

Date of Hearing: April 25, 2017

ASSEMBLY COMMITTEE ON BUSINESS AND PROFESSIONS

Evan Low, Chair

AB 259 (Gipson) – As Amended March 28, 2017

SUBJECT: Medical cannabis and nonmedical marijuana: California residency requirement for licensing.

SUMMARY: Requires a person to demonstrate 3 years of continuous California residency prior to the date of application before being issued a license to engage in cannabis business.

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) Outlines the requirements for a person to submit an application for a state license issued by a licensing authority after that person has received a license, permit, or authorization from the local jurisdiction. (BPC § 19322)
- 3) Sets forth residency requirements for individuals to obtain licenses including a requirement that the individual must demonstrate continuous California residency on or before January 1, 2015. (BPC § 26054.1)

THIS BILL:

- 1) Adds to the requirements for state licensure a demonstration of three years of continuous California residency prior to the date of application.
- 2) Specifies that a licensing authority shall not issue or renew a license to a person that cannot demonstrate continuous California residency for three years prior to the date of application. In the case of an applicant or licensee that is an entity, the entity shall not be considered a resident if any person controlling the entity cannot demonstrate continuous California residency for three years prior to the date of application and specifies that this provision becomes inoperative as of December 31, 2023.

FISCAL EFFECT: Unknown. This bill has been keyed fiscal by the Legislative Counsel.

COMMENTS:

Purpose. This bill is sponsored by the **California Growers Association**. According to the author, “When the voters of the State of California passed Proposition 64, they explicitly declared their interest in protecting California’s cannabis industry by ensuring that state residents were made a priority. Prop 64 effectively established a 3 year residency requirement...licenses are only available for applicants that can prove continuous residency from or before January 1, 2015 in order to receive a license for any purpose as it relates to cultivation, distribution, or retail sales of marijuana; however, this provision is set to end in 2019.”

Many states have passed similar measures to protect local business and make their local economy a priority. This bill seeks to build on that precedent, as well as the prior residency requirement in Prop 64, to extend California's residency requirement to the year 2023, and clarify that the requirement is for 3-years of residency, and not continuous residency from on or before 2015."

Background. In California, current law is conflicted. The Medical Cannabis Regulation and Safety Act does not have a residency requirement but the Adult Use of Marijuana Act (Proposition 64) does. This residency requirement will expire on December 31, 2019, unless the California State Legislature renews it.

Other States. The following states have residency requirements:

- Oregon- requires each marijuana business to be controlled by a two-year Oregon resident and be at least 51% Oregon owned.
- Colorado- requires any owner of a licensed cannabis medical or recreational business to have been a Colorado resident for at least two years prior to applying for a permit.
- Washington- requires all investors in the marijuana business to have established residency in Washington for at least six months.
- Ohio- When awarding cultivator licenses, uses proof that the company is headquartered in Ohio, owned by Ohioans and plans to hire in-state workers, to factor into the review but is not required.

ARGUMENTS IN SUPPORT:

The **California Cannabis Industry Association** writes in support, "A bill to put our communities first in cannabis, AB 259 would strengthen the residency requirements in Prop 64 and ensure that medical cannabis business owners enjoy the same protections as adult use businesses. By providing priority licensing for California businesses, we believe AB 259 will increase rates of participation. Not only will this legislation result in more people participating in the regulated marketplace, it will also increase their rates of success."

We believe these impacts will be focused on small and cottage businesses who are racing against time to raise capital and meet the regulatory requirements."

REGISTERED SUPPORT:

California Cannabis Industry Association

REGISTERED OPPOSITION:

None on file.

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