
THIRD READING

Bill No: SB 67
Author: McGuire (D), et al.
Amended: 3/21/19
Vote: 27 - Urgency

SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 8-0, 2/27/19
AYES: Glazer, Chang, Archuleta, Galgiani, Hill, Leyva, Pan, Wilk
NO VOTE RECORDED: Dodd

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

SUBJECT: Cannabis: temporary licenses

SOURCE: Author

DIGEST: This bill extends a temporary cannabis license issued by the California Department of Food and Agriculture if the temporary license holder submitted an application and fees for an annual license before the temporary license's expiration date, as specified.

ANALYSIS:

Existing law:

- 1) Establishes the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) to regulate the cultivation, distribution, transport, storage, manufacturing, processing, and sale of both medicinal cannabis and adult-use cannabis. (Business and Professions Code (BPC) § 26000)
- 2) Requires the California Department of Food and Agriculture (CDFA) to administer the portions of MAUCRSA related to and associated with the cultivation of cannabis. Delegates to CDFA the authority to create, issue, deny, and suspend or revoke cultivation licenses for violations of MAUCRSA. (BPC § 26012 (a)(2))

- 3) Authorizes a licensing authority, in its sole discretion, to issue a temporary license until January 1, 2019, that is valid for 120 days, and which may be extended for additional 90-day periods at the discretion of the licensing authority. A temporary license requires a) the applicant to submit a written request to the licensing authority; b) A copy of a valid license, permit, or other authorization issued by a local jurisdiction that enables the applicant to conduct commercial cannabis activity; and c) the temporary license application fee, if any. Temporary licenses shall only be eligible for an extension of the expiration date if the applicant has submitted a complete application for licensure. A temporary license is a conditional license and authorizes the holder to engage in commercial cannabis activity as would be permitted under the privileges of the license for which the applicant has submitted an application. Exempts the issuance or extension of a temporary license by a licensing authority from a hearing or appeal of the decision. (BPC § 26050.1, repealed, as passed by SB 94, Committee on Budget and Fiscal Review, Chapter 27, Statutes of 2017).
- 4) Authorizes a licensing authority to, in its sole discretion, issue a provisional license, valid for 12 months, to an applicant if a) The applicant holds or held a temporary license for the same premises and the same commercial cannabis activity for which the license may be issued; and b) The applicant has submitted a license application, including evidence that compliance with the California Environmental Quality Act (CEQA) is underway. (BPC § 26050.2)

This bill:

- 1) Invalidates the expiration date on a temporary license issued by the CDFA if the temporary licensee submitted an application and fees for an annual license before the temporary license's expiration date for the same premises and the same commercial cannabis activity for which the temporary license was issued.
- 2) Voids a temporary license valid pursuant to 1) above after CDFA issues an annual or provisional license for which the temporary license was issued.
- 3) Invalidates a temporary license valid pursuant to 1) above 30 days after any of the following occur:
 - a) CDFA denies the licensee's application for which the temporary license was extended.
 - b) CDFA disqualifies the licensee's application for an annual license for which the temporary license was extended.

- c) The licensee abandons or withdraws the application for an annual license for which the temporary license was extended.
 - d) CDFA notifies the temporary licensee that the licensee is eligible for an annual or provisional license for which the temporary license was issued.
- 4) States that denial, disqualification, revocation, or suspension of a temporary license extended by 1) above shall not entitle the applicant or licensee to a hearing or an appeal of the decision, nor shall a temporary license obligate CDFA to issue an annual or provisional license. A temporary license shall not create a vested right in the holder to either an extension of the temporary license or to the granting of a subsequent annual or provisional license.
- 5) Sunsets on September 15, 2019.
- 6) Declares itself an urgency statute necessary for the immediate preservation of the public peace, health, or safety California Constitution because the significant number of license applications pending with the licensing authorities or with local authorities before temporary licenses expire or before provisional licenses can be issued threatens to create a major disruption in the commercial cannabis marketplace.

Background

MAUCRSA authorized licensing authorities to issue four-month temporary licenses to applicants, with opportunities for 90-day extensions, through December 31, 2018. The temporary license required only proof of local authorization and entitled the holder to engage in commercial cannabis activity without completing the annual licensing application requirements, including CEQA review. The state issued temporary licenses at no cost, and temporary licensees did not have access to the track and trace system, though they were obligated to maintain paper records.

The temporary license was intended as an intermediate step while the state and local jurisdictions managed their efforts to come into compliance with the cannabis regulatory structure.

Provisional licenses were created by an urgency measure as a bridge between temporary and annual licenses to accommodate unanticipated CEQA delays. A licensing authority could convert a temporary license to a provisional license if the applicant submitted an annual license application that was complete except for full CEQA compliance.

However, some cities and counties issued only temporary permits for cannabis businesses, so the licensing authorities cannot necessarily rely on the representations made for the temporary license to ensure lawful activity at the local level. Checking with local government may stall an application up to 60 days. Further, cultivator applicants have to ensure compliance with a number of environmental laws besides CEQA, and the Department of Fish and Wildlife's Streambed Alteration Agreements have been particularly time-consuming. Lastly, any number of paperwork errors can cause unexpected delay; one stakeholder reported that transmission problems with LiveScan was holding up their application.

This bill allows CDFG additional time to convert temporary licenses to provisional or annual licenses.

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

SUPPORT: (Verified 4/2/19)

710 Ventures LLC
Alchemist Scientific
Ametrine Wellness dba Jetty Extracts
Anthony Law Group
Apex Solutions
Association of Cannabis Professionals
Austin Legal Group, APC
Backbone Distribution
Bang Mango LLC
Berkeley Patients Group
Bloom Farms
Bonaventure Growing Association INC
Boutique Unlimited Distribution
Bud Technology
BVO
Cal Coast Compliance
California Cannabis Courier Association
California Cannabis Industry Association
California Cannabis Manufacturers Association
California Cannabis Tourism Association
California CHAMP
California State Association of Counties
California Teamsters Public Affairs Council

CaliPackCo
CAM
Cannabis Distribution Association
Cannabis World Cultivation
Cannalysis
CBD Botanica
Chemistry
Chromatic Clouds
CI Distribution LLC
CKA Nursery
Clarity Botanicals
Clarity Integrative Healing
Clearview
CMG/Caliva
Coastal Growers Association
Coastal Research INC
Coleman's Tomatoes
Compliance Guys LLC
Compliant Farms Certified
Concentrated Solutions LLC
Connected Cannabis Co.
Cool Ridge INC
Cory Farms
County of Mendocino
Covelo Cannabis Advocacy Group
Crisp Farms
Cropley Holding LLC
DB12
DC Eden
Delta 9 Industries LLC
Doja Exclusive
Down River Consulting
Dragonfly Wellness Center
Driven
Dronatherapy INC
Eaze
Elefante INC
Elmwood Operations LLC
Emerald Grown
Eye N Eye LLC

Family 805 LLC
Flourish Software, INC
Flow Kana
From the Earth
Full Cup Farmstead
Fusion Farms LLC
FV Farms
Garcia Law Corporation, PC
GL 420 Enterprise INC
GoGo Logistics
Gold Coast Botanicals
Gold Mountain Distribution
Green Hummingbird Farm
Green Leaf Organics LLC
Green Wise Consulting
Gro-Tech Systems Inc.
GROUPO FLOR
Grouse Valley Farms
Happy Brands
Happy Distribution Services INC
Harborside
HBF LLC
Healing Wonders
Heavenly Cure
Hempire
Herbalcure Corporation
High End Society
High Style Brewing Company
Higher Elevation
Hill Craft Farms LLC
House of Harlequin
Humble Root
Humboldt County Board of Supervisors
Humboldt County Growers Alliance
Humboldt Harvest INC
Humboldt Headless Chicken Ranch
Humboldt Packaging
Humboldt Sun Growers Guild, LLC
Humboldt36Farms LLC
IC OAK, dba IC Collective

IndigoKidz Inc.
Infyniti Grown
Integrus Choice LLC
International Cannabis Farmers Association
Iron Angel
Jahlibyrd
Jayne Health LLC
JDI Farms
Joint Ventures Industry INC
Joint Ventures Medical Industries INC
Jolly Meds
Justice Grown California
Kiva
KO Logistics LLC
Koala Green Development
Law Offices of Omar Figueroa
Lion Eye Farms
Lompoc Valley Cannabis Association
Love Humboldt
LVCA
Mammoth Distribution
Mandolin Gardens, LLC
Margro Advisors
Meadow
Medcare Farms
Mending Angels INC
Mendo Valley Farms INC
Mendocino Appellations Project
Mendocino County Board of Supervisors
Mitralex and Marex LLC
MJADMIN
MMLG
Monterey Botanicals
Moon and Stars Farm, INC
Morrison Farms
Mother Humboldt's INC
Movocan
Namaskar LLC
Natural Healing Center
Nevada County Cannabis Alliance

New World Chronic
Newton Enterprises
Nice Guys Delivery
NorCal Cannabis
North Country Farms
Nova Grow Labs LLC
Ocean Grown Extracts
Origin Group Law LLP
Outpost Cannabis
Over The Bridge Farm
Oxalis Integrative Support Services
Pacific West Distributions
Pineapple Express
Purple Frost INC
Purple Trilogy INC
Rambling Rose, LLC
Redwood Skyline INC
Rich Global Corp
Ringgenberg Law Firm PC
RSVP Group INC
Rural County Representatives of California
Sanctuary Farms
Sanel Highlands
SB Montebello Investments LLC
Seni Flora
Sequoyah Hudson
Shepp Family Farms
Shield Management Group
Sierra Select Gardens
Sierra Uplift
So-Cal Discount Medical Supply
SoHum Royal
Southern California Coalition
Sproutways
Star Trail Naturals
Startling, INC
Stephen Beals PLC
Sticky Extracts
Stickyfields
Summit Manufacturing LLC

Sunshine Organics Greens INC
Tar Hill Cannabis
Telemanus LLC
Terra Tech
The Black Card LLC
The HI Collective
The RX Depot Group INC
TME INC
Tolana INC
Towne Ford
Tranquility Lane Growery
Tree Frog Botanicals
Trichrome Productions
Trinity Trichomes
True Classic Productions
Trusty
URB SF
VCC Brands
Veterans High Risk Security, Inc.
Vitas INC
Water Now
WeDrop
Weird Science Labs
Westbound Farms
Wild West Industries
Wonderland Oasis INC
Zenleaf LLC
Zyfa INC
Numerous individuals

OPPOSITION: (Verified 4/2/19)

CARP Growers

ARGUMENTS IN SUPPORT: The California Cannabis Industry Association writes, “Unfortunately, despite the creation of provisional licenses, current data shows that, unless addressed, over 6,200 temporary cannabis business licenses will expire by April. Many of these businesses have carried out their due diligence and applied for annual licenses, in some cases as far back as mid-2018. Moreover, further research has shown many of these soon-to-expire licenses belong to cultivators, the essential starting point of the cannabis supply chain. Should these

licenses lapse, not only will these businesses lose months of time, money, investment, and hard work, but the upstream ramifications on the cannabis industry as a whole would be severe.”

ARGUMENTS IN OPPOSITION: CARP Growers writes, “By allowing an extension or reactivation of temporary licenses (many of which have already expired), SB 67 is essentially rewarding prospective licensees that have not put the time, effort, and money into their licensing work.”

Prepared by: Sarah Huchel / B., P. & E.D. /
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