May 24, 2016

LEGISLATIVE ANALYST'S OFFICE

Governor's May Revision: Budget Trailer Bill Changes to the Medical Marijuana Regulation and Safety Act

Presented to:
Assembly Committee on Business and Professions
Hon. Rudy Salas Jr., Chair

Assembly Committee on Health
Hon. Jim Wood, Chair

Assembly Committee on Revenue and Taxation
Hon. Sebastian Ridley-Thomas, Chair

Senate Committee on Business, Professions and Economic Development
Hon. Jerry Hill, Chair

May 24, 2016

Overview of the MMRSA

Medical Marijuana Regulation and Safety Act (MMRSA) Passed by Legislature in 2015, Took Effect January 2016

- Implemented via three pieces of legislation: Chapters 688, 689, and 719 of 2015 (AB 243, Wood; AB 266, Bonta; and SB 643, McGuire).

Establishes New Regulatory Framework for Medical Marijuana Industry

- Implements new structure for licensing and enforcement of medical marijuana cultivation, product manufacturing, testing, transportation, storage, and distribution. Assigns various responsibilities to both state and local governments.
- Authorizes state and local governments to collect specified fees and taxes, as well as issue penalties for violations. State departments can establish licensing fees to cover regulatory costs.
- Requires state to set standards for labeling, testing, and packaging medical marijuana products and to develop an information technology system to track such products throughout the supply chain.
- Institutes system for regulating, monitoring, and reducing environmental impacts of marijuana cultivation.

Establishes New State Regulatory Entity, New Special Fund

- Creates Bureau of Medical Marijuana Regulation (BMMR) within the Department of Consumer Affairs (DCA).
- Establishes Medical Marijuana Regulation and Safety Act Fund (MMRSAF) to receive fees and penalties assessed under the act, and to be used for associated regulatory and enforcement activities. Provides one-time loan of up to $10 million from the General Fund to the MMRSAF to begin implementation of the act.

Major Changes to MMRSA in May Revision Budget Trailer Legislation

- ***BMMR Name Change.*** Changes BMMR's name to the Bureau of Medical Cannabis Regulation.
- ***Licensing Authority.*** Clarifies that implementing departments have the authority to create license types, set license fees, and conduct enforcement against licensees.
- ***Licensing Requirements.*** Adds additional conditions for licensure and grounds for disciplinary actions against licensees. Authorizes implementing departments to provide conditional licenses and establish deadlines for applying for licensure.
- ***Regulatory Authority.*** Authorizes implementing departments to promulgate regulations and provides them with emergency regulation authority.
- ***Department Roles for Track and Trace System.*** Specifies that the California Department of Food and Agriculture (CDFA) is the licensing authority responsible for creating the track and trace IT system and provides the State Board of Equalization (BOE) access to the system. Eliminates a requirement for BOE to establish a reporting system for marijuana.
- ***Testing Laboratory Licensing Authority.*** Transfers licensing authority for marijuana testing laboratories from the Department of Public Health to DCA.
- ***Product Packaging and Safety.*** Adds requirements for labeling and child-proof packaging. Defines and prohibits misbranding and the sale of adulterated products.
- ***Protection of Instream Flows.*** Clarifies roles of the State Water Resources Control Board, CDFA, and Department of Fish and Wildlife in ensuring that cannabis cultivation does not negatively affect stream flows needed for fish and water quality. Institutes process for establishing and enforcing both interim and permanent requirements for cultivation-related water diversion and use.