

Date of Hearing: April 18, 2017

ASSEMBLY COMMITTEE ON BUSINESS AND PROFESSIONS

Rudy Salas, Chair

AB 420 (Wood) – As Introduced February 9, 2017

**SUBJECT:** Marijuana and medical cannabis: advertisements: license number disclosure.

**SUMMARY:** Requires an advertisement for the sale of medical cannabis or medical cannabis products to identify the Medical Cannabis Regulation and Safety Act (MCRSA) licensee responsible for its content by including, at a minimum, the license number of the MCRSA licensee; and, requires an advertisement for the sale of nonmedical marijuana or nonmedical marijuana products to include, at a minimum, the license number of the Adult Use Marijuana Act (AUMA) licensee responsible for its content.

**EXISTING LAW:**

- 1) Establishes the Bureau of Marijuana Control, also referred to as the Bureau of Medical Cannabis Regulation (Bureau), under the Department of Consumer Affairs (DCA), to establish a comprehensive system to control and regulate the cultivation, distribution, transport, storage, manufacturing, processing, and sale of cannabis products (Business and Professions Code (BPC) § 26000 et seq.; BPC § 19302)
- 2) Provides guidelines for advertising the sale of cannabis. (BPC § 26150 et seq.)
- 3) Specifies that all advertisements and marketing shall accurately and legibly identify the licensee responsible for its content. (BPC § 26151)
- 4) Indicates that any advertising or marketing placed in broadcast, cable, radio, print and digital communications shall only be displayed where at least 71.6 percent of the audience is reasonably expected to be 21 years of age or older, as determined by reliable, up-to-date audience composition data. (BPC § 26151 (b))
- 5) Requires any advertising or marketing involving direct, individualized communication or dialogue controlled by the licensee to utilize a method of age affirmation to verify that the recipient is 21 years of age or older prior to engaging in such communication or dialogue controlled by the licensee including user confirmation, birth date disclosure, or other similar registration method. (BPC § 26151 (c))
- 6) Indicates that all advertising be truthful and appropriately substantiated. (BPC § 26152)

**THIS BILL:**

- 1) Defines “advertisement” as any written or verbal statement, illustration, or depiction which is calculated to induce sales of medical cannabis or medical cannabis products, including any written, printed, graphic, or other material, billboard, sign, or other outdoor display, public transit card, other periodical literature, publication, or in a radio or television broadcast, or in any other media; except that such term shall not include:

- a) Any label affixed to any cannabis or cannabis products, or any individual covering, carton, or other wrapper of such container that constitutes a part of the labeling under provisions of this division.
  - b) Any editorial or other reading material (e.g., news release) in any periodical or publication or newspaper for the publication of which no money or valuable consideration is paid or promised, directly or indirectly, by any licensee, and which is not written by or at the direction of the licensee.
- 2) Specifies that an advertisement shall identify the licensee responsible for its content by including, at a minimum, the license number of the licensee.

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

**COMMENTS:**

**Purpose.** This bill is sponsored by the author. According to the author, “As the state prepares to issue state licenses to applicants of MCRSA and AUMA, there should also be assurances that medical and nonmedical cannabis business practices follow best practices from other licensed businesses in California...similar advertisement disclosures do not apply to licensees of MCRSA or AUMA. As the state unveils the daunting task of regulating the entire medical and nonmedical cannabis industry, an industry that has largely operated in an unregulated market for the past two decades, there needs to be assurances that a black market does not continue to flourish. AB 420 will require that all licensees of medical and non-medical cannabis include their state license number on advertisements.”

**Background.** *Advertising Guidelines in California.* While current law provides guidelines for advertising cannabis business and products, it does not require a licensee to include their license number on their advertisement. In contrast, the Contractors State License Board (CSLB) requires roofers, plumbers, and electricians, among other licensees, to include their license numbers on all forms of advertisements including contracts, business cards, yard signs, and placards on commercially registered vehicles. The CSLB advertising requirements help ensure consumers can easily decipher legitimate contractors from unlicensed contractors while also serving as another way to reduce the black market of unlicensed operators. Similar to the advertisement provisions that contractors must adhere to, this measure requires any advertisement for sale of either medical or nonmedical cannabis or cannabis product to include the state license number of the licensee on the advertisement.

*Other States.* In March of 2017, the Colorado Legislature passed Senate Bill 17-015. Effective September 1, 2017, an individual who is not licensed to sell cannabis will be prohibited from advertising cannabis, cannabis concentrate, or a cannabis-infused product in a newspaper, magazine, handbill, or other publication, or on the internet.

**ARGUMENTS IN SUPPORT:**

The **California Police Chiefs Association, Inc.** supports the bill and writes, “...consumers should be afforded information to quickly and easily determine a licensed medical or nonmedical cannabis business from an illegal cannabis operator. A state license number requirement on all

forms of advertisement is a necessary step to ensure consumer safety and provide another tool to shut down the illicit market.”

The **City of Santa Monica** writes in their letter of support, “The City of Santa Monica has historically supported related legislation, to improve the implementation of the regulatory framework for MCRSA to ease the transition for existing operators, local governments, patients, employees, and the general public. AB 420 ensures that medical and nonmedical cannabis businesses follow best practices in alignment with these efforts.”

**REGISTERED SUPPORT:**

California Policy Chiefs Association, Inc.  
City of Santa Monica

**REGISTERED OPPOSITION:**

None on file.

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