling more local jurisdictions to access funding. Additionally, this bill prioritizes funding eligibility to local programs aimed at addressing unlicensed retail and cultivation activities.
- b. Support budget funding requests intended to augment state and/or local enforcement activities to shut down illicit retail operations and combat illegal trespass cultivation of cannabis on public and private land.
- c. Support adequate funding and other policies that address illegal water diversion, water pollution, erosion, poisoning of wildlife, and other environmental damage associated with trespass cannabis growing operations.
- d. Advocate for expedited enforcement measures against unlicensed cannabis operations, including reducing or eliminating notice periods and allowing enforcement agencies to petition for expedited processing, involving necessary modifications to existing code enforcement statutes, including due process and legal remedy processes.
- **20. Environmental Sustainability.** Support policies and new technologies that improve environmental sustainability within the cannabis industry, including efforts to promote water and energy efficiency and encourage better recycling practices for cannabis businesses and consumers.

21. Funding & Investment Opportunities

- a. Educate legislators, regulators, and other stakeholder groups on the impediments to securing investment capital.
- b. Oppose efforts that further constrict capital investment.
- c. Support efforts to remove regulatory burdens that deter opportunities for licensees to attract investment.

22. Hemp & Intoxicating Hemp Products

- a. Enforce existing laws in California and other states prohibiting the sale of hempderived intoxicants.
- b. Support action by the U.S. Food & Drug Administration (FDA) to exercise its rightful oversight over novel compounds, including those derived from hemp.
- c. Pursue amendments to the federal Farm Bill to close unintentional loopholes.
- d. Create a unified federal framework for regulating both hemp and cannabis-derived cannabinoids.
- e. Support legislation to provide a clear pathway for the incorporation of hemp into the cannabis supply chain.

23. Insurance/Liability

- a. Support efforts to ensure that insurance claims are not denied exclusively because cannabis is prohibited under federal law.
- b. Advocate for the equitable application of the FAIR Plan so that cannabis businesses have equal access to insurance, as provided to other businesses.
- **24. Regulatory Burdens & Mandates.** Oppose policies that impose new regulatory burdens or mandates on the cannabis industry or treat cannabis applicants and businesses differently than other industries licensed by the state.
- **25. Research & Development.** Promote efforts to expand research on the efficacy of cannabis.
- **26. Regulatory Development/Rulemaking.** Advocate for the streamlining of the state's commercial cannabis regulations and reduce barriers to entry into the legal market in a manner that protects public health and safety while ensuring a regulated environment for commercial cannabis activities that does not perpetuate, rather than reduce and eliminate, the illicit market for cannabis.

27. Social Equity

- a. Support policies that remove barriers to entry for social equity applicants.
- b. Support an increase in existing funding for the Cannabis Equity Grant Program to aid local equity programs and support equity applicants and equity licensees so they can compete and thrive in the legal market.
- c. Identify additional revenue streams to provide small business loans and other supportive services for social equity applicants and license holders.
- d. Support policies that deter predatory practices.

e. Support the establishment of tax credits or other financial incentives to encourage landlords to rent space to equity applicants.

28. Taxation

- a. Support efforts to reduce tax burdens on compliant cannabis businesses and consumers.
- b. Support policies to ensure the fair, legal, and constitutional application of local taxation to ensure that cannabis operators are not intentionally or unintentionally double taxed within the legal supply chain.
- c. Support legislative or regulatory changes to reduce the 50% penalty and clarify that the penalty should be imposed on cannabis operators that intentionally fail to pay their taxes.
- d. Support efforts that seek to minimize tax burdens levied by local jurisdictions.

29. Testing Integrity

- a. Work with CCIA's Quality Control Committee to continue to establish best practices to ensure greater consistency in testing results among licensed testing labs.
- b. Support efforts to reinforce existing quality control mechanisms in place, ensuring that products that reach consumers are of the highest standard.
- c. Support efforts that seek to bolster the state's enforcement tools to ensure that all cannabis licensees adhere to the state's rigorous testing protocols.
- **30. Track and Trace.** Support efforts to improve functionality and coordination between regulators, track-and-trace providers (Metrc), and licensees to better track cannabis goods across the supply chain per state law.

31. Type S License

- a. Support regulatory changes that modify the Type-S manufacturing license regulations to allow businesses with up to \$1,500,000 in gross revenue to qualify, aligning the revenue limit with license fees.
- b. Support regulatory changes that enable microbusinesses engaged in manufacturing activities to register as Primary Shared license locations, fostering support for startups, equity businesses, and market innovation due to their integrated supply chain capabilities.