

Date of Hearing: April 26, 2022

ASSEMBLY COMMITTEE ON BUSINESS AND PROFESSIONS

Marc Berman, Chair

AB 2691 (Wood) – As Introduced February 18, 2022

**SUBJECT:** Cannabis: temporary cultivator event retail license.

**SUMMARY:** Requires the Department of Cannabis Control (DCC) to issue temporary cultivator event retail licenses to cannabis cultivators, as specified, for cannabis events operating in accordance with existing law.

**EXISTING LAW:**

- 1) Enacts the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) to provide 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 within the Business, Consumer Services, and Housing Agency (previously established as the Bureau of Cannabis Control, the Bureau of Marijuana Control, the Bureau of Medical Cannabis Regulation, and the Bureau of Medical Marijuana Regulation), for purposes of administering and enforcing MAUCRSA. (BPC § 26010)
- 3) Provides for twenty 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 convene an advisory committee to advise state licensing authorities on the development of standards and regulations for legal cannabis, including best practices and guidelines that protect public health and safety while ensuring a regulated environment for commercial cannabis activity that does not impose such barriers so as to perpetuate, rather than reduce and eliminate, the illicit market for cannabis. (BPC § 26014)
- 5) Establishes grounds for disciplinary action against cannabis licensees, including failure to comply with state licensing requirements as well as local laws and ordinances. (BPC § 26030)
- 6) Prohibits cannabis licensees from selling alcoholic beverages or tobacco products on their premises. (BPC § 26054)
- 7) Requires cannabis or cannabis products purchased by a customer to be placed in an opaque package prior to leaving a licensed retail premises. (BPC § 26070.1)
- 8) Expresses that state cannabis laws shall not be interpreted to supersede or limit the authority of a local jurisdiction to adopt and enforce local ordinances to regulate cannabis businesses. (BPC § 26200(a))

- 9) Authorizes the DCC to issue a state temporary event license to a licensee authorizing onsite cannabis sales to, and consumption by, persons 21 years of age or older at a county fair event, district agricultural association event, or at another venue expressly approved by a local jurisdiction for the purpose of holding temporary events of this nature, provided that the activities comply with the following:
- a) Access to the area where cannabis consumption is allowed is restricted to persons 21 years of age or older, cannabis consumption is not visible from any public place or nonage-restricted area, and the sale or consumption of alcohol or tobacco is not allowed on the premises.
  - b) All participants who are engaged in the onsite retail sale of cannabis or cannabis products at the event are licensed to engage in that activity.
  - c) The activities are otherwise consistent with regulations promulgated and adopted by the DCC governing state temporary event licenses.
  - d) A state temporary event license shall only be issued in local jurisdictions that authorize such events.
  - e) A licensee who submits an application for a state temporary event license shall, 60 days before the event, provide to the DCC a list of all licensees that will be providing onsite sales of cannabis or cannabis products at the event.

(BPC § 26200(e))

- 10) Authorizes a local jurisdiction to allow for cannabis use on the premises of a cannabis retailer or microbusiness that does not sell or allow for the consumption of alcohol or tobacco on the premises, among other restrictions. (BPC § 26200(g))
- 11) Requires the DCC in issuing cannabis cultivation licenses to consider issues, including, but not limited to, water use and environmental impacts. (BPC § 26060(a)(2))
- 12) Provides that regulations related to cannabis cultivation do all of the following:
- a) Provide that weighing or measuring devices used in connection with the sale or distribution of cannabis are required to meet specified standards.
  - b) Require that cannabis cultivation by licensees is conducted in accordance with state and local laws.
  - c) Establish procedures for the issuance and revocation of unique identifiers for activities associated with a cannabis cultivation license, as specified. All cannabis shall be labeled with the unique identifier issued by the DCC.
  - d) Prescribe standards for the reporting of information as necessary related to unique identifiers, as specified.

(BPC § 26060(b)(1)-(4))

- 13) Requires the Department of Pesticide Regulation to develop guidelines for the use of pesticides in the cultivation of cannabis and residue in harvested cannabis. (BPC § 26060(c))
- 14) Prohibits a cannabis cultivator from using any pesticide that has been banned for use in the state. (BPC § 26060(d))
- 15) The regulations adopted by the DCC to implement specified requirements. (BPC § 26060(e))
- 16) Provides that the Department of Pesticide Regulation shall require that the application of pesticides or other pest control in connection with the indoor, outdoor, nursery, specialty cottage, or mixed-light cultivation of cannabis complies with specified. (BPC § 26060)
- 17) Requires an application for a license for cultivation issued by the DCC to identify the source of water supply, as specified. (BPC § 26060.1(a))
- 18) Requires the DCC to include in any license for cultivation all of the following:
  - a) Conditions requested by the Department of Fish and Wildlife and the State Water Resources Control Board, as specified.
  - b) Any relevant mitigation requirements the department identifies as part of its approval of the final environmental documentation for the cannabis cultivation licensing program as requirements that should be included in a license for cultivation.
  - c) A condition that the license shall not be effective until the licensee has demonstrated compliance with specified requirements or receives written verification from the Department of Fish and Wildlife that a streambed alteration agreement is not required.(BPC § 26060.1(b))
- 19) Requires the DCC to consult with the State Water Resources Control Board and the Department of Fish and Wildlife for implementation purposes. (BPC § 26060.1(c))
- 20) States that, except as specified, the DCC is not responsible for verifying compliance with the conditions requested or imposed by the Department of Fish and Wildlife or the State Water Resources Control Board. (BPC § 26060.1(d))
- 21) Specifies that the state cultivator license types to be issued by the DCC include all of the following:
  - a) Type 1, or “specialty outdoor,” for outdoor cultivation using no artificial lighting of less than or equal to 5,000 square feet of total canopy size on one premises, or up to 50 mature plants on noncontiguous plots.
  - b) Type 1A, or “specialty indoor,” for indoor cultivation using exclusively artificial lighting of between 501 and 5,000 square feet of total canopy size on one premises.
  - c) Type 1B, or “specialty mixed-light,” for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the department of between 2,501 and 5,000 square feet of total canopy size on one premises.

- d) Type 1C, or “specialty cottage,” for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the department, of 2,500 square feet or less of total canopy size for mixed-light cultivation, 2,500 square feet or less of total canopy size for outdoor cultivation with the option to meet an alternative maximum threshold to be determined by the department of up to 25 mature plants for outdoor cultivation, or 500 square feet or less of total canopy size for indoor cultivation, on one premises.
- e) Type 2, or “small outdoor,” for outdoor cultivation using no artificial lighting between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.
- f) Type 2A, or “small indoor,” for indoor cultivation using exclusively artificial lighting between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.
- g) Type 2B, or “small mixed-light,” for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the department, between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.
- h) Type 3, or “outdoor,” for outdoor cultivation using no artificial lighting from 10,001 square feet to one acre, inclusive, of total canopy size on one premises. The department shall limit the number of licenses allowed of this type.
- i) Type 3A, or “indoor,” for indoor cultivation using exclusively artificial lighting between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises. The DCC shall limit the number of licenses allowed of this type.
- j) Type 3B, or “mixed-light,” for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the DCC between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises. The DCC shall limit the number of licenses allowed of this type.
- k) Type 4, or “nursery,” for cultivation of cannabis solely as a nursery.

(BPC § 26061(a))

22) Provides that, except as otherwise provided by law:

- a) Type 5, or “outdoor,” means for outdoor cultivation using no artificial lighting greater than one acre, inclusive, of total canopy size on one premises.
- b) Type 5A, or “indoor,” means for indoor cultivation using exclusively artificial lighting greater than 22,000 square feet, inclusive, of total canopy size on one premises.
- c) Type 5B, or “mixed-light,” means for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the DCC greater than 22,000 square feet, inclusive, of total canopy size on one premises.

(BPC § 26061(b)(1)-(3))

- 23) Prohibits Type 5, Type 5A, and Type 5B cultivation licenses from being issued before January 1, 2023. (BPC § 26061(c))
- 24) Provides that, commencing on January 1, 2023, a Type 5, Type 5A, or Type 5B licensee may apply for and hold a Type 6 or Type 7 license and apply for and hold a Type 10 license. A Type 5, Type 5A, or Type 5B licensee shall not be eligible to apply for or hold a Type 8, Type 11, or Type 12 license. (BPC § 26061(d))
- 25) Provides that a person shall not represent, sell, or offer for sale any cannabis or cannabis product as organic except as specified. (BPC § 26062.5)
- 26) Provides that a person shall not represent, sell, or offer for sale any cannabis or cannabis product with the designation or certification established by the Department of Food and Agriculture or the State Department of Public Health, as specified. (BPC § 26062.5)
- 27) Requires the DCC, no later than January 1, 2018, to establish standards by which a licensed cultivator may designate a county, city, or city and county of origin for cannabis. To be eligible for the designation, 100 percent of the cannabis shall be produced within the designated county, city, or city and county, as defined by finite political boundaries. (BPC § 26063(a)(1))
- 28) Provides that cannabis shall not be advertised, marketed, labeled, or sold as produced in a California county, city, or city and county, including any similar name that is likely to mislead consumers as to the kind of cannabis, when the cannabis was not produced in that county, city, or city and county. (BPC § 26063(a)(2))
- 29) Provides that the name of a California county, city, or city and county, including any similar name that is likely to mislead consumers as to the kind of cannabis contained in the product, shall not be used in the advertising, labeling, marketing, or packaging of cannabis products unless 100 percent of the cannabis contained in the product was produced in that county, city, or city and county. (BPC § 26063(a)(3))
- 30) Requires the DCC, no later than January 1, 2022, to establish a process by which licensed cultivators may establish appellations of origin, including standards, practices, and cultivars applicable to cannabis produced in a certain geographical area in California, as specified. (BPC § 26063(b)(1))
- 31) Provides that cannabis shall not be advertised, marketed, labeled, or sold using an appellation of origin, as specified, unless the cannabis meets the appellation of origin requirements for, and was produced in, the geographical area. (BPC § 26063(b)(2))
- 32) Provides that an appellation of origin, as specified, shall not be used in the advertising, labeling, marketing, or packaging of a cannabis product unless 100 percent of the cannabis contained in the product meets the appellation of origin requirements and was produced in the geographical area. (BPC § 26063(b)(3))
- 33) Provides that an appellation of origin shall not be approved unless it requires the practice of planting in the ground in the canopy area and excludes the practices of using structures, including a greenhouse, hoop house, glasshouse, conservatory, hothouse, and any similar structure, and any artificial light in the canopy area. (BPC § 26063(c))

- 34) Requires indoor and outdoor cannabis cultivation by licensed persons and to be conducted in accordance with state and local laws related to land conversion, current building and fire standards, grading, electricity usage, water usage, water quality, woodland and riparian habitat protection, agricultural discharges, and similar matters. (BPC § 26066)
- 35) Authorizes the DCC to enter into a cooperative agreement with a county agricultural commissioner or other state or local agency, as specified, to assist the DCC in implementing existing law related to administration, investigation, inspection, fee collection, document management, education and outreach, distribution of individual licenses approved by the DCC, and technical assistance pertaining to the cultivation of cannabis. (BPC § 26066.1)
- 36) Authorizes a county agricultural commissioner to report to the director, as specified, on the condition, acreage, production, and value of cannabis produced in the commissioner's county under a cultivation license issued. (BPC § 26066.2(a))

**THIS BILL:**

- 1) Requires the DCC to issue temporary cultivator event retail licenses for cannabis events operating in accordance with existing law.
- 2) Specifies that a licensee who meets all of the following requirements may apply to the department for a temporary cultivator event retail license:
  - a) The applicant holds a valid state cultivation license.
  - b) The applicant holds a valid license, permit, or other authorization issued by a local jurisdiction that authorizes the licensee to engage in cannabis cultivation.
  - c) The applicant cultivates no more than one acre of cannabis, inclusive, of all licensed premises.
- 3) Prohibits the DCC from requiring an applicant to resubmit information already provided by the applicant for their state cultivation license, and from requiring an applicant to submit to background checks or other inspections already preformed for approval of their state cultivation license.
- 4) Requires the DCC to establish a process to facilitate the submission of applications.
- 5) Specifies that each temporary cultivator event retail license is only valid for the specific cannabis event for which it was issued.
- 6) Prohibits the DCC from issuing more than 12 temporary cultivator event retail licenses to each licensee per calendar year.
- 7) Provides that a temporary cultivator event retail licensee may sell cannabis or cannabis products at the cannabis event for which the license was issued.
- 8) Specifies that all cannabis or cannabis products sold shall only contain cannabis cultivated by that temporary cultivator event retail licensee.

- 9) Requires cannabis and cannabis products intended to be sold to be transported from the licensed premises of the temporary cultivator event retail licensee to the cannabis event venue by a distributor licensee, as specified.
- 10) Provides that, except as otherwise provided, a temporary cannabis retailer licensee shall comply with all requirements imposed on retailers by MAUCRSA.
- 11) States that the Legislature finds and declares that this act furthers the purposes and intent of the Control, Regulate and Tax Adult Use of Marijuana Act.

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

### **COMMENTS:**

**Purpose.** This bill is sponsored by the author. According to the author: “Licensed cannabis operators continue to struggle to compete against products produced and sold at a much lower cost by illicit operators. Without viable pathways to compliance and access to legal markets, good operators who are trying to make ends meet playing by the rules, will continue to suffer. Currently, cannabis farmers are prohibited from selling their products directly to consumers unless they also own and operate a full-fledged licensed retail facility. This disadvantages small cannabis farmers, who lack the resources to vertically integrate, or support large advertising budgets or sales teams. Instead, small farmers must rely on distributors and retailers to market their products and develop new customer relationships. This bill creates an opportunity for small cannabis farmers who otherwise may lack the means, to build relationships with consumers and retailers, and gives them a fighting chance to develop demand for their craft product.”

### **Background.**

*Brief Overview of Cannabis Regulation in California.* After several prior attempts to improve the state’s regulation of cannabis, the Legislature passed the Medical Marijuana Regulation and Safety Act—subsequently retitled the Medical Cannabis Regulation and Safety Act (MCRSA)—in 2015. In 2016, California voters passed Proposition 64, the Adult Use of Marijuana Act (AUMA), which legalized marijuana use and cultivation for adults aged 21 or older. The initiative also reduced criminal penalties for specified marijuana-related crimes, permitted resentencing or dismissal and sealing of some prior marijuana-related convictions, and included specific requirements related to regulating, licensing, and taxing legal marijuana use.

In the spring of 2017, the Legislature passed SB 94 (Committee on Budget and Fiscal Review) to reconcile the distinct systems for the regulation, licensing, and enforcement of legal cannabis that had been established under the respective authorities of MCRSA and the AUMA. The single consolidated system established by the bill—known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA)—created a unified series of cannabis laws.

On January 16, 2019, the state’s three cannabis licensing authorities—the Bureau of Cannabis Control, the California Department of Food and Agriculture, and the California Department of Public Health—officially announced that the Office of Administrative Law had approved final cannabis regulations promulgated by the three agencies respectively. These final regulations replaced emergency regulations that had previously been in place and made various changes to earlier requirements following the public rulemaking process. The adoption of final rules

provided a sense of finality to the state's long history in providing for the regulation of lawful cannabis sale and use.

In early 2021, the Department of Finance released trailer bill language to create a new department with centralized authority for cannabis licensing and enforcement activities. This new department was created through a consolidation of the three prior licensing authorities' cannabis programs. As of July 1, 2021, the DCC has been the single entity responsible for administering and enforcing the majority of MAUCRSA.

*Cannabis cultivation.* Cannabis cultivators grow cannabis plants that are then harvested, sold as flower, and made into products. Cultivation is a process that includes preparing the soil; planting seed; irrigating, fertilizing, and managing pests; harvesting plants; and drying, curing, and trimming plants. Cannabis cultivation is similar to other agricultural enterprises in California. A cultivation license is required to grow cannabis and sell it in California. The type of cultivation licensed required depends on the size of the area where mature plants are grown and the type of lighting that is used. Licensed cultivators must follow specific requirements related to the use of pesticides, water quality and conservation, and appellations, which educate consumers about where the cannabis was grown.

*Cannabis Consumption and Temporary Events.* Proposition 64 made it generally lawful for persons 21 years of age or older to smoke or ingest cannabis or cannabis products. There are few restrictions on adults consuming cannabis on private property; for example, MAUCRSA does not generally prohibit the co-consumption of cannabis and alcohol in a private setting. However, Proposition 64 did not permit any person to smoke or ingest cannabis products in a public place; in a location where smoking tobacco is prohibited; within 1,000 feet of a school, daycare center, or youth center while children are present; or while driving, operating, or riding in a vehicle.

MAUCRSA generally prohibits smoking, vaporizing, or ingesting cannabis or cannabis products in any public place. However, Proposition 64 authorized local jurisdictions to allow for the smoking, vaporizing, and ingesting of cannabis or cannabis products on the premises of a retailer or microbusiness licensed under certain conditions. This language gave cities and counties the option of locally authorizing the establishment of settings like "consumption lounges" where cannabis use can occur socially.

MAUCRSA also authorizes the DCC to approve temporary event licenses to current cannabis licensees, which authorize onsite cannabis sales to, and consumption by, persons 21 years of age or older. These temporary events can take place at a county fair event, district agricultural association event, or at another venue expressly approved by a local jurisdiction for the purpose of holding temporary events of this nature. Local jurisdictions must authorize these events for them to be approved by the DCC.

Only cannabis event organizers licensed by the DCC are authorized to hold in-person cannabis events. They must be relicensed on an annual basis and are responsible for applying for a temporary cannabis event license for each individual event, maintaining the event space, hiring security, posting required signage, and providing the DCC with a list of participants and a diagram showing the layout of the event and where participants will be set up. Only retailers can sell cannabis goods during an event and must follow specific rules related to the sale and consumption of cannabis on-site, including displays of cannabis goods, use of exit packaging, age restrictions on sales, daily sales limits, no free samples, and recording sales in the Track and Trace system. Only licensed distributors can transport cannabis goods to and from an event.



Both consumption lounges on retail premises and temporary events place additional restrictions on where cannabis or cannabis premises may be consumed. Access to the area where cannabis consumption is allowed must be restricted to persons 21 years of age or older. Cannabis consumption may not be visible from any public place or nonage-restricted area. Finally, the sale or consumption of alcohol or tobacco on the premises is strictly prohibited.

### **Current Related Legislation.**

*AB 2844 (Kalra) of 2022* would authorize the DCC to issue a state caterer license that authorizes the licensee to serve cannabis at a private event approved by a local jurisdiction for the purpose of allowing event attendees to consume the cannabis. AB 2844 is pending in the Assembly Government Organization Committee.

*AB 2210 (Quirk) of 2022* would allow the DCC to issue a state temporary event license to a retail licensee authorizing onsite cannabis retail sales of cannabis or cannabis products, as specified, at an event held at a venue that is licensed by the Department of Alcoholic Beverage Control (ABC), if specified requirements are met. AB 2210 is pending in this committee.

### **Prior Related Legislation.**

*AB 2312 (Quirk) of 2020* was substantially to AB 2210 (Quirk) of 2022. AB 2312 died pending a hearing in this committee.

*AB 2020 (Quirk), Chapter 749, Statutes of 2018* authorized the Bureau of Cannabis Control to issue a temporary state license to provide on-site sales and consumption of cannabis at a temporary event located at a fairground, district agricultural association event, or at another venue expressly approved by a local jurisdiction.

*AB 2641 (Wood) of 2018* would have established, until January 1, 2024, a temporary cannabis retailer license for qualified cannabis manufacturers and cultivators to sell their own products at temporary cannabis events, as specified. AB 2641 was held on the Senate Appropriations Committee Suspense File.

### **ARGUMENTS IN SUPPORT:**

*Operation EVAC, Veterans for Medical Cannabis Access, The Emerald Cup, This Is Jane, Operation Iraqi Freedom Army Veteran Veterans Cannabis Group, Covelo Cannabis Advocacy Group, Veterans Walk and Talk Bay Area Chapter, Global Cannabinoid Research Center, California Certified Organic Farmers, Weed For Warriors, Mendocino Producers Guild, Cannabis Travel Association International, Dear Cannabis, Medical Cannabis Resource Events, Green Centaur, LeafWorks, Sweetleaf Collective, Bay Area Latino Cannabis Alliance, Hessel Farmers Grange, Aunt Zelda's, Oaksterdam University, Equity Trade Certification Sanctuary Farms, San Jose Cannabis Equity Working Group, Sonoma County Growers Alliance, Trinity County Agricultural Alliance, Mendocino Cannabis Alliance, Nevada County Cannabis Alliance, Big Sur Farmers Association, Humboldt County Growers Alliance, and Origins Council* collectively write in support:

Over two decades, California medical cannabis patients, legacy cannabis farmers, medicine-makers and home growers of medical cannabis developed a robust direct-to-consumer network under state medical cannabis access laws. This

network was stewarded by compassion clubs, medical patient collectives and cannabis farmer market events which afforded producer direct-to-consumer relationships and transactions.

Under the legal commercial cannabis framework, craft legacy producers have largely lost access to these opportunities to connect directly with consumers. Vertical integration is financially out of reach for nearly all independent small urban and rural producers, and land use regulation restricts the opportunity to sell directly from the farm. As a result, legacy producers have been denied access to their well-established and loyal medical cannabis consumer base, as well as the burgeoning recreational consumer base.

In turn, consumer and patient access to farm-fresh cannabis and small batch products at retail have substantially diminished since legalization. Analytic labs are now reporting a significant and ongoing decline in the genetic biodiversity within the regulated market. As an annual plant, the loss of California's extraordinary cannabis genetics currently underway will be largely permanent.

Independent small producers typically lack access to marketing resources, such as sales teams and advertising budgets, that are available to larger and better-capitalized businesses. As a result, these legacy producers remain under-utilized in contributing to the public and consumer education efforts necessary to support a thriving legalized industry.

AB 2691 would provide a pathway for small producers to re-establish these consumer relationships, and in turn would help build a niche market for craft cannabis produced by California's world-renowned cannabis producers. Establishing a market for craft cannabis will help educate the public at large and drive consumers to these products at licensed retail facilities, building the foundation for the long-term market differentiation of California cannabis.

Additionally, AB- 2691 would enable rural areas to utilize producer event sales as one component of larger efforts to promote tourism and destination marketing. Providing a pathway for consumers to interact directly with producers, in the region of origin itself, would enable legacy cannabis producing regions to establish and build a regional reputation, similar to other California producing regions renowned for their craft products, such as the Napa Valley American Viticultural Area.

As independently owned and operated small businesses and allies of legacy farmers, BIPOC and social equity operators, craft producers, consumer and patient rights advocates, we are collectively working to ensure that the pioneers who fought for decades to establish the legendary medical cannabis movement of California have an equal opportunity to participate within a viable regulated industry, and to ensure that patients and consumers have safe, affordable access to fresh, high quality craft cannabis products and medicines.

Equitable access to marketing and educational opportunities are an essential lifeline for small producers and vital to consumer education efforts. AB-2691 would provide significant new opportunities for craft operators, and serve as a

powerful tool to preserve and enhance California's world-renowned reputation for craft cannabis production within emerging global consumer markets.

### **ARGUMENTS IN OPPOSITION:**

In opposition, the *United Cannabis Business Association, Social Equity LA, Orange County Advocacy Alliance, Long Beach Collective Association, California Minority Alliance, Silicon Valley Cannabis Alliance, Coachella Valley Cannabis Alliance, Social Equity Operators and Workers Association, Angeles Emeralds*, and the *San Francisco Cannabis Retailers Alliance* collectively write in opposition:

We oppose AB 2691 for the following reasons:

1. The Department of Cannabis Control has proposed new regulation to allow cultivators to display their products to consumers - Cannabis growers' reasoning for introducing this bill was a result of the California Department of Cannabis Control not allowing them to display their products directly to consumers at Emerald Cup in 2021.

On March 4, 2022, the Department of Cannabis Control proposed new regulations addressing this issue, and making this bill unnecessary. Proposed Regulations Section §15603.1 - Participation in Temporary Cannabis Events by Non-Retail Licensees- states the following:

(a) Licensees who are not retailers may participate in licensed temporary cannabis events and may display cannabis or cannabis products in accordance with the following:

(2) Cannabis or cannabis products may be provided to attendees of the event for inspection and educational purposes only...

(3) Cannabis and cannabis products for display purposes by non-retail licensees only may be brought to the licensed event by the licensee or their employees.

2. The Legislation Violates Proposition 64 - In 2016, the voters approved Proposition 64 - The California Marijuana Legalization Initiative, which established the type of cannabis licenses. Proposition 64 specifically established cultivation, manufacturing, testing, distribution and retail licenses. This legislation will be contrary to the voters' intentions to establish separate licenses and not allow cultivators to have a hybrid cultivation retail license. If a cultivator wishes to become a retailer, the state has already set up licensing requirements for such an opportunity.

3. Does not Expand Market Access; Only Undermines Established Retailers - Currently there are less than 10 local jurisdictions statewide that allow for temporary events in which this proposed legislation could operate under. Those markets have robust and established retail operators, both equity and non-equity that have invested heavily into becoming state compliant. Allowing cultivators to flood their market and unfairly compete with them by pricing their products more competitively than a retailer would only serve to undermine retailers. This bill

does nothing to promote the expansion of the legal market throughout the State of California.

4. Illicit Cannabis Market - Cannabis retailers continue to face challenges that threaten their licenses and families' livelihoods. Currently retailers cannot compete with the illicit market which makes up 80% of California's market. Most consumers decide to purchase unregulated cannabis products because those products are at times half the price of regulated cannabis products. Cannabis retailers would now have to compete with thousands of cultivators to sell their products which will be detrimental for small businesses owners.

#### **POLICY ISSUE(S) FOR CONSIDERATION:**

*Direct-to-consumer sale of cannabis.* Under existing law, only a licensed retailer may sell cannabis goods directly to a consumer. Licensed cultivators and licensed manufacturers rely on licensed retailers to bring their products to market, selling their cannabis goods through storefront shops (dispensaries) or delivery. Licensed retailers face a myriad of restrictions and requirements pertaining to hours of operation, customer age verification, security, and types of cannabis products that they can sell. This bill would require the DCC to issue a temporary cultivator event retail license, authorizing a small licensed cultivator to directly sell their cannabis goods to consumers at cannabis events. The author may wish to consider whether it is appropriate for small licensed cultivators to sell cannabis goods directly to consumers at eligible cannabis events.

*Eligible cannabis events.* As currently written, the bill would require the DCC to issue temporary cultivator event retail licenses for cannabis events operating in accordance with existing law. Arguably, this bill would require DCC to issue a temporary cultivator event retail licenses for any lawful cannabis event. Moreover, the term "temporary cultivator event retail license" suggests that a licensed cultivator could host a temporary cannabis event at their cultivation cite and sell cannabis goods directly to consumers during the event. The author may wish limit the bill's applicability to temporary cannabis events, such as the Emerald Cup, which are authorized and licensed pursuant to subdivision (e) of BPC § 26200.

*Number of temporary cultivator event retail licenses.* This bill would allow a small licensed cultivator to receive up to 12 temporary cultivator event retail licenses per calendar year. To prevent unfair competition between small licensed cultivators and licensed retailers, the author may wish to consider reducing the number of temporary cultivator event retail licenses per year.

#### **IMPLEMENTATION ISSUE(S) FOR CONSIDERATION:**

*Drafting error.* The bill erroneously refers to a "temporary cannabis retailer licensee" in paragraph (4) of subdivision (d) of Section 1 of the bill when it should instead refer to a temporary cultivator event retail licensee. The author may wish to correct this drafting effort for consistency and clarity.

*License requirements.* The bill currently specifies that except as otherwise provided in bill, a licensee pursuant to this bill shall comply with all requirements imposed on retailers by existing law. Requiring licensees to comply with all of the same requirements for licensed retailers as provided in existing law eliminates the need for this bill as small licensed cultivators would presumably qualify for a retail license. The author may wish to clarify that a licensee does not to

fulfill the requirements for licensure as a cannabis retailer, but instead must comply with the same rules and requirements of licensed retailers at cannabis events.

**AMENDMENTS:**

- 1) To narrow the bill to temporary cannabis events licensed, replace the term “temporary cultivator event retail license” with “temporary event cultivator retail license” and cross reference subdivision (e) of BPC § 26200.
- 2) To limit the number of temporary event cultivator retail licenses issued to a small licensed cultivator, amend paragraph (2) of subdivision (c) of Section 1 of the bill by striking out the number 12 and replacing it with the number 8.
- 3) To correct the aforementioned drafting error, replace the term “temporary cannabis retailer licensee” with the term “temporary event cultivator retail license,” consistent with the first amendment listed in this section.
- 4) To clarify that licensees must comply with the same rules and requirements as licensed retailers at cannabis events, amend paragraph (4) of subdivision (d) of Section 1 of the bill accordingly.

**REGISTERED SUPPORT:**

Aunt Zelda's  
Axis of Love  
Bay Area Latino Cannabis Alliance  
Big Sur Farmers Association  
California Certified Organic Farmers  
California NORML  
California State Grange  
Cannabis Equity Policy Council  
Cannabis Travel Association International  
County of Humboldt  
County of Mendocino  
Covelo Cannabis Advocacy Group  
Dear Cannabis  
The Emerald Cup  
Equity Trade Certification Sanctuary Farms  
Equity Trade INC  
Global Cannabinoid Research Center  
Good Farmers Great Neighbors  
Green Centaur  
Hessel Farmers Grange  
Humboldt County Growers Alliance  
Leafworks  
Long Beach Cannabis Commerce Council  
Medical Cannabis Resource Events  
Mendocino Cannabis Alliance  
Nevada County Cannabis Alliance  
Oaksterdam University

Operation Evac  
Origins Council  
Rural County Representatives of California  
San Jose Cannabis Equity Working Group  
Sonoma County Growers Alliance  
The Sweetleaf Collective  
This Is Jane Project  
Trinity County Agricultural Alliance  
United Core Alliance  
Veterans Cannabis Group  
Veterans for Medical Cannabis Access  
Veterans Walk and Talk Bay Area Chapter  
Wamm Phytotherapies

**REGISTERED OPPOSITION:**

Angeles Emeralds  
California Minority Alliance  
Coachella Valley Cannabis Alliance  
Long Beach Collective Association  
Orange County Advocacy Alliance  
San Francisco Cannabis Retailers Alliance  
Silicon Valley Cannabis Alliance  
Social Equity LA  
Social Equity Operators and Workers Association  
United Cannabis Business Association

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