

**Department of Cannabis Control
California Code of Regulations Title 4, Division 19**

Initial Statement of Reasons

Subject Matter of Proposed Regulations: Medicinal and Adult-Use Commercial Cannabis Regulations.

Sections Affected: Title 4, California Code of Regulations, sections 15000, 15000.1, 15000.2, 15000.3, 15000.4, 15000.5, 15000.6, 15000.7, 15000.8, 15000.9, 15000.10, 15001, 15001.1, 15001.2, 15001.3, 15001.4, 15002, 15002.1, 15003, 15004, 15004.1, 15005, 15006, 15007, 15007.2, 15008, 15009, 15010, 15010.1, 15010.2, 15010.3, 15011, 15012, 15013, 15014, 15015, 15017, 15018, 15020, 15021, 15022, 15023, 15024, 15024.1, 15025, 15026, 15027, 15028, 15030, 15031, 15032, 15033, 15034, 15035, 15036, 15037, 15038, 15039, 15040, 15040.1, 15040.2, 15041.1, 15041.2, 15041.3, 15041.4, 15041.5, 15041.6, 15041.7, 15042, 15042.1, 15043, 15044, 15045, 15046, 15047, 15047.1, 15047.2, 15048, 15048.1, 15048.2, 15048.3, 15048.4, 15048.5, 15049, 15049.1, 15049.2, 15050, 15051, 15052, 15052.1, 15053, 15054, 15300, 15301, 15302, 15303, 15303.1, 15304, 15305, 15306, 15307, 15307.1, 15307.2, 15308, 15309, 15310, 15311, 15312, 15313, 15314, 15315, 15402, 15405, 15406, 15407, 15408, 15410, 15411, 15413, 15414, 15415, 15417, 15418, 15419, 15420, 15426, 15427, 15500, 15501, 15502, 15503, 15504, 15505, 15506, 15506.1, 15507, 15600, 15601, 15602, 15603.1, 15604, 15700, 15701, 15702, 15703, 15704, 15705, 15706, 15709, 15710, 15711, 15713, 15714, 15715, 15717, 15718, 15719, 15720, 15721, 15722, 15723, 15724, 15725, 15726, 15727, 15728, 15729, 15730, 15731, 15732, 15733, 15734, 15735, 15736, 15737, 15738, 15739, 15800, 15801, 15802, 15803, 15804, 15805, 15806, 15807, 15808, 15809, 15810, 15811, 15812, 15813, 15814, 15815, 15900, 15901, 15902, 15903, 15904, 15905, 16000, 16100, 16101, 16102, 16103, 16104, 16105, 16106, 16107, 16108, 16109, 16110, 16112, 16113, 16114, 16115, 16200, 16201, 16202, 16203, 16204, 16205, 16206, 16207, 16208, 16209, 16210, 16211, 16212, 16213, 16214, 16215, 16216, 16300, 16301, 16302, 16303, 16304, 16305, 16306, 16307, 16308, 16309, 16310, 16311, 16400, 16401, 16402, 16403, 16404, 16405, 16406, 16408, 16409, 16500, 16501, 16600, 16601, 16602, 16603, 16604, 16605, 16606, 16607, 16608, 16609, 17000, 17001, 17002, 17003, 17004, 17005, 17006, 17009, 17100, 17101, 17102, 17103, 17104, 17105, 17106, 17107, 17108, 17109, 17110, 17111, 17113, 17114, 17115, 17116, 17117, 17118, 17119, 17120, 17121, 17122, 17123, 17124, 17125, 17126, 17127, 17128, 17200, 17201, 17202, 17202.1, 17203, 17204, 17205, 17206, 17207, 17208, 17209, 17210, 17211, 17211.1, 17212, 17213, 17214, 17215, 17216, 17217, 17218, 17219, 17220, 17221, 17222, 17223, 17224, 17225, 17226, 17227, 17300, 17301, 17302, 17303, 17304, 17305, 17398, 17399, 17400, 17401, 17402, 17403, 17404, 17405, 17406, 17407, 17408, 17409, 17410, 17411, 17412, 17500, 17501, 17502, 17503, 17504, 17505, 17506, 17507, 17508, 17509, 17510, 17800, 17801, 17801.1, 17801.5, 17802, 17803, 17804, 17805, 17806, 17807, 17808, 17809, 17810, 17813, 17814, 17815, 17816, 17817, 17900, 17901, 17902, 17903, 17904, and 17905.

Background

On July 12, 2021, Governor Gavin Newsom (Governor Newsom) signed California Assembly Bill 141, (*Chapter 70, Statutes of 2021*), which consolidated the former three cannabis licensing authorities – the Department of Consumer Affairs’ Bureau of Cannabis Control (Bureau), the Department of Food and Agriculture’s CalCannabis Cultivation Licensing Division, and the Department of Public Health’s Manufactured Cannabis Safety Branch – into a single Department of Cannabis Control (Department) within the Business, Consumer Services, and Housing Agency. The newly established Department inherited all the powers, duties, purposes, functions, responsibilities, and jurisdiction of the three separate licensing entities authorized by the Medicinal and Adult-Use Cannabis Regulatory and Safety Act (MAUCRSA or Act). The Department serves as the single regulatory and enforcement entity for all licensed commercial cannabis businesses in California.

The Department regulates all commercial cannabis license holders in California, including cultivators, retailers, manufacturers, distributors, testing laboratories, microbusinesses, and temporary cannabis events. The Department also manages the state’s track and trace system, used to track cannabis and cannabis products, from seed to sale, within the commercial cannabis supply chain. In furtherance of these duties, the Department continues to enforce MAUCRSA and all the regulations adopted by the three legacy licensing authorities.

Previously, the regulations of the three licensing entities were in different titles within the CCR, which have since been consolidated under Title 4 of the CCR. The OAL approved the actions to renumber and relocate the regulations and filed the actions with the Secretary of State, making the changes effective the same day.

Statement of Purpose, Problem, Rationale, and Benefits

This rulemaking action would consolidate, clarify, and make consistent licensing and enforcement criteria for commercial cannabis businesses, including cultivators, manufacturers, distributors, retailers, microbusinesses, testing laboratories, and temporary cannabis events. These proposed regulations would inform applicants for licensure of the applicable meaning of key statutory terms; identify the documents and supplemental information required in an application; and provide specific clarification of terms, prohibitions, or conditions for compliance with MAUCRSA for their particular license type. Chapter 1 of these proposed regulations contains general provisions that apply to all license types, entitled All Licensees. Chapter 2 applies to Distributors, Chapter 3 applies to Retailers, Chapter 4 applies to Microbusinesses, Chapter 5 applies to Cannabis Events, Chapter 6 applies to Testing Laboratories, Chapter 7 applies to Cultivators, and Chapter 8 applies to Manufacturers. In addition, the regulations include a number of regulatory considerations for all license types including Chapter 9 on Other Responsibilities, Chapter 10 on Cannabis and Cannabis Products, Chapter 11 on Labeling and Packaging Requirements, and Chapter 12 on Enforcement. Finally, Chapter 13 on Other Provisions includes regulations such as those related to university research funding.

Chapter 1: All Licensees

The Department was established to create a comprehensive and coherent regulatory framework for an established industry that was previously regulated by the former Bureau within the Department of Consumer Affairs, former CalCannabis Program within the California Department of Food and Agriculture, and former Manufactured Cannabis Safety Branch within the California Department of Public Health. While MAUCRSA provides guidance on the larger macro issues, much of the implementation specifics and clarification of terms were left to the legacy licensing authorities. These proposed regulations would consolidate, clarify, and make consistent terms that have been left to the Department. With a uniform set of definitions applicable to all Department licensees, these proposed regulations would help all applicants and licensees better understand:

- (1) the applicable meaning of key statutory and other terms related to the Department's licensing program;
- (2) what documents and information are required in an application; and
- (3) specific clarification of prohibitions, requirements, or conditions for compliance with MAUCRSA.

Article 1 of the proposed regulations would provide an overview of the division's definitions and generally applicable requirements to all licensees. Specifically, the proposed regulations would consolidate, clarify, and make consistent the applicable meaning of key statutory terms and other terms used within the proposed regulations that may have previously conflicted. These terms include those relevant to requirements of licensees, such as "cannabis waste", "edible cannabis product", "limited access area", "package", "wholesale cost", and terms related to cannabis in different stages of the supply chain. The definitions of "immature plant", manufacture, and tincture have been also amended for clarity. The proposed regulations would consolidate and clarify the general requirements for commercial cannabis activity including licensed premises requirements; commercial cannabis activity between licensees; where commercial cannabis activity may occur; requirements related to the use of a licensed distributor; requirements related to the non-transferability of licensees; and requirements related to the use of legal business names on all documents related to commercial cannabis activities. The proposed regulations would further consolidate general requirements regarding business conducted between licensees with A- and M- license designations. The proposed regulations would consolidate and make consistent general requirements related to the location of a premises licensed by the Department. The proposed regulations would make consistent and clarify the regulatory prohibition on subletting licensed premises or a portion of licensed premises, except for shared facilities, as well as a prohibition against including living areas as part of the licensed premises while allowing a transition period. Additionally, the proposed regulations allow for the use of shipping containers on a licensed premises and require separation by walls between storage areas and employee areas. The proposed regulations would add requirements related to the use of appellations of origins. The proposed regulations would consolidate existing regulations regarding a licensee's responsibility for acts of their employees or agents. The proposed regulations would clarify and make consistent existing requirements related to age restrictions at a licensed premises – clarifying that employees and persons retained to handle cannabis and

cannabis products must be at least 21 years of age. In addition, the proposed regulations would consolidate, clarify, and make consistent general requirements for the storage of inventory at the licensed premises.

Article 2 of the proposed regulations would clarify what information and documents are required to complete an application for provisional and annual licensure. The proposed regulations would specify the requirements for provisional licensure including what a provisional licensee must do to obtain, and subsequently maintain their license while in pursuit of their annual license and outline the Department review process for disciplinary action on provisional licensees. The proposed regulations would also outline the annual licensure process by consolidating application requirements and making them consistent. Such changes would include updating certain application requirements based on the Department's experience, including removing disclosure requirements for other state commercial cannabis licenses; limiting the type of business formation documents required for submittal; and updating labor peace agreement requirements, while maintaining the requirement to provide the signature page of labor peace agreements. The proposed regulations would move the temporary cannabis event application requirements to this chapter to consolidate application requirements in one area, while requiring disclosure of all participating licensees and vendors, removing the employee disclosure provision, and requiring a limited access area.

The proposed regulations would consolidate, clarify, and make consistent the definition of "owner" for the purposes of applying for licensure. The proposed regulations would further specify what individuals would be considered owners based on their management, direction, or control of the commercial cannabis business. The proposed regulations would consolidate and make consistent financial interest holder disclosure requirements by providing additional examples regarding who constitutes a financial interest holder. The proposed regulations would also clarify the independence of testing laboratories in respect to other licensees. This includes prohibiting common ownership, financial interest holders, and employees between testing laboratories and other licenses. The proposed regulations also prohibit landlord-tenant relationships and discounted services between testing laboratories and other types of licensees.

The proposed regulations would clarify what a premises diagram must show for all licensees, including cultivators and manufacturers. The proposed regulations would consolidate, make consistent, and clarify landowner approval requirements. The proposed regulations would allow for the use of electronic signatures. The proposed regulations would update the current bond form and eliminate the requirement for a separate bond for each license, allowing licensees to utilize one bond with the appropriate amount for all licenses they hold. The proposed regulations would consolidate, clarify, and make consistent current California Environmental Quality Act review requirements for all applicants. The proposed regulations would add to the section on required additional information for specific license types, that would consolidate license specific application requirements into one section. The proposed regulations would consolidate, clarify, and make consistent current requirements related to incomplete and abandoned applications. The proposed regulations would consolidate, clarify, and make consistent requirements related to the withdrawal of applications.

Article 3 of the proposed regulations would provide clarification of special conditions, terms, prohibitions, or requirements set forth in MAUCRSA that apply to all license types. The proposed regulations would consolidate all existing fees into one section of the regulations. The proposed regulations would also consolidate existing requirements related to substantially related offenses and criteria for rehabilitation, making them consistent and ensuring that the regulations match the current statutory requirements. The proposed regulations would consolidate requirements related to renewal, denial, cancellation, and surrender of a license and make the requirements consistent between licensees. The requirements would outline consolidate and make consistent the procedures for informing the Department of business modifications, or when one of the owners of a licensed premises has died, is incapacitated, or becomes insolvent.

The proposed regulations would consolidate and make consistent a licensee's responsibilities with regards to cannabis and cannabis products after the termination of a license. The proposed regulations would consolidate and make consistent a licensee's responsibilities to notify the Department for events such as the physical modification of a premises, when there is a significant discrepancy in inventory, or when disaster relief is required due to a state of emergency. The proposed regulations would also consolidate general record keeping requirements and specify certain premises requirements applicable only to licensed retailers and microbusinesses authorized to engage in retail.

Article 4 of the proposed regulations contains requirements for advertising and marketing. The proposed regulations would consolidate and make consistent all commercial cannabis advertising and marketing provisions, as well as clarify what constitutes advertising and marketing that is attractive to children and would streamline licensee's ability to sell branded merchandise. The proposed regulations would clarify restrictions on licensee use of giveaways, raffles, or other promotional activities. The proposed regulations would also outline procedures for the designation and transfer of trade samples between licensees.

Article 5 of the proposed regulations contains minimum-security requirements that would apply to all licensees. The proposed regulations would consolidate security requirements for all license types and clarify that some of the security requirements do not apply to commercial cannabis cultivators.

MACURSA requires that all cannabis and cannabis products be tracked throughout the supply chain. Article 6 of the proposed regulations would consolidate and clarify the requirements for using the track and trace system and reporting the movement of cannabis and cannabis products in the system for all licensees. The proposed regulations would also identify the responsibilities of the designated account manager and outline general tag requirements related to track and trace activities.

Chapter 2: Distributors

The proposed distributor regulations would accomplish three goals:

- (1) ensure that cannabis and cannabis products are properly stored, handled, packaged, and tested;
- (2) ensure that distributors keep and maintain records that are adequate to effectively track and trace the cannabis and cannabis products, thereby assuring

that cannabis and cannabis products are safe for use by the consumer prior to distribution for retail sale; and

(3) ensure cannabis and cannabis products are transported in a safe and secure manner. With these goals in mind, the overall purpose of the proposed regulations is to identify the minimum requirements for holding a state distributor license.

The proposed regulations would remove references to general packaging and labeling requirements as they are being consolidated in Chapter 11 of the Department's regulations. The proposed regulations would allow for cannabis goods to be distributed directly from a premises only providing storage. The proposed regulations would allow the certificate of analysis to be provided electronically and clarify requirements for failed batches or are not fit for sale. The proposed regulations would clarify what constitutes evidence for proof of ownership of transport vehicles, who must own the vehicles, and the requirements for the vehicles. The proposed regulations would eliminate any reference to distributor application and recordkeeping requirements as they are being consolidated in Chapter 1 of the Department's regulations. Finally, the proposed regulations would remove references to temporary licensees, as the Department does not have the ability to issue such licenses anymore.

Chapter 3: Retailers

Chapter 3 of the proposed regulations would clarify requirements for licensed commercial cannabis retailers. Retailers provide commercial cannabis goods to customers who are the end users of cannabis and cannabis goods. Under MAUCRSA, the Department is responsible for establishing the rules for the operation of commercial cannabis retailers. The overall purpose of the proposed regulations is to lay out the minimum requirements for holding a state license to operate a commercial retail premises. The proposed regulations are necessary as retailers engage directly with the consumer and the public. Collectively, the proposed regulations ensure that retailers follow MAUCRSA retail supply chain requirements; protect public health and safety; and limit the risk of diversion.

The proposed regulations would remove existing discussions regarding labeling of live plants, as general packaging and labeling requirements are being consolidated in Chapter 11 of the Department's regulations. The proposed regulations would provide additional clarification regarding a retail licensee's sale of branded merchandise to ensure consistency throughout the Department's regulations. The proposed regulations would clarify and make consistent the maximum immature plant sizes for sale at retail. The proposed regulations include requirements for providing free cannabis goods to medicinal patients. The proposed regulations would allow for curbside delivery at storefront retailers. The proposed regulations would clarify that commercial cannabis delivery drivers may also deliver branded merchandise and cannabis accessories, can carry up to \$10,000 in cannabis goods, and use vehicles with fewer requirements. The proposed regulations would clarify the existing provisions regarding retail to retail transfers of cannabis goods. The proposed regulations would allow the sale of non-cannabis, non-alcoholic pre-packaged food and clarify that outside food and beverages may be delivered to a consumption lounge. Finally, the proposed regulations would remove existing discussions regarding recordkeeping requirements, as they are being consolidated in Chapter 1 of the

Department's regulations.

Chapter 4: Microbusinesses

Under MAUCRSA, a microbusiness license allows a licensee to conduct multiple commercial cannabis activities under one license. A microbusiness licensee is permitted to: cultivate cannabis on an area less than 10,000 square feet; act as a licensed distributor; manufacture cannabis as a Level 1 manufacturer; and/or sell cannabis as a retailer. The overall purpose of the Department's proposed regulations is to lay out the minimum requirements for holding a state license to operate a microbusiness, including ensuring that the MAUCRSA supply chain requirements are adhered to.

The proposed regulations would eliminate all discussion of application requirements for microbusinesses in this chapter, as application requirements for all Department licensees have been consolidated in Chapter 1 of the Department's regulations. The proposed regulations would also clarify that distributor-transport only activities would be considered a qualifying activity for the purposes of obtaining a microbusiness license. Finally, the proposed regulations have eliminated reference to recordkeeping requirements, as they are being consolidated in Chapter 1 of the Department's regulations.

Chapter 5: Cannabis Events

Under MAUCRSA, state temporary event licenses may be issued, authorizing onsite cannabis sales to, and consumption by, persons 21 years of age or older at a location approved by the local jurisdiction, provided that certain conditions are met, including that all participants are licensed. The overall purpose of the proposed regulations is to lay out the minimum requirements for the operation of a temporary cannabis event, licensed by the Department.

The proposed regulations would eliminate both cannabis event organizer and temporary cannabis event application requirements, as the application requirements for all licensees have been consolidated in Chapter 1 of the Department's regulations. The proposed amendments provide for the disclosure of all participants, what each participant will sell, identification of licensee employees by badges, requirements for display of cannabis and cannabis products by non-retail licensees, and limited-access areas.

Chapter 6: Testing Laboratories

Under MAUCRSA, all cannabis and cannabis products must meet certain health and safety standards before they can be sold to customers. To ensure that cannabis and cannabis products meet those standards, a representative sample of the cannabis and cannabis products must be tested by a licensed testing laboratory. Through the proposed regulations, the Department aims to ensure that cannabis goods sold to customers are safe for human consumption. The Department also aims to ensure that customers receive accurate information regarding the cannabis and cannabis products they consume.

The proposed regulations remove conflicting or duplicative definitions, as definitions that are applicable to all the Department's licensees have been consolidated in Chapter 1.

Moreover, the proposed regulations eliminate application requirements for testing

laboratories from this chapter, as application requirements for all licensees have been consolidated in Chapter 1 of the Department's regulations. The proposed regulations clarify that laboratories can test items not regulated by the Department and contain record keeping requirements. The proposed regulations clarify evidence that the Department will consider as establishing proof of ownership of vehicles used for transporting samples and contains requirements for vehicles carrying samples. The proposed regulations remove language regarding the phase-in of testing requirements, as the date that certain tests were phased-in has already passed and this language is no longer necessary. The proposed regulations amend language regarding the testing of tinctures containing alcohol for consistency throughout the Department's regulations. The proposed regulations clarify the variance for edible cannabis products to ensure consistency with statutory requirements. The proposed regulations have added a provision clarifying how testing laboratory licensees may submit a request to amend their certificates of analysis.

Finally, the proposed regulations have eliminated reference to recordkeeping requirements in this chapter, as they are being consolidated in Chapter 1 of the Department's regulations.

Chapter 7: Cultivators

Cultivators grow all cannabis plants that enter the commercial cannabis supply chain. Under MAUCRSA, a cultivation license is required for the planting, growing, harvesting, drying, curing, grading, or trimming of cannabis. Through the proposed regulations, the Department aims to ensure that cultivators follow MAUCRSA supply chain requirements; protect public health and safety as a part of their cultivation practices; and limit the risk of diversion.

The proposed regulations remove language regarding application requirements, fees, and general requirements, as this information has been consolidated for all licensees in Chapter 1 of the Department's regulations. The proposed regulations clarify that cannabis and cannabis products derived from plants grown in designated research and development areas cannot enter the commercial cannabis market or be transferred off the premises. The proposed regulations clarify that lights used for both safety and security shall be shielded downward. The proposed regulations provide clarification regarding greenhouse gas calculation and reporting requirements. The proposed regulations require seed, immature plants or propagated material received as trade samples be cultivated in a dedicated canopy that is included in the aggregate canopy. The proposed regulations clarify canopy, cultivation plan, and pest management plan requirements. The proposed regulations clarify that lights must be shielded from sunset to sunrise for both indoor cultivation and mixed light cultivation. Finally, the proposed regulations have eliminated reference to recordkeeping requirements in this chapter, as they are being consolidated in Chapter 1 of the Department's regulations.

Chapter 8: Manufacturers

Under MAUCRSA, a manufacturing license is required to compound, blend, extract, infuse, package, label, or otherwise make or prepare a cannabis product. Manufacturers generally extract cannabinoids and terpenes from cannabis plants and make products out of the extract, including edible products, vape cartridges, lotions, balms, lozenges, sublingual sprays, pills, tablets, dab, shatter, and wax. The proposed regulations are intended to ensure that manufacturers follow the MAUCRSA supply chain requirements and protect public health and safety in their production of cannabis products for consumption.

The proposed regulations clarify general requirements for extraction and post-extraction requirements by consolidating current legal and regulatory requirements into one section. The proposed regulations clarify the requirements related to batch production records that are produced every time a batch of cannabis product is manufactured, or a batch of cannabis product is remediated. The proposed regulations provide further clarification regarding when written procedures are required for cannabis product components. The proposed regulations clarify that manufacturing licensees must adhere to closed-loop extraction system laws for verification and that they must be certified prior to use. The provisions related to ethanol have been clarified. Finally, the proposed regulations eliminated reference to general licensure requirements in this chapter, such as written personnel procedures and recordkeeping requirements, as these provisions are being consolidated in Chapter 1 of the Department's regulations.

Chapter 9: Other Responsibilities

This chapter of the proposed regulations would identify and consolidate other generally applicable responsibilities for Department licensees. The proposed regulations would clarify what requirements Department licensees must satisfy when using weighing devices. The proposed regulations would identify Department licensees' responsibilities related to cannabis waste management at their licensed premises. The proposed regulations would outline procedures that licensees must adhere to when they receive product complaints. Further, the proposed regulations would establish guidelines for both voluntary and mandatory recalls of cannabis and cannabis products that are determined to be misbranded or adulterated.

Chapter 10: Cannabis and Cannabis Products

The proposed regulations would consolidate requirements for cannabis and cannabis products. Specifically, Article 1 of the proposed regulations would enumerate standards for manufactured cannabis products. The proposed regulations would remove caffeine from the list of prohibited additives. The proposed regulations would identify types of products that shall not be sold as cannabis products. The proposed regulations would identify the requirements for edible cannabis products, including serving sizes. The proposed regulations would identify certain requirements for topical cannabis products, concentrates, and other cannabis products. Additionally, the proposed regulations would identify dosing mechanisms that may be used to package orally-consumed products containing alcohol and tinctures. The proposed regulations would add additional

requirements for inhaled products. Article 2 of the proposed regulations would describe cannabinoid concentration limits related to THC. Article 3 of the proposed regulation would describe the process that licensees may follow to remediate cannabis products that have failed regulatory compliance testing.

Chapter 11: Labeling and Packaging Requirements

The proposed regulations would specify the labeling and packaging considerations for all department licensees. Specifically, Article 1 of the proposed regulations would provide the labeling and packaging requirements for bulk cannabis and cannabis products, live plants, and seeds. Article 2 of the proposed regulations would provide that cannabis product must be labeled and packaged in its final form prior to release to a licensed distributor. Article 3 of the proposed regulations would enumerate labeling requirements for all cannabis and cannabis products, including requirements for primary panel labeling, informational panel labeling, labeling restrictions, and universal symbol requirements. Additionally, Article 4 of the proposed regulations provides an overview of general packaging requirements and child-resistant packaging requirements, as well as packaging requirements for tinctures.

Chapter 12: Enforcement

Under the MAUCRSA, the Department has the authority to create, issue, deny, renew, suspend, revoke, place on probation with terms and conditions, or otherwise discipline a licensee for any acts or omissions constituting grounds for disciplinary action. The Department is responsible for establishing the regulatory framework for disciplinary action for certain licensed and unlicensed commercial cannabis activities. The proposed regulations establish the overarching framework for which the Department will initiate or undertake enforcement action, including disciplinary action for all licensees.

Enforcement of MAUCRSA is essential to carrying out the duties of the Department in ensuring the protection of the public as the highest priority.

The proposed regulations would consolidate and clarify the enforcement provisions applicable to all Department licensees, as well as make consistent the Department's enforcement procedures and disciplinary guidelines. Disciplinary guidelines, including proposed penalties and fines, would be consolidated as a part of the proposed regulations.

Chapter 13: Other Provisions

Revenue and Taxation Code section 34019, subsection (b), provides that a sum of ten million dollars (\$10,000,000), will be disbursed annually to public universities in California, beginning with the 2018-2019 fiscal year until the 2028-2029 fiscal year, to research and evaluate the implementation and effect of the Act. While the Revenue and Taxation Code provides the Department the authority to select the universities that will be eligible for this disbursement, much of the implementation specifics were left to the Department. The proposed regulations would relocate the regulations currently in place from Chapter 8 to Chapter 13.

Anticipated Benefits to the Public

The broad objectives of these proposed regulations are to consolidate, clarify, or make consistent the commercial cannabis regulations. The proposed regulations are expected to benefit the health and welfare of California residents. The specific benefits anticipated are increased protection of the public and environment from the harms associated with an unregulated commercial cannabis market.

Prior to consolidation and the proposed regulatory amendments, there existed three separate sets of regulations. One set applied only to retailers, distributors, testing laboratories, microbusinesses, and temporary cannabis events. The second set of regulations applied only to cultivators. The third set of regulations only applied to manufacturers. Each set of regulations contained specific regulatory requirements that were only applicable to specific license types. In some areas, the requirements within each of the three separate sets of regulations were the same. In other areas, the requirements differed depending on the license type. The proposed regulations aim to take the three disparate sets of regulations and effectively combine them into one consolidated set of regulations that are applicable to all commercial cannabis license types regulated by the new Department. This includes eliminating duplicative requirements that appear in multiple sets of regulations; reorganizing regulatory chapters, articles, and sections in a manner that allows readers to easily identify the sections they are seeking; and clarifying the regulatory text to provide clear guidance regarding the requirements for commercial cannabis licensees while reducing the risk of confusion.

These proposed consolidated regulations will allow commercial cannabis businesses to more easily and effectively identify and understand the requirements for operating a commercial cannabis business within the State of California. By making it easier for commercial cannabis businesses to identify and understand these requirements, it is anticipated that the proposed regulations will be more effective in achieving the Department's primary goal of protecting the public. Regulations regarding mandatory laboratory testing, informative product labeling, safe product packaging, and tracking of cannabis movement through the state will be more effective when they are well organized and easy for commercial cannabis businesses to understand.

At the same time, the proposed consolidated regulations increase the Department's ability to effectively regulate commercial cannabis businesses. A well organized, clearly written, consistent set of consolidated regulations will allow the Department to better educate licensees regarding the rules as well as consistently enforce them in a fair manner. Effective education and enforcement regarding the requirements found in the regulations are essential to the Department's goal of ensuring that California's commercial cannabis businesses operate in a manner that benefits the state of California while reducing or eliminating the risks of harm to the people of the state. The increased clarity and efficiency obtained by the proposed consolidated regulations will further increase the Department's ability to carry out this mission.

Moreover, the streamlined and consistent set of regulations allows all of California's commercial cannabis businesses to operate more efficiently. This in turn increases the state's ability to combat the unregulated commercial cannabis market. The unregulated cannabis market poses a risk of harm to public health and the environment. The proposed

regulations will ensure that cannabis and cannabis products meet health and safety standards by requiring that samples of each batch of harvested cannabis and cannabis products be tested prior to being sold to consumers. The proposed regulations would also ensure that cannabis goods are sold in a manner that prevents access or diversion of cannabis goods to persons under the age of 21 who do not possess a valid physician's recommendation. Streamlining the requirements for operating a legally licensed commercial cannabis business makes the licensed market more available to a wider number of businesses which will strengthen the legal licensed market and weaken the illegal unlicensed market.

Specific Purpose, Necessity, and Rationale for Adoption

The Department proposes to adopt, amend, or repeal sections §§ 15000, 15000.1, 15000.2, 15000.3, 15000.4, 15000.5, 15000.6, 15000.7, 15000.8, 15000.9, 15000.10, 15001, 15001.1, 15001.2, 15001.3, 15001.4, 15002, 15002.1, 15003, 15004, 15004.1, 15005, 15006, 15007, 15007.2, 15008, 15009, 15010, 15010.1, 15010.2, 15010.3, 15011, 15012, 15013, 15014, 15015, 15017, 15018, 15020, 15021, 15022, 15023, 15024, 15024.1, 15025, 15026, 15027, 15028, 15030, 15031, 15032, 15033, 15034, 15035, 15036, 15037, 15038, 15039, 15040, 15040.1, 15040.2, 15041.1, 15041.2, 15041.3, 15041.4, 15041.5, 15041.6, 15041.7, 15042, 15042.1, 15043, 15044, 15045, 15046, 15047, 15047.1, 15047.2, 15048, 15048.1, 15048.2, 15048.3, 15048.4, 15048.5, 15049, 15049.1, 15049.2, 15050, 15051, 15052, 15052.1, 15053, 15054, 15300, 15301, 15302, 15303, 15303.1, 15304, 15305, 15306, 15307, 15307.1, 15307.2, 15308, 15309, 15310, 15311, 15312, 15313, 15314, 15315, 15402, 15405, 15406, 15407, 15408, 15410, 15411, 15413, 15414, 15415, 15417, 15418, 15419, 15420, 15426, 15427, 15500, 15501, 15502, 15503, 15504, 15505, 15506, 15506.1, 15507, 15600, 15601, 15602, 15603.1, 15604, 15700, 15701, 15702, 15703, 15704, 15705, 15706, 15709, 15710, 15711, 15713, 15714, 15715, 15717, 15718, 15719, 15720, 15721, 15722, 15723, 15724, 15725, 15726, 15727, 15728, 15729, 15730, 15731, 15732, 15733, 15734, 15735, 15736, 15737, 15738, 15739, 15800, 15801, 15802, 15803, 15804, 15805, 15806, 15807, 15808, 15809, 15810, 15811, 15812, 15813, 15814, 15815, 15900, 15901, 15902, 15903, 15904, 15905, 16000, 16100, 16101, 16102, 16103, 16104, 16105, 16106, 16107, 16108, 16109, 16110, 16112, 16113, 16114, 16115, 16200, 16201, 16202, 16203, 16204, 16205, 16206, 16207, 16208, 16209, 16210, 16211, 16212, 16213, 16214, 16215, 16216, 16300, 16301, 16302, 16303, 16304, 16305, 16306, 16307, 16308, 16309, 16310, 16311, 16400, 16401, 16402, 16403, 16404, 16405, 16406, 16408, 16409, 16500, 16501, 16600, 16601, 16602, 16603, 16604, 16605, 16606, 16607, 16608, 16609, 17000, 17001, 17002, 17003, 17004, 17005, 17006, 17009, 17100, 17101, 17102, 17103, 17104, 17105, 17106, 17107, 17108, 17109, 17110, 17111, 17113, 17114, 17115, 17116, 17117, 17118, 17119, 17120, 17121, 17122, 17123, 17124, 17125, 17126, 17127, 17128, 17200, 17201, 17202, 17202.1, 17203, 17204, 17205, 17206, 17207, 17208, 17209, 17210, 17211, 17211.1, 17212, 17213, 17214, 17215, 17216, 17217, 17218, 17219, 17220, 17221, 17222, 17223, 17224, 17225, 17226, 17227, 17300, 17301, 17302, 17303, 17304, 17305, 17398, 17399, 17400, 17401, 17402, 17403, 17404, 17405, 17406, 17407, 17408, 17409, 17410, 17411, 17412,

17500, 17501, 17502, 17503, 17504, 17505, 17506, 17507, 17508, 17509, 17510, 17800, 17801, 17801.1, 17801.5, 17802, 17803, 17804, 17805, 17806, 17807, 17808, 17809, 17810, 17813, 17814, 17815, 17816, 17817, 17900, 17901, 17902, 17903, 17904, and 17905 of Division 19, of Title 4, of the California Code of Regulations, as follows.

Chapter 1. All Licensees

The chapter title is amended to clarify that the sections within it apply to all licensees of the Department. This is necessary because previously this chapter applied to all licensees, except manufacturers and cultivators. The Department proposes to have the chapter applicable to all licensees for consistency.

Article 1. Division Definitions and General Requirements

The article title is amended to clarify that the sections within it contain division definitions and general requirements that apply to all licensees of the Department. This is necessary because previously this article only contained definitions. The Department proposes to reorganize the article to include provisions that are generally applicable to all licensees for clarity and consistency.

Section 15000. Definitions.

This section is amended to incorporate definitions from sections 15700, 16000, and 17000 to provide a consolidated location for definitions used throughout this division.

Proposed subsection (a) defines “Act” and has been amended to provide the BPC citation for the Medicinal and Adult-Use Regulation and Safety Act. This is necessary for specificity, to ensure that interested parties are aware that references to “Act” refers to the appropriate citations in the BPC, so that they may easily find the statute.

Proposed subsection (b) deletes the definition for “Branded merchandise”. This definition has been incorporated into section 15041.1. This is necessary for clarity and will ensure that all prospective Department licensees are referring to the appropriate branded merchandise information in the same section. Additionally, this section proposes adding the definition of “adulterated” from former section 17000(d) to consolidate the definitions into a single regulatory section. “Adulterated” is established in BPC section 26039.6 and further regulatory provisions establish the requirements to be met to ensure that cannabis and cannabis products are not adulterated. This definition is necessary to ensure that licensees understand the specific elements that make a cannabis good adulterated to allow them to implement any processes needed to prevent adulteration.

Proposed subsection (c) deletes the word “[Reserved]”, as it is no longer necessary, and adds the definition of “allergen,” repealed from section 17000(e), to consolidate the definitions into a single regulatory section. This section is amended to cite to the United States Food and Drug Administration (USFDA) definition of “allergen,” rather than incorporating the definition directly into the regulatory text. The USFDA definition is widely used and understood by individuals with food allergies. This change is necessary to protect the health of those individuals by ensuring allergens are addressed in cannabis products the same manner as other food products.

Proposed subsection (d) removes the definition for “Business day”. This is necessary because the definition is no longer needed. The Department determined that business day is commonly understood to be a day Monday through Friday, excluding holidays. Because this term is commonly understood, the Department determined that including a definition here would be duplicative of the plain, commonly understood meaning.

Instead, proposed subsection (d) adds a definition for the phrase “Appellation of Origin.” The appellation of origin program is split between the Department and the Department of Food and Agriculture. To clarify that the appellation of origin requirements are not solely contained in the Department’s regulations, a reference to the statute and regulations approved by the Department of Food and Agriculture has been added.

Proposed subsection (e) “Applicant” has been added here and repealed from section 17000(f) to provide a consolidated location for definitions used throughout the division. The definition of “applicant” is also proposed to be amended from the previous version to remove the specific reference to applicants for a license to manufacture cannabis products. This amendment is necessary to specify that the definition is applicable to all license types.

Proposed subsection (f) is the definition of “batch.” This is a statutory definition from BPC section 26001(d) and is duplicated in these regulations to provide a comprehensive listing of definitions for terms used in further regulatory provisions. Proposed subsection (f)(1) refers specifically to harvest batches and duplicates the definition of harvest batch from BPC 26001(d)(1). Proposed subsection (f)(2) refers specifically to manufactured cannabis batches and duplicates the definition previously contained in the cannabis manufacturing regulations at 17000(g). These definitions are necessary so that Department licensees are adequately informed of what constitutes a harvest batch and manufactured cannabis batch.

Proposed subsection (g) “cannabis accessories” has been renumbered from subsection (e).

Proposed subsection (h) adds the definition of “cannabis concentrate,” which is contained in section 17000(i) that is proposed to be repealed, to consolidate the definitions into a single regulatory section. This subsection includes minor revisions which include removing the term “of this division”, that are stylistic or grammatical in nature that do not change the substance of the requirements.

Proposed subsection (i) “cannabis goods” has been renumbered from subsection (f). This definition is also proposed to be amended to accommodate changes in terminology necessitated by the consolidation of the licensing authorities. The existing definition of “cannabis goods” serves as a general term to encompass both cannabis and cannabis products. The existing definition was sufficient for the single set of regulations that governed distributors, retailers, and cannabis events, which primarily addressed cannabis and cannabis products at the end of the commercial chain. Now that the regulations have been consolidated and address requirements throughout the commercial chain, the Department determined it was necessary to establish terminology that provides a distinction between cannabis and cannabis products that are moving through cultivation and manufacturing processes, and those that have been finalized and packaged for sale to

a consumer. “Including dried flower” was removed from the original definition of cannabis goods as dried flower is considered cannabis, and thus “dried flower” is redundant. “Products containing cannabis” was also removed from the original definition as “cannabis products in final form” that was added covers any product that contains cannabis. The regulatory provisions that govern cultivation and manufacturing processes are specific to cannabis and cannabis products that are not packaged and therefore more susceptible to contamination. To protect public health and safety, it is necessary to establish different requirements for cannabis and cannabis products that are not yet in packaged form. This amendment to the definition of “cannabis goods” is necessary so that licensees can adhere to the proper regulatory requirements for the stage of the commercial market chain that the cannabis or cannabis product is in. For consistency and clarity purposes, the exemption from the amended definition for section 15311, that was originally included in the emergency regulations, has been removed. The exemption language was originally included due to the ongoing emergency action related to the QR code, which impacted section 15311 and prevented the Department from amending terminology in that section; the exemption language is no longer required.

Proposed subsection (j) adds the definition of “cannabis product,” contained in section 17000(j) which is proposed to be repealed, to consolidate the definitions into a single regulatory section. The definition is a statutory definition found in BPC section 26001(h) and is retained in these regulations to provide a comprehensive listing of definitions for terms used in further regulatory provisions.

Proposed subsection (k) moves the definition of “cannabis product quality” contained within section 17000(k) to consolidate the definitions into a single regulatory section. Minor amendments have been proposed to streamline the way citations to further regulatory provisions are made. This is necessary for clarity and will ensure that all Department licensees refer to the appropriate regulatory sections.

Proposed subsection (l) consolidates definitions for “cannabis waste” currently contained within sections 15000(g), 16108, and 17000(l). Proposed amendments specify that hazardous waste is not cannabis waste to ensure licensees continue to follow applicable state laws governing disposal for hazardous waste; specify that cannabis plant material is organic waste to ensure licensees understand how their waste is classified under existing laws; and remove the requirement for cannabis waste to be made “unrecognizable and unusable” to align with amendments proposed to section 17223. These amendments are necessary to combine and consolidate the definitions into one uniform definition, thereby avoiding confusion about the applicable terminology.

Proposed subsection (m) moves in part the definition of “canopy” currently contained within section 16000(f) to consolidate the definitions into a single regulatory section. The proposed definition here has been revised from former section 16000(f) by removing the regulatory requirements from the definition and including those in later regulatory provisions. This is necessary for clarity and consistency throughout the regulations.

Proposed subsection (n) consolidates the definitions of “CBD” currently contained within sections 17000(m) and 15700(l) to create a uniform definition.

Proposed subsection (o) moves the definition of “commercial cannabis activity” from

section 16000(g) to consolidate the definitions into a single regulatory section and updates it to be consistent with current law by adding a reference to cannabis event organizers. The definition is a statutory definition found in BPC section 26001(j) and is retained in these regulations to provide a comprehensive listing of definitions for terms used in further regulatory provisions.

Proposed subsection (p) moves the definition of “commercial-grade, non-residential door lock” currently contained within section 17000(n) to consolidate the definitions into a single regulatory section.

Proposed subsection (q) moves the definition of “cultivation” currently contained within section 16000(h) to consolidate the definitions into a single regulatory section. This is a statutory definition found in BPC section 26001(k) and is retained in these regulations to provide a comprehensive listing of definitions for terms used in further regulatory provisions.

Proposed subsection (r) moves the definition of “cultivation site” currently contained within section 16000(i) to consolidate the definitions into a single regulatory section. This is a statutory definition found in BPC section 26001(l) and is retained in these regulations to provide a comprehensive listing of definitions for terms used in further regulatory provisions.

Proposed subsection (s) “delivery employee” has been renumbered from subsection (i).

Proposed subsection (t) adds a definition for “designated responsible party” to be an individual identified by the commercial cannabis business who is one of the owners of the business and has legal authority to bind the cannabis business and who is the primary contact for application and regulatory issues. Later provisions require an applicant to provide a designated responsible party as part of the application process. This definition is necessary to clarify who can be listed as a designated responsible party in the application for licensure.

Proposed subsection (u) moves the definition of “distribution” currently contained within section 17000(p) to consolidate the definitions into a single regulatory section. This is a statutory definition found in BPC section 26001(r) and is retained in these regulations to provide a comprehensive listing of definitions for terms used in further regulatory provisions.

Proposed subsection (v) moves the definition of “dried flower” currently contained within section 16000(k) to consolidate the definitions into a single regulatory section. This is a statutory definition found in BPC section 26001(t) and is retained in these regulations to provide a comprehensive listing of definitions for terms used in further regulatory provisions.

Proposed subsection (w) moves the definition of “edible cannabis product” currently contained within section 17000(q) to consolidate the definitions into a single regulatory section. This subsection includes minor revisions which include removing the term “of this division”, that are stylistic or grammatical in nature that do not change the substance of the requirements.

Proposed subsection (x) moves the definition of “extraction” currently contained within section 17000(r) to consolidate the definitions into a single regulatory section.

Proposed subsection (y) adds a definition of “final form.” “Final form” means that the cannabis or cannabis products are packaged and labeled as they will be sold at retail to a consumer. This provision is necessary so that licensees can determine what requirements are applicable to cannabis and cannabis products ready to be sold at retail and which are applicable to cannabis and cannabis products as they move through the commercial chain.

Proposed subsection (z) moves the definition of “flowering” currently contained within section 16000(l), to consolidate the definitions into a single regulatory section.

Proposed subsection (aa) “free cannabis goods” is renumbered from subsection (j).

Proposed subsection (bb) combines the existing definitions for “immature plant” contained in sections 15000(k) and 16000(m) and removes “cannabis” and “plant” from the original definitions as they are no longer needed. The definition currently contained within section 16000(m) has been retained as it is necessary to define what is an immature plant for cultivation and nursery premises; it is particularly important that licensees and Department staff alike are able to differentiate mature plants from immature plants for purposes of calculating canopy square footage. The definition of “immature plant” for cultivation and nursery purposes is based on a measurable biological change in the plant caused by a change in the lighting cycle or the genetics of the plant. Immature plants can be any size as long as they have not started flowering. The purpose of this definition ensures that, while on inspections, Department staff can readily identify where a licensee is flowering plants; by clearly identifying this area of the premises, Department staff can effectively calculate the canopy area of the license. This definition also ensures that Department staff are able to determine the lighting techniques a licensee may be using that may not have been disclosed at the time of application, such as the additional use of a power source. Notably, the definition currently contained within section 15000(k) has also been retained as it includes language that specifically applies to retail license activities, which recognizes that small, 18-inch plants do not require much water, light, and nutrients to maintain; this ensures that retailers that sell immature plants are not actually engaging in cultivation activities. This language is also necessary to define the type of plants permitted for sale by a retail licensee, as retail licensees are prohibited from selling mature plants.

Proposed subsection (cc) moves the definition of “indoor cultivation” from section 16000(n) to consolidate the definitions into a single regulatory section.

Proposed subsection (dd) moves the definition of “informational panel” from section 17000(u) to consolidate the definitions into a single regulatory section.

Proposed subsection (ee) moves the definition of “infusion” from section 17000(v) to consolidate the definitions into a single regulatory section.

Proposed subsection (ff) moves the definition of “infused pre-roll” from section 17000(w) to consolidate the definitions into a single regulatory section.

Proposed subsection (gg) moves the definition of “ingredient” from section 17000(x) to consolidate the definitions into a single regulatory section. The definition of “ingredient” was changed to refer to the ingredient being present in the “finished cannabis product,”

instead of the product's final form. Cannabis products can leave a manufacturing facility in a form that the manufacturer considers "finished," even though it may be further processed. This amendment is necessary to clarify that an ingredient is anything intended to be present in the product when the manufacturer is finished with it, regardless of whether it will undergo further manufacturing or will be subject to retail sale.

Proposed subsection (hh) "'kief'" is renumbered from subsection (l).

Proposed subsection (ii) moves the definition of "labeling" from section 17000(z) to consolidate the definitions into a single regulatory section.

Proposed subsection (jj) moves the definition of "licensee" from section 16000(p) to consolidate the definitions into a single regulatory section. This is a statutory definition found in BPC section 26001(aa) and is retained in these regulations to provide a comprehensive listing of definitions for terms used in further regulatory provisions.

Proposed subsection (kk) moves the definition of "light deprivation" from section 16000(q) to consolidate the definitions into a single regulatory section.

Proposed subsection (ll), "limited access area", is renumbered from subsection (m). The definition is also proposed to be amended to change "cannabis goods" to "cannabis or cannabis products". This is necessary to clarify that the requirement does not apply only to cannabis goods in final form. Minor amendments are also proposed to make stylistic changes to remove duplicative language and for consistency of terms.

Proposed subsection (mm) moves the definition of "lot" from section 16000(r) to consolidate the definitions into a single regulatory section.

Proposed subsection (nn) "lot number" is renumbered from subsection (n). The definition is proposed to be amended to change "cannabis goods" to "cannabis or cannabis products". This is necessary for consistency in the use of the terms throughout this division.

Proposed subsection (oo) moves the definition of "manufacture" from section 17000(dd) to consolidate the definitions into a single regulatory section. This subsection includes minor revisions which include removing the term "of this division", that are stylistic or grammatical in nature that do not change the substance of the requirements. The proposed subsection outlines the various types of manufacturing processes. In addition, this subsection is also amended to add subsections (oo)(1)(E) and (oo)(1)(F) to clarify that post- processing refinement of cannabis extract and remediation of failed batches are both manufacturing activities. The Department has received questions as to whether regulatory provisions governing the manufacturing process, such as good manufacturing practices and batch production records, apply to these activities because they are not explicitly defined as "manufacturing." This amendment is necessary to ensure that licensees understand that these activities are subject to the same standards and requirements as all manufacturing activities.

Specifically, proposed subsection (oo)(1)(E) includes the terms "Post-Extraction Processing", or "post-processing", and defines them as a process by which one or more active cannabinoids in cannabis concentrate are further concentrated either by chemical or physical means. This definition is necessary for clarity purposes, as there is currently no commonly-used terminology to describe additional distillation or extraction activity that

happens after initial extraction activities. Moreover, because the term “processing” is vague, the Department determined that including a definition for both licensure and compliance is necessary. Proposed subsection (oo)(1)(F) removes the phrase relating to relabeling of cannabis goods to correct cannabinoid content, contained in original section 17000(dd). This change is necessary for accuracy; relabeling for cannabinoid content is an activity that is generally not considered a manufacturing activity. Moreover, the Department determined that this language is duplicative of the language in proposed subsection (oo)(1)(E).

Proposed subsection (oo)(2)(A) now includes the word “manufactured” and replaces “cannabis products” with “cannabis goods”. These changes are necessary for consistency of terminology throughout this division. In addition, proposed subsection (oo)(2) includes some minor revisions to punctuation that are stylistic or grammatical in nature that do not change the substance of the requirements. These changes would ensure licensees understand the types of activities that are not considered “manufacturing” in nature. Proposed subsection (oo)(2)(E) has been revised to update the term “cannabis or cannabis product” to “cannabis goods”. This change is necessary for accuracy, as manufactured cannabis products must be in final form before leaving the licensed manufacturing premises. Moreover, such change is necessary for consistency of terminology throughout this division. Proposed subsection (oo)(2)(E) clarifies that the labeling or re-labeling of a package containing cannabis goods with the amount of cannabinoids and terpenoids based on regulatory compliance testing results is not considered a “manufacturing” activity. While subsection (oo)(2)(E) previously cross-referenced the appropriate regulatory sections regarding these types of cannabis goods labeling or re-labeling activities, the Department determined that it was necessary to restate such scenarios for consistency and clarity of existing regulatory requirements.

Proposed subsection (pp) moves the definition of “manufacturing” and “manufacturing operation” from section 17000(ee) to consolidate the definitions into a single regulatory section.

Proposed subsection (qq) moves the definition of “mature plant” and “mature” from section 16000(s) to consolidate the definitions into a single regulatory section.

Proposed subsection (rr) “medicinal cannabis patient” has been renumbered from subsection (o).

Proposed subsection (ss) moves the definition of “mixed-light cultivation” from section 16000(t) to consolidate the definitions into a single regulatory section.

Proposed subsection (tt) moves the definition of “nonmanufactured cannabis product” from section 16000(n) to consolidate the definitions into a single regulatory section.

Proposed subsection (uu) moves the definition of “nonvolatile solvent” from section 17000(gg) to consolidate the definitions into a single regulatory section.

Proposed subsection (vv) moves the definition of “nursery” from section 16000(w) to consolidate the definitions into a single regulatory section.

Proposed subsection (ww) moves the definition of “orally-consumed concentrate” from section 17000(hh) to consolidate the definitions into a single regulatory section.

Proposed subsection (xx) moves the definition of “outdoor cultivation” from section 16000(x) to consolidate the definitions into a single regulatory section.

Proposed subsection (yy) “package” or “packaging” has been renumbered from subsection (p). It is proposed to be amended to ensure consistency of terminology throughout the Department’s regulations. “Goods for final retail sale” was removed from the original subsection and replaced with the term “cannabis and cannabis product” to clarify that “package” and “packaging” do not apply to cannabis goods in final form, but to cannabis and cannabis products that are not in final form at the time of packaging. The word “licensee” was replaced by “licensed premises” for clarity as cannabis and cannabis products can only be transported to a licensed premises.

Proposed subsection (zz) moves the definition of “person” from section 17000(kk) to consolidate the definitions into a single regulatory section.

Proposed subsection (aaa) revises the definitions of “pest” from sections 16000(y) and 17207(k). The two definitions were substantively similar and have been combined into a single cohesive definition. It is necessary to have a single definition that is applicable to all licensees to ensure that licensees are held to the same standard and to eliminate confusion about the use of the term.

Proposed subsection (bbb) “pre-roll” has been renumbered from subsection (q).

Proposed subsection (ccc) moves the definition of “premises” from section 17000(mm). This is a statutory definition from BPC section 26001(aq) and has been retained in these regulations to provide a comprehensive listing of definitions for terms used in further regulatory provisions.

Proposed subsection (ddd) moves the definition of “primary panel” from section 17000(nn) to consolidate the definitions into a single regulatory section.

Proposed subsection (eee) moves the definition of “processing” from section 16000(ab) to consolidate the definitions into a single regulatory section.

Proposed subsection (fff) moves the definition of “product identity” and “identity of product” from section 17000(oo) to consolidate the definitions into a single regulatory section. Minor revisions related to capitalization of terms have been made that are stylistic or grammatical in nature that do not change the substance of the definition.

Proposed subsection (ggg) contains the definition of “promotional materials” which has been renumbered from subsection (r) due to the consolidation of the definitions into a single regulatory section. The definition has also been amended to change “cannabis goods” to “cannabis or cannabis products” for consistency of terminology throughout this division

Proposed subsection (hhh) “publicly owned land” is renumbered from subsection (s).

Proposed subsection (iii) moves the definition of “quarantine” from section 17000(pp) to consolidate the definitions into a single regulatory section. This section is also proposed to be amended to clarify that a quarantine can be established to prevent use of cannabis or cannabis product, not just distribution. This amendment is necessary to ensure that any cannabis or cannabis product that has been placed under quarantine is not used in making

cannabis products. Quarantined cannabis or cannabis product may be adulterated or otherwise unsafe or unlawful to use in creating cannabis products. The proposed clarification is necessary to protect public health.

Proposed subsection (jjj) “residential area” is renumbered from subsection (t). Proposed subsection (kkk) “retail area” is renumbered from subsection (u).

Proposed subsection (lll) moves the definition of “serving” from section 17000(qq) to consolidate the definitions into a single regulatory section.

Proposed subsection (mmm) “sublet” is renumbered from subsection (v).

Proposed subsection (nnn) moves the definition of “tablet” from section 17000(rr) to consolidate the definitions into a single regulatory section.

Proposed subsection (ooo) “tamper-evident” is renumbered from subsection (w).

Proposed subsection (ppp) consolidates the definitions of “THC” currently contained within section 17000(ss) and 15700(uuu) to create a uniform definition.

Proposed subsection (qqq) adds a definition of “tincture” to be a solution of cannabis extract, derived either directly from the cannabis plant or from a manufactured cannabis extract, dissolved in alcohol, glycerin, or vegetable oils. Tinctures are considered a cannabis concentrate and are subject to different regulatory requirements. This definition is necessary to establish the components of a tincture to distinguish it from cannabis beverages. This section further defines the term “vegetable” for the purposes of this subsection. This definition is necessary to ensure that Department licensees are aware that for the purposes of this section, “vegetable” includes botanically classified fruits and vegetables and their seeds, consistent with already-existing, common plant classifications.

Proposed subsection (rrr) moves the definition of “topical cannabis product” from section 17000(tt) to consolidate the definitions into a single regulatory section.

Proposed subsection (sss) moves the definition of “track and trace system” from section 17000(uu) to consolidate the definitions into a single regulatory section.

Proposed subsection (ttt) “transport” is renumbered from subsection (x). The term “cannabis goods” has been replaced with “cannabis and cannabis products.” This amendment is necessary for consistency in the use of terms through the division and consistent with proposed changes to the definition of cannabis goods in section 15000.

Proposed subsection (uuu) includes the definition of “unique identifier” and “UID.” This is a statutory definition found in BPC section 26001(aw) and is duplicated in these regulations to provide a comprehensive listing of definitions for terms used in further regulatory provisions.

Proposed subsection (vvv) moves the definition of “universal symbol” from section 17000(ww) to consolidate the definitions into a single regulatory section.

Proposed subsection (www) “vehicle alarm system” is renumbered from subsection (y).

Proposed subsection (xxx) moves the definition of “volatile solvent” from section 17000(xx) to consolidate the definitions into a single regulatory section.

Proposed subsection (yyy) contains the definition for “watts per square foot,”

Proposed subsection (zzz) “wholesale cost” is renumbered from subsection (z). This subsection was amended to remove a reference to the California Department of Tax and Fee Administration and replace it with a citation to the California Code of Regulations. This is necessary for consistency and to inform the licensees that the definition is already contained in another title and section of the California Code of Regulations.

Section 15000.1. General Requirements.

Proposed section 15000.1 contains general requirements applicable to all licensees and consolidates existing general requirements previously contained in other sections. The purpose of this section is to consolidate general requirements that are applicable to all licensees into a single section. This is necessary to reduce duplicative requirements and to ensure consistent and necessary standards are made applicable to all licensees.

Proposed subsection (a) requires persons conducting commercial cannabis activity to obtain and maintain a valid license for each separate premises where commercial cannabis activity is conducted. This subsection is moved from section 17004(a), applicable to manufacturing licensees, and is amended to remove references to manufacturers to ensure applicability to all licensees. This subsection is now applicable to licensed cultivators and all licensees regulated by the Bureau prior to consolidation. This is necessary to make clear that the requirement to obtain a license for each separate premises is applicable to all licensees. This section does not impose new obligations on cultivators or former Bureau licensees but reiterates existing law. This subsection reiterates existing law at BPC section 26053(d) that is applicable to all licensees. This is necessary to ensure all licensees understand that they must obtain a separate license for each premises and cannot operate on any unlicensed premises.

This subsection also contains the same requirements contained in section 16202(a) applicable to cultivators, which is proposed to be repealed. This is necessary to reduce duplicative requirements as all licensees may now refer to this subsection to ensure consistency.

Proposed subsection (b) requires commercial cannabis activity to be conducted between licensees but allows retail licensees to conduct sales to customers and nonprofits. This subsection is moved from section 15032(a), which applies to former Bureau licensees, and makes minor grammatical changes. This is necessary for clarity and to group requirements that are applicable to all licensees in one section. This subsection is now applicable to licensed manufacturers and licensed cultivators. This is necessary to make clear that the requirement to conduct commercial cannabis activity with other licensees is applicable to all licensees. This section does not impose new obligations on manufacturer or cultivation licensees but reiterates existing law at BPC section 26053(a), which specifies that commercial cannabis activity can only be conducted between licensees except as otherwise provided in the Act. This subsection clarifies that retail licensees may conduct commercial cannabis activities with a nonprofit and with customers. This is necessary to clarify that a licensee conducting retail sales may engage with customers and with nonprofit organizations to provide medicinal customers donated cannabis goods that are not required to be licensed under the Act. This subsection contains the same requirements contained in section 16214(f) applicable to cultivators which is proposed to be repealed.

This is necessary to reduce duplicative requirements as all licensees may now refer to this section to ensure consistency.

Proposed subsection (c) states that a licensee shall only conduct commercial cannabis activities authorized by their license and on the premises licensed for that activity. The purpose of this subsection is to ensure that licensees understand that they may only conduct commercial cannabis activities that are authorized by their license type and only on the premises that is licensed for that activity. This is necessary because some licensees hold multiple license types, and Department compliance staff have discovered instances in which licensees are not strictly limiting commercial cannabis activities to the appropriate premises. This subsection is necessary because the premises for each license type must adhere to requirements that are specific to the license type and activity that will be conducted. This section does not impose new obligations on licensees but clarifies that licensees may only conduct activities specified by the Act for the specific license type.

Proposed subsection (d) requires that all transfers of cannabis and cannabis products shall be conducted by a licensed distributor. This subsection is moved from section 16202(d) applicable to licensed cultivators and is amended to remove references to nonmanufactured cannabis products and cultivated cannabis. This is necessary to make clear that the requirement is applicable to all licensees and to group requirements that are applicable to all licensees in one section. The subsection is proposed to be amended to replace the phrase “distributors licensed by the Department” with “licensed distributor” to ensure consistency of terms throughout the Department’s regulations. The first sentence of original section 16202 has not been carried over into this subsection because it is duplicative of the second sentence, and the second sentence is clearer.

This subsection is now applicable to licensed manufacturers and all licensees regulated by the Bureau prior to consolidation. This is necessary to make clear that the requirement to use licensed distributors is applicable to all licensees. This section does not impose new obligations on manufacturer or former Bureau licensees but reiterates existing law. This subsection reiterates existing law at BPC section 26070(b), which requires all transportation of cannabis and cannabis products to be conducted by a licensed distributor and is applicable to all licensees. It is necessary to reiterate this requirement so all licensees understand that they cannot transport cannabis or cannabis product under another license type.

Proposed subsection (e) states that licenses shall not be transferrable or assignable to another person or premises. The proposed subsection also states that in the event of the sale or other transfer of the business, a change in ownership must be made. The purpose of this subsection is to clarify restrictions applicable to license transfers and to ownership changes. This is necessary to clarify that a license may not be transferred to a new physical location, except as provided in Business and Professions Code section 26050.2, which allows provisional license holders to move after the Department can no longer issue those licenses. Licenses are issued to a specific premises, and issuance of the license is predicated upon review of components specific to that premises, including the premises diagram’s adherence to regulatory requirements and confirmation that issuing the license at the specified location will not violate local ordinances and regulations. Therefore, a new premises location requires a new license application to ensure the new location meets all

applicable requirements. This subsection also specifies that ownership changes must be made in accordance with section 15023. This is necessary to clarify that an ownership change may be made but will require Department approval, as all owners must undergo a criminal history review required by the Act to qualify for licensure. This subsection contains the same requirements contained in section 17004(c) applicable to licensed manufacturers and section 16202(c) applicable to licensed cultivators. These subsections are proposed to be repealed. This is necessary to reduce duplicative requirements as all licensees may now refer to this section to ensure consistency.

Proposed subsection (f) requires applicants and licensees to use their legal business name on all documents related to commercial cannabis activity. This subsection is moved from section 15007.2 that is applicable to all licensees regulated by the Bureau prior to consolidation. This is necessary to make clear that the requirement is applicable to all licensees and to group requirements that are applicable to all licensees in one section. The proposed subsection would now be applicable to licensed cultivators and licensed manufacturers and imposes a new obligation on these licensees. This is necessary to ensure that all documents related to commercial cannabis activity reflect consistent information and allows the Department to more readily trace commercial cannabis activities as part of its statutorily mandated oversight. This requirement is necessary for cultivators and manufacturers just as it is necessary for all other licensees. Many licensees operate under fictitious business names or DBAs (“Doing Business As”). Requiring documents related to commercial cannabis activity to include the licensee’s legal business name assures consistency in business documentation required by the Act. Section 15007.2 is proposed to be repealed. This is necessary to reduce duplicative requirements as all licensees may now refer to this section to ensure consistency.

Section 15000.2. A- and M- Designations.

Proposed section 15000.2 contains the requirements specific to adult-use and medicinal cannabis licenses. The requirements of this section are moved from subsections (c), (d), and (e) of section 15032 applicable to all licensees regulated by the Bureau prior to consolidation. This is necessary so that all requirements that are related to medicinal cannabis licenses are included in one section and are grouped with requirements that are applicable to all licenses for clarity and ease of reference. This section is amended to simplify the language used for clarity.

Proposed subsection (a) states that licensees may conduct business with other licensees irrespective of the Adult or Medicinal designation on their licenses. This is necessary to clarify that all licensees may conduct commercial cannabis activity with all other licensees. This subsection is now applicable to licensed manufacturers and licensed cultivators. This is necessary to make clear that the provision applies to manufacturers and cultivators just as it applies to licensees of the former Bureau of Cannabis Control. The expansion of this language to include manufacturers and cultivators does not impose any new obligation or affect a change in business practices for licensed manufacturers and cultivators. Instead it clarifies that regardless of the A-designation or M-designation on the license, licensees may conduct business with each other. This subsection contains the same provision as section 16214, applicable to cultivators. Section 16214 is proposed to be repealed. This is necessary to reduce duplicative requirements as all licensees may now refer to this

section to ensure consistency.

Proposed subsection (b) provides that licensed distributors or microbusinesses engaging in distribution activities may only transport medicinal cannabis goods to a retail licensee with a medicinal designation on their license. This requirement is moved from section 15032 subsection (d). This is necessary so that all requirements related to distribution to medicinal licensees are included in one section for ease of understanding. Proposed amendments to this subsection simplify the language for ease of reading but amendments do not change the current regulatory requirement. This subsection remains applicable to only licensees authorized to engage in distribution.

Proposed subsection (c) provides that a retail licensee may only sell medicinal cannabis goods to medicinal customers. The purpose of this subsection is to ensure that medicinal cannabis goods, which contain higher levels of THC than adult-use cannabis goods, are only available to retail licensees authorized to sell medicinal goods to medicinal customers. Proposed subsection (c) is moved from subsection (e) of section 15032. This is necessary so that all requirements related to medicinal licenses are included in one section for ease of understanding. Proposed amendments to this subsection simplify the language for ease of reading, but do not change the current regulatory requirement.

This subsection remains applicable only to licensees authorized to engage in retail activities.

Section 15000.3. Premises Location.

Proposed section 15000.3 contains requirements restricting the location of a licensed premises in relation to businesses that sell tobacco and alcohol and in relation to private residences. This section also contains requirements related to common areas and structures on the premises. Renaming the proposed section from “Premises Location” to “Premises Requirements” is necessary because it more accurately reflects the contents of the regulatory section. The purpose of these provisions is to clarify restrictions and requirements related to the location and characteristics of a licensed premises. The requirements of this section are moved from existing section 15026, subsections (c) through (h), which are applicable to all licensees regulated by the Bureau prior to consolidation and have been re-lettered accordingly. This is necessary for clarity and ease of understanding so that all requirements that are made applicable to all licensees are grouped with generally applicable requirements. This section includes minor revisions which include removing the term “of this division”, that are stylistic or grammatical in nature that do not change the substance of the requirements. Subsections (a) and (b) of 15026 are proposed to be moved to section 15005.1, where the requirements for license applications are located and thus are not included here.

Proposed subsection (a) states that a licensed premises shall not be in a location that requires persons to pass through a business that sells alcohol or tobacco or a private residence to access the licensed premises.

Proposed subsection (b) states that a licensed premises shall not be in a location that requires persons to pass through the licensed premises to access a business that sells alcohol or tobacco or a private residence. The requirements of these subsections are

proposed to be applicable to licensed manufacturers and licensed cultivators. This is necessary because the requirements regarding premises location are just as necessary for cultivators and manufacturers as they are for the other license types regulated by the Bureau prior to consolidation and to ensure consistent requirements are applicable to all licensees.

The restrictions on premises locations in this section are necessary to ensure that a licensee is in control of access to their premises and that access to the premises is not controlled by persons not subject to the requirements of the Act. This decreases the risk of theft, diversion, or other unauthorized activity on the premises. These requirements are also necessary to prevent violations of BPC section 26054(a) prohibiting the sale of alcohol or tobacco at a licensed premises.

Proposed subsection (c) states that a licensed premises shall not include the areas of a private residence such as bathrooms, bedrooms, kitchens, and living rooms unless these areas are required to be included in the licensed premises by the applicable local jurisdiction. The section further provides that, if the local jurisdiction does require these areas to be part of the licensed premises, these areas be designated on the premises diagram submitted to the Department for review, however, no commercial cannabis activities may occur in these areas of the private residence. This subsection is proposed to be applicable to licensed manufacturers and licensed cultivators. This is necessary because the requirements regarding premises location are just as necessary for cultivators and manufacturers as they are for the other license types regulated by the Bureau prior to consolidation. This requirement ensures that private residences will not be subject to inspection by Department compliance staff. This requirement also ensures that access to a licensed premises is not controlled by individuals who may not be subject to the requirements of the Act and that individuals who are not authorized to access a licensed premises, such as minors, do not have access to the premises. Due to inquiries from existing licensees, the Department determined that it was necessary to include additional clarification regarding what types of private residential areas shall not be included as part of the licensed premises. The Department recognizes that some local jurisdictions may require private residences to be included as part of the licensed premises, so the Department provided necessary clarification to ensure that licensees are aware that, while such areas must be identified on their premises diagram as required by their local jurisdictions, no commercial cannabis activities are to occur in those areas of the licensed premises.

Proposed subsection (d) states that licensees shall ensure that the Department has immediate access to their licensed premises and that denial of access is subject to discipline. This subsection also states that if the Department is denied access to one licensee's premises because of another licensee's refusal to grant access through the only access point, all licensees shall be held responsible and subject to discipline. The requirements of these subsections are proposed to be applicable to licensed manufacturers and licensed cultivators. This is necessary because the requirements regarding premises access are just as necessary for cultivators and manufacturers as they are for the other license types regulated by the Bureau prior to consolidation. This is necessary to ensure consistent requirements are applicable to all licensees, that

Department compliance staff have access to all licensed premises to conduct timely inspections when needed, and that all licensees understand their obligation regarding premises access and consequences for refusal or inability to allow access.

Proposed subsection (e) provides that nothing in this section shall be interpreted to prohibit two or more licensed premises from occupying separate portions of the same parcel of land or sharing common use areas, such as a bathroom, breakroom, hallway, or building entrance. The provisions of subsection (e) are proposed to be applicable to licensed manufacturers and licensed cultivators and is necessary to clarify that the requirements of the section do not prohibit licensed premises from being located adjacent to one another or the sharing of common use areas where commercial cannabis activity will not occur by multiple licensed premises.

Proposed subsection (f) requires all structures included as part of the licensed premises to be permanently affixed to the land and provides examples of structures that are not considered to be permanent structures. This provision was moved from section 15026, which is proposed to be repealed. This is necessary so that general requirements for all licensees related to premises are located together. While originally applicable to licensees formerly regulated by the Bureau, the requirements of this subsection are proposed to be extended to all license types. This is necessary to ensure consistent requirements regarding structures that make up the premises are applicable to all licensees. Licenses are issued to a specific premises, and issuance of the license is predicated upon review of components specific to that premises, including the structures that will be utilized and the premises diagram detailing the location of all structures. Requiring structures to be permanently affixed to the land allows Department staff to ensure that each structure on the premises is suitable for use for the specific commercial cannabis activity and can continue to meet applicable requirements, while not being susceptible to changes or alteration resulting from the modular or temporary nature of the structure. The Department removed the language prohibiting the use of shipping containers or modular buildings that do not rest on wheels, as the Department recognizes that such structures are generally difficult to move without some protracted effort. It also enables Department licensees to avail themselves of secure, low-cost building techniques for portions of their licensed premises. This is necessary to ensure that components of the licensed premises may not be easily removed and to allow greater flexibility to licensees regarding structures on their licensed premises.

Proposed section (g) provides that personal cultivation of cannabis shall not occur on the licensed premises. The Department determined that this language was necessary to ensure that during onsite visits of licensed cultivation premises, Department staff may readily identify plants that are being cultivated for commercial purposes and can ensure that the cultivation of such plants conforms to cannabis cultivation requirements. It also ensures that there is distinct separation of plants for personal use from plants that must be accounted for in the track and trace system, thereby minimizing the potential for privately held plants to inadvertently enter the commercial cannabis supply chain.

Proposed subsection (h) provides that, notwithstanding any other provision of law, a licensed premises that is not in compliance with subsections (c) and (f) at the time the regulation becomes effective, shall come into compliance within six months of the effective

date of this section by submitting a premises modification in accordance with the provisions of section 15027. This is necessary to ensure consistent premises requirements are applicable to all licensees. Licenses are issued to a specific premises; issuance of the license is predicated upon review of components specific to that premises, including the structures that will be utilized and the premises diagram detailing the location of all structures. Maintaining consistent requirements for all license types not only allows the Department to hold all license types to the same standard but informs licensees of the consistent standards applicable to their licensed premises. The Department determined that six months was an appropriate period of time to ensure compliance with the updated premises requirements. Many licensees will be able to comply with this subsection by updating their premises diagrams to remove areas of their private residence from their existing premises diagram and/or ceasing commercial cannabis activities within the living areas of their homes. To the extent some licensees must affix a structure that can readily be moved or remove cannabis or cannabis products from their residence to another location on the licensed premises, six months is a reasonable amount of time to accomplish these activities. The proposed subsection further provides that such premises modifications shall not be subject to the corresponding fee that is generally required for premises modifications. The Department recognizes that some licensees may need to submit premises modifications in order to come into regulatory compliance. Accordingly, the Department determined that it was necessary to waive the corresponding fees for such modifications resulting from the proposed updates to the Department's regulatory requirements.

Section 15000.4. Subletting of Premises.

Proposed section 15000.4 states that a licensee shall not sublet a portion of their premises. The purpose of this section is to protect public health and safety by ensuring that a licensee is the only one in control of access to the premises. Proposed section 15000.4 is moved from section 15028 that is applicable to licensees regulated by the Bureau prior to consolidation. This section is proposed to be applicable to licensed manufacturers and licensed cultivators in addition to all other license types previously indicated. This is necessary because the requirement of this section is as applicable to licensed manufacturers and cultivators as it is to other license types regulated by the Bureau prior to consolidation. The proposed section also adds language that would prohibit a licensee from allowing another person from conducting commercial cannabis operations in any area of the licensed premises. This is necessary to clarify that a licensee must not let another person conduct operations on the premises as the Department has observed some licensees engaging in this behavior.

This section is proposed to be amended by allowing a limited exception to the subletting prohibition by manufacturing licensees operating as a licensed shared-use facility in accordance with the requirements for shared-use facilities in Article 2, Chapter 8. A manufacturing Type 7, Type 6 or Type N licensee may allow a Type S manufacturing licensee to operate on its premises at specified times when the equipment and areas of premises are not otherwise in use by the primary manufacturing licensee. This allows a Type S licensee that does not have the resources to establish a manufacturing premises to utilize the premises and equipment of a larger manufacturer. This subsection also

contains the same provision as section 16202(f), applicable to cultivators. Section 16202(f) is proposed to be repealed because it is duplicative of the provision in this section and all licensees may now refer to this section to ensure consistency.

Section 15000.5. Licensee's Responsibility for Acts of Employees and Agents.

Proposed section 15000.5 provides that in construing and enforcing the provisions of the Act and regulations, the acts, omissions, or failures of persons acting on behalf of the licensee and within the scope of their employment, shall be deemed to be an act, omission or failure of the licensee. The purpose of this section is to ensure that licensees understand that they are responsible for the acts or omissions of any person acting on their behalf. Proposed section 15000.5 is moved from section 15030 that is applicable to licensees regulated by the Bureau prior to consolidation. This section is proposed to be applicable to licensed manufacturers and licensed cultivators in addition to all other license types. This is necessary because the provision is as applicable to licensed manufacturers and cultivators as it is to other license types regulated by the Bureau prior to consolidation. This section does not impose new obligations on manufacturer or cultivation licensee but reiterates existing law. This subsection reiterates the requirement at BPC section 26031(c) that states disciplinary action may be taken against a licensee for violations when the violation was committed by a person acting on their behalf. This is necessary to inform licensees that they are responsible for violations of the Act and regulations when they allow others to act for them.

Section 15000.6. Age Restriction.

Proposed section 15000.6 provides that employees or persons retained by a licensee to work within or on a licensed premises or handle cannabis or cannabis products shall be at least 21 years of age. The purpose of this section is to ensure that individuals who do not meet the legal age requirement to possess cannabis without a physician's recommendation do not have access to cannabis through their employment. Proposed section 15000.6 is moved from section 15031 that is applicable to licensees regulated by the Bureau prior to consolidation. This section is proposed to be applicable to licensed manufacturers and licensed cultivators in addition to all other license types. This is necessary because the provision is as applicable to licensed manufacturers and cultivators as it is to other license types regulated by the Bureau prior to consolidation. This section does not impose new obligations on manufacturer or cultivation licensees but reiterates existing law. This subsection reiterates the requirement at BPC section 26140(a)(3) that states a licensee shall not employ or retain persons under 21 years of age.

Section 15000.7. Storage of Inventory.

Proposed section 15000.7 specifies requirements for the storage of cannabis and cannabis products. The purpose of this section is to preserve the safety and security of the licensed premises and cannabis goods stored on site by providing licensees with rules for storage of cannabis inventory. Proposed section 15000.7 is moved from section 15033 that is applicable to licensees regulated by the Bureau prior to consolidation. This section is proposed to be applicable to licensed manufacturers and licensed cultivators as well as other license types. This is necessary because the provision is as applicable to licensed

manufacturers and cultivators as it is to other license types regulated by the Bureau prior to consolidation. This is necessary to assure that all licensees maintain secure conditions on the licensed premises to reduce the risk of theft or diversion of cannabis inventory and to maintain public safety.

Proposed subsection (a), formerly subsection (d), requires all cannabis and cannabis products to be stored within the licensed premises. This is consistent with BPC section 26053(d), applicable to all licensees, that requires a license for each location engaging in commercial cannabis activity, including storage. The language of original subsection (d) of section 15033 is proposed to be amended to clarify the meaning of the provision and avoid confusion; the prior regulatory language could be interpreted to mean that each storage area within a single premises must be separately licensed. The proposed amendment clarifies the intent of the regulation that cannabis and cannabis products may only be stored within a licensed premises. This is also necessary to decrease the risk of theft or diversion of the cannabis inventory and maintain public safety, regardless of license type.

Proposed subsection (b) prohibits a licensee from storing cannabis goods outside. This requirement applies to finished cannabis goods and does not apply to cannabis plants which could create an undue burden on cultivation licensees. By requiring finished cannabis goods to be stored inside, temperature, humidity, and other environmental factors that can impact the quality of cannabis goods can be controlled or accounted for. Making this subsection applicable to manufacturers is consistent with the good manufacturing practices a manufacturing licensee must follow regarding the storage of cannabis product components contained in section 17212 of this division.

Proposed subsection (c) requires employee break rooms, changing facilities and bathrooms to be separate from all storage areas by solid walls that extend from the floor to the ceiling. This is necessary to reduce the opportunity for theft or diversion and to maintain the quality of finished cannabis and cannabis products. By specifying that such areas be separated by solid walls that extend from the floor to the ceiling, this requirement also minimizes the potential for contamination of cannabis and cannabis products. Making this subsection applicable to all licensees is consistent with the good manufacturing practices for the storage and handling of cannabis product components contained in section 17212 of this division.

Proposed subsection (d) provides that licensees may use shipping containers for temporary storage space on their licensed premises when their storage needs exceed the capacity of their storage space. In the event licensees avail themselves of this storage option, licensees must comply with the appropriate premises modification requirements of section 15027. Revisions to this subsection are necessary to ensure consistency with the provisions of proposed section 15000.3, which enables Department licensees to avail themselves of secure, low-cost building techniques for portions of their licensed premises, such as shipping containers or modular buildings. Moreover, proposed subsection (d) reiterates the requirement that licensees are to keep the Department apprised of premises modifications pursuant to section 15027. This is necessary to ensure that, while on inspections of licensed premises, Department staff has up-to-date information regarding the activities they can expect on the licensed premises. This subsection removes the term “of this division”, that are stylistic or grammatical in nature that do not change the

substance of the requirements.

Section 15000.8 Appellations of Origin

Proposed Section 15000.8 has been added to comply with the requirements of Business and Professions Code section 26063 regarding the requirements for appellations of origin. Section 26063 requires that the CDFA develop an appellation of origin program for cannabis. Commercial cannabis businesses are required to comply with the Department's requirements, as well as the requirements provided by the program developed by CDFA. This section includes minor revisions which include removing the term "of this division", that are stylistic or grammatical in nature that do not change the substance of the requirements.

Proposed subsection (a) is a restatement of the requirements found in Business and Professions Code section 26063, subsection (b)(2) which prohibits cannabis from being advertised, marketed, labeled, or sold in a manner that tends to create an impression that the cannabis was produced within a particular appellation of origin unless specific requirements are met. This proposed subsection is necessary to clarify the requirements regarding the use of appellations of origin and to notify licensees that certain requirements must be followed before cannabis goods can be advertised, marketed, labeled, or sold in a manner that creates an impression that the cannabis goods are from a particular appellation of origin. This requirement ensures that consumers will not be confused as to where particular cannabis goods have originated from.

Proposed subsection (b) clarifies that the requirements of the Department's regulations regarding appellations of origin and the requirements within the program established by CDFA are separate requirements, both of which must be followed by licensees. This proposed subsection is necessary to avoid confusion and to properly notify licensees that compliance with just one set of requirements is not enough to be fully compliant with the requirements regarding appellations of origin.

Proposed subsection (c) clarifies that for a plant to be considered to have been produced within a specific geographic boundary of an appellation of origin, the cannabis plant must have been cultivated within the boundary starting from the time the plant was no taller or wider than 18 inches. This proposed subsection is necessary to adequately inform licensees of when a plant may be considered as having been produced in a specific region. This is necessary to create a clear standard for licensees that choose to list a geographic origin of cannabis on the label of a cannabis good. The standard of 18 inches corresponds with the time a cannabis plant becomes a mature cannabis plant. Requiring a cannabis plant to be cultivated within the geographic area beginning at the time it is becomes a mature plant will ensure accuracy when a region is conveyed on a label or in marketing of a cannabis good.

Section 15000.9 Notice of Use of an Appellation Origin

Proposed section 15000.9 has been added. This proposed subsection contains the notice requirements that a licensee must comply with to provide notice to the Department that a licensee plans to use an appellation of origin in the labeling, advertising, or marketing of cannabis goods. This proposed section is necessary to clearly provide licensees with

notice requirements and to ensure that the Department can effectively track and regulate the use of appellations of origins.

Proposed subsection (a) requires licensees who intend to use an appellation of origin in the labeling, advertising, or marketing of cannabis goods to provide a Notice of Use to the Department within 30 days of using the appellation. This proposed subsection is necessary to provide licensees with the timeframe in which they are required to provide notice to the department of the use of an appellation of origin. To provide licensees with flexibility in using appellations of origin, licensees are required to provide notice to the Department after the use of the appellation, rather than obtaining approval from the Department prior to use. The Department has determined that 30 days is an appropriate timeframe for requiring notice and that licensees are not likely to encounter hardships in complying with the 30-day notice requirement. The proposed subsection also clarifies that licensed retailers who sell cannabis goods that are labeled with an appellation of origin are not required to provide notice as described in the subsection. This clarification is necessary to prevent any confusion regarding the applicability of the requirement to retailers. As retailers are not authorized to engage in packaging and labeling of cannabis goods, any cannabis goods in the possession of a licensed retailer must have been labeled by another licensee. At the time this label was applied, the licensee would have been required to provide notice of the use of an appellation of origin to the Department. Therefore, it would not be necessary for a licensed retailer who is selling the same cannabis goods to provide an additional notice.

Proposed subsection (b) contains the information that must be provided to the Department as part of the Notice of Use of an appellation of origin. This proposed subsection is necessary to ensure that notices provided by licensees contain the information that is necessary to effectively track and regulate the use of appellations of origin by licensees. Proposed subsections (b)(1) and (2) request name, license number and contact information, which are necessary to allow the Department to identify the licensee that is providing the notice. Proposed subsections (b)(3) and (4) require the appellation of origin that will be used and the date the licensee began using it. This is necessary to allow the Department to effectively track the appellations that are being used by the licensee and the timeframe during which it is used.

Proposed subsection (c) provides instructions to licensees for indicating that cannabis has complied with the requirements of both the Department's regulations and CDFA's appellation program. The proposed subsection provides that cannabis goods that comply with both sets of requirements may indicate on a sales invoice that the cannabis may be labeled, advertised, or marketed with the appropriate appellation of origin. This proposed subsection is necessary to provide instructions to licensees on how to properly identify cannabis that has been authorized to use an appellation of origin. Additionally, by identifying this authorization on the sales invoice, licensees who receive the cannabis will be able to identify the appellation just by reviewing the sales invoice.

Section 15000.10 Cannabis and Cannabis Products Using an Appellation of Origin

Proposed Section 15000.10 has been added. This proposed section provides the requirements for cannabis and cannabis products to be labeled, advertised, and marketed with an appellation or origin. This proposed section is necessary to ensure that licensees are aware of the requirements when using appellation of origin to label, advertise, or market their cannabis goods.

Proposed subsection (a) requires that an appellation of origin only be used if 100% of the cannabis and cannabis product was cultivated in accordance with the appellation requirements developed by CDFA. This proposed subsection is necessary to ensure that licensees are aware that compliance with CDFA appellation requirements is necessary before using the appellation in advertising, labeling, or marketing cannabis or cannabis products. Additionally, the requirement that 100 percent of the cannabis be cultivated in compliance with the appellation of origin ensures that licensees cannot mix cannabis or cannabis products to potentially mislead consumers regarding the appellation of origin.

Proposed subsection (b) requires that the licensee file a Notice of Use as required in section 15000.9. This proposed subsection is necessary to ensure that licensees are aware that they must notify the department when the use an appellation of origin to advertise, label, or market cannabis or cannabis products.

Proposed subsection (c) requires that licensees using an appellation of origin must indicate the appellation of origin on the sales invoice. This proposed subsection is necessary to ensure that other licensees who take possession of cannabis or cannabis products that are authorized to be advertised, labeled, or marketed with an appellation of origin can easily identify the appellation of origin by reviewing the sales invoice.

Article 2. Applications

Section 15001. Provisional Licenses.

The Department has the authority to issue a license before the licensee meets all annual licensure requirements. Initially this was referred to as the temporary license. However, the Department now has the authority to issue provisional licenses as a precursor to annual licensure. The Department proposes to amend the text of section 15001 regarding temporary licenses to reflect the current requirements for the Department's pre-annual licensure authority.

The Department proposes to replace the current title and text of section 15001 with the title "Provisional Licenses" and text that addresses provisional licenses. This is necessary because the Department has authority to issue provisional licenses and it is necessary to provide applicants and licensees the requirements related to provisional licensees. The Department proposes to remove the language in original subsections (a) through (e) and add subsection (f).

The Act allows the Department to issue a provisional license in certain circumstances where an applicant has submitted a completed annual license application to the Department, including evidence that compliance with the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) (CEQA) and compliance with local ordinances enacted pursuant to BPC section 26200 are either

completed or underway. The overall purpose of this section is to provide prospective licensees an overview of what holding a provisional license will entail.

Subsection (a) of the proposed regulations provides that a provisional licensee shall follow the rules and regulations applicable to a licensee holding an annual license of the same type. For convenience and clarity purposes, subsection (a) of this section restates provisional licensee expectations from MAUCRSA and provides clarification on what activities a provisional license enables the holder to engage in. Specifically, it provides clarification on what laws and regulations provisional licensees are bound to.

Proposed subsection (b) provides that a provisional license does not create a vested right in the holder to renewal of the provisional license or issuance of an annual license. This is necessary for clarity and to inform provisional licensees that merely holding a provisional license does not create an automatic right to hold an annual license, as certain application requirements must be met before such annual licenses are issued.

Proposed subsection (c) enables the Department to cancel a provisional license in certain circumstances, including issuance of an annual license, denial of an annual license, abandonment of an application for licensure, withdrawal of an application for licensure, or surrender of the provisional license. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2 related to the effect of a denial or issuance of an annual license. Additionally, the Department has indicated that the provisional license will no longer be valid if the application for a license is abandoned or withdrawn. This is necessary because BPC section 26050.2 allows for a provisional license if a completed annual license application is submitted to the Department and for the provisional license to cancel when a determination is made on the annual license application. Therefore, without a pending annual license application, the requirements for a provisional license are not met. Finally, when a provisional licensee surrenders their license, they give it back to the Department indicating they do not wish to continue to hold the license, thus, it is necessary for the license to no longer be valid. Specifically, proposed subsection (c) provides clarification to licensees regarding the validity of a provisional license after certain specified events.

Proposed subsection (d) informs provisional licensees that they may only continue to maintain a provisional license if they are actively and diligently pursuing the requirements for annual licensure. BPC section 26050.2(i) enables the Department to revoke or suspend a provisional license if the licensee failed to actively and diligently pursue the requirements for the annual license and requires the Department to adopt regulations to clarify what constitutes actively and diligently pursuing annual licensure requirements. Accordingly, this proposed regulation is necessary for clarity purposes as it provides clear and distinct examples of what the Department will consider as “actively and diligently” pursuing the requirements for annual licensure.

To that end, the first example identified by the Department in subsection (d)(1) is failing to provide the licensing fee within 60 days of the date the Department sends a notification that the license has been approved or that the annual license fee is due. The Department has observed some licensees taking significant periods of time to pay their licensing fees, which are due before a license can be issued or renewed. The Department has determined that 60 days is an appropriate period of time for licensees to have available

funds to pay their licensing fees and to demonstrate they are actively and diligently pursuing the annual license.

Subsections (d)(2) informs prospective provisional licensees that they are expected to provide all information requested by the Department or provide a statement demonstrating that the information cannot be provided due to circumstances beyond the provisional licensee's control. Subsection (d)(2) further provides that the information or statement shall be provided to the Department by the response date specified by the Department, or if no date is specified, within 30 calendar days. In the Department's experience, some provisional licensees remain non-responsive or do not acknowledge requests from Department staff. The Department determined that requiring a response within a certain timeframe will ensure that provisional licensees continue to pursue annual licensure. In addition, the Department determined that 30 calendar days is appropriate as it provides a clear and reasonable timeframe for licensees to respond to the Department's inquiries.

Proposed subsection (e) informs prospective licensees that in circumstances where the Department decides not to issue a provisional license to the applicant, they are not entitled to a hearing or an appeal of such a decision. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2.

Proposed subsection (f) informs applicants that no provisional license issued by the Department shall be effective after January 1, 2026. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2.

Section 15001.1. Issuance of Provisional License.

The Act allows the Department to issue a provisional license in certain circumstances where an applicant has submitted a completed annual license application to the Department, including evidence that compliance with the CEQA and compliance with local ordinances enacted pursuant to BPC section 26200 are either completed or underway. The overall purpose of this section is to provide prospective licensees clear provisions regarding how they may seek provisional licensure.

Proposed subsection (a) outlines the general timeline and mechanism for prospective non-cultivation provisional licensees to apply for licensure. This subsection indicates that non-cultivation provisional licenses may be issued until June 30, 2022. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2.

Proposed subsection (a)(1) provides that to apply for a non-cultivation provisional license, an applicant must complete and submit an annual license application. This is necessary as it provides clarity to prospective provisional licensees that they must submit a complete application for annual licensure pursuant to section 15002, if they would like to be considered for a provisional license by the Department.

Proposed subsection (a)(1) also informs applicants that the application must be submitted to the Department and application fee must be paid on or before March 31, 2022. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2.

Proposed subsection (a)(2) identifies the acceptable documents that cultivators may provide to demonstrate compliance with chapter 6 of the Fish and Game Code and is necessary to provide clarity to applicants on which documents they can use to demonstrate compliance. The requirement to provide one of these documents is contained in BPC section 26050.2 and restated here for consistency and clarity.

Proposed subsection (b) outlines the general timeline and mechanism for prospective provisional cultivation licensees to apply for licensure. This subsection indicates that non-provisional cultivation licenses may be issued until September 30, 2022. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2.

Proposed subsection (b)(1) provides that to apply for a provisional cultivation license, an applicant must complete and submit an annual license application. This is necessary as it provides clarity to prospective provisional licensees that they must submit a complete application for annual licensure, found in section 15002, if they would like to be considered for a provisional license by the Department. Proposed subsection (b)(1) also requires that licensees submit their application and pay their application fee on or before June 30, 2022. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2.

Proposed subsection (b)(2) prohibits the prospective provisional cultivation licensee from applying for a cultivation license for a premises that exceeds 20,000 square feet of total canopy for outdoor cultivation. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2.

Proposed subsection (b)(3) provides the acceptable documents for cultivators to show compliance with the Fish and Game Code after June 30, 2022 and is necessary to provide clarity to applicants regarding the specific documentation needed to demonstrate compliance. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2.

Proposed subsection (b)(4) informs prospective provisional cultivation licensees that their application will be denied if it would cause the commercial cannabis business to hold multiple cultivation licenses on contiguous, connecting premises to exceed one acre of total canopy for outdoor cultivation, or 22,000 square feet for mixed-light or indoor cultivation if the application is received on or after January 1, 2022. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2. This subsection also provides clarification regarding when the Department will consider premises to be contiguous, such as when they are connected, touching, or adjoining. The Department determined that clarification was necessary to ensure that prospective provisional cultivation licensees are aware how the Department will determine whether cultivation licenses are in fact, contiguous.

Proposed subsection (c) outlines the general timeline and mechanism for prospective equity applicants to apply for provisional licensure. This subsection indicates that provisional cultivation licenses for equity applicants may be issued until June 30, 2023. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2.

Proposed subsection (c)(1) provides that to apply for a provisional license, an equity applicant must complete and submit an annual license application. This is necessary for clarity to prospective provisional licensees that they must submit a complete application for annual licensure, found in section 15002, if they would like to be considered for a provisional license by the Department. Proposed subsection (c)(1) also requires that equity applicants must submit their application and pay their application fee on or before March 31, 2023 to qualify for provisional licensure. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2.

Proposed subsection (c)(2) contains the provisions related to demonstrating compliance with the Fish and Game Code. Proposed section (c)(2)(A) requires prospective provisional cultivation licensees to submit certain documentation demonstrating compliance with the Fish and Game Code including a final streambed alteration agreement, a draft streambed alteration agreement, written verification from the Department of Fish and Wildlife that a streambed alteration agreement is not needed, or written verification by the Department of Fish and Wildlife that the applicant is currently in the process of working with the Department of Fish and Wildlife. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2.

Proposed subsection (c)(2)(B) prohibits the equity applicant from applying for a cultivation license for a premises that exceeds 22,000 square feet of total canopy for outdoor cultivation. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2.

Proposed subsection (c)(2)(C) also informs equity applicants that their application will be denied if it would cause the commercial cannabis business to hold multiple cultivation licenses on contiguous, connecting premises to exceed one acre of total canopy for outdoor cultivation, or 22,000 square feet for mixed-light or indoor cultivation. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2. This subsection also provides clarification regarding when the Department will consider premises to be contiguous, such as when they are connected, touching, or adjoining. The Department determined that clarification was necessary to ensure that prospective provisional cultivation licensees are aware how the Department will determine whether cultivation licenses are in fact, contiguous.

Section 15001.2. Renewal of Provisional License.

The Act allows the Department to issue a provisional license in certain circumstances where an applicant has submitted a completed annual license application to the Department, including evidence that compliance with the CEQA and compliance with local ordinances enacted pursuant to BPC section 26200 are either completed or underway. The overall purpose of this section is to provide prospective licensees clear provisions regarding how they may seek renewal of a provisional license.

Proposed subsection (a) requires provisional licensees to comply with the renewal procedures in section 15020. This is necessary to ensure that all renewals submitted to the Department are submitted in a consistent and timely manner. It also ensures that provisional licensees are familiar with the general requirements with regards to renewing their provisional license.

Proposed subsection (b) outlines additional information required for provisional license renewals between July 1, 2022 and June 30, 2023. Under proposed subsection (b)(1), in addition to the information required in subsection (a), a provisional licensee must also provide documentation, such as a letter, report, notice or other type of written communication from the local jurisdiction, demonstrating that the local jurisdiction is making progress towards completing environmental review in satisfaction of CEQA. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2. Moreover, the Department determined it was necessary to provide clarification on what documentation provisional licensees may use to demonstrate that their local jurisdiction is making progress towards completing environmental review; therefore, the Department added the examples of a letter, report, notice, or other type of written communication from the local jurisdiction.

Proposed subsection (b)(2) requires provisional cultivation licensees to provide documentation demonstrating progress with compliance with Chapter 6 (commencing with Section 1600) of Division 2 of the Fish and Game Code. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2.

Proposed subsection (c) outlines the process for provisional licensee to submit their renewals on or after July 1, 2023. Under subsection (c)(1), in addition to the information required in subdivision (a), a provisional licensee must also provide documentation, such as a copy of the administrative record, demonstrating that environmental review under the CEQA has been satisfied. Moreover, this section provides an overview of what the administrative record may include for the purposes of this section. The Department recognizes that CEQA review is a nuanced area of law and applicants for licensure may not be familiar with the types of documents that are produced by a local jurisdiction as part of their administrative record. Not only are the examples consistent with the administrative record documents identified in the CEQA Guidelines, but the examples are consistent with documentation the Department has received from applicants to date. By identifying the potential documentation that is produced by local jurisdictions as part of their environmental review processes, the Department will provide added clarity for its applicants as they gather the appropriate documentation for submittal to the Department.

Subsection (c)(2) requires provisional licensees to provide documentation demonstrated compliance with Chapter 6 (commencing with Section 1600) of Division 2 of the Fish and Game Code. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2.

Subsection (d) enumerates certain circumstances in which the Department will not renew a provisional license authorizing cultivation. Specifically, under subsection (d)(1), the Department will not renew a provisional license for which the State Water Resources Control Board has notified the Department that the provisional licensee is not in compliance with the principles, guidelines, and requirements established pursuant to Section 13149 of the Water Code. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26060.1.

Proposed subsection (d)(2) provides that the Department will not renew a provisional license authorizing cultivation if the Department of Fish and Wildlife has notified the

Department that the provisional licensee is not in compliance with any final streambed alteration agreement or established conditions. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26060.1.

Proposed subsection (d)(3) provides that the Department will not renew a provisional license authorizing cultivation if, after January 1, 2023, renewing the license would cause a provisional licensee to hold multiple cultivation licenses on contiguous premises that would exceed one acre of total canopy for outdoor cultivation or 22,000 square feet for mixed-light or indoor cultivation. This is necessary for consistency and clarity purposes, as it is a restatement of the provisions contained in BPC section 26050.2.

This section also provides clarification regarding when the Department will consider premises to be contiguous, such as when they are connected, touching, or adjoining. The Department determined that clarification was necessary to ensure that prospective provisional cultivation licensees are aware how the Department will determine whether cultivation licenses are in fact, contiguous.

Section 15001.3. Notice of Provisional License Review.

The Act specifically indicates that a determination by the Department to suspend, revoke, or deny renewal of a provisional license does not entitle the licensee to a hearing or appeal of the decision pursuant to the Administrative Procedure Act. The overall purpose of this section is to provide a mechanism for the Department to notify the provisional licensee that it is considering revoking, suspending, or denying renewal of the provisional license and to provide them with an opportunity to provide information related to the proposed action for consideration by the Department.

Proposed subsection (a) provides that the Department may issue a Notice of Provisional License Review to a licensee for failure to comply with the Act or its implementing regulations. This is necessary to provide a mechanism for the Department to engage with provisional licensees to notify them that the Department is considering an action related to their provisional license.

Proposed subsection (b) provides that the Notice of Provisional License review shall be in writing and describe the nature and facts of each violation, including a reference to the statute or regulation violated; the manner in which the provisional licensee must correct the violation(s) to achieve compliance; that the Department is considering the possibility of suspending, revoking, or denying the provisional licensee's renewal; and that the provisional licensee may request an informal meeting and provide the Department with information related to the observed violations and potential license action for the Department's consideration during its provisional license review. This subsection is necessary as it prescribes the method and format by which the Department's Notices of Provisional License review are to be issued.

Proposed subsection (c) provides an overview of how the Department will serve the Notice of Provisional License Review on a provisional licensee, which allows for mail, electronic, or personal service. These methods are necessary to allow the Department to use the most effective means of communicating with the provisional licensee for that particular situation. This provision is necessary as it informs prospective provisional licensees how

they may expect to receive a Notice of Provisional License Review.

Section 15001.4. Immediate Suspension of Provisional License.

The overall purpose of this section is to outline the Department's authority to take immediate action on provisional licensees in order to safeguard the public health, safety, and welfare, in relation to a provisional license.

Proposed subsection (a) provides that the Department may immediately suspend any provisional license or impose licensing restrictions upon any provisional licensee if permitting the provisional licensee to continue to engage in licensed activity would endanger the public health, safety, or welfare. This is necessary because it provides the Department the ability to take action when it appears from the Department's observation or investigations that serious injury would result to the public before Provisional License Review could be conducted.

Proposed subsection (b) provides that the immediate suspension of provisional license shall be in writing and what the suspension notice must describe. Specifically, the immediate suspension of provisional license must state the nature and facts of each violation, including a reference to the statute or regulation violated, and the length or conditions of suspension. This subsection is necessary as it prescribes the method and format by which the Department's Immediate Suspension of a Provisional License is to be issued.

Proposed subsection (c) provides that following the issuance of an Immediate Suspension under this section, the Department shall serve the provisional licensee with a Notice of Provisional License Review pursuant to section 15001.3. This is necessary to ensure that the licensee has the opportunity to provide the Department with information relevant to the reasons for the suspension.

Section 15002. Annual License Application Requirements.

This section contains the general requirements for an application for an annual cannabis license pursuant to this division. This section is proposed to apply to applicants for all license types to establish consistency in application requirements and aid commercial cannabis businesses in locating requirements by consolidating general application requirements into this section. This section includes minor revisions which include removing the term "of this division", that are stylistic or grammatical in nature that do not change the substance of the requirements. In addition, the term "applicant" has been replaced with "commercial cannabis business" for consistency of terms throughout this division.

Proposed subsection (a) specifies that applications may be completed and submitted online through the Department's website. This section generally codifies similar provisions contained in original section 16102, applying to cultivators, and original section 17101, subsection (a)(1), applying to manufacturers. Original section 16102 specifies the website and physical address for the former CDFA's cannabis licensing program. However, that section is proposed to be repealed. Similarly, original section 17101, subsection (a)(1) specifies that applications may be submitted online through the MCLS (Manufactured Cannabis Licensing System) or through an application; it also is proposed to be repealed.

The Department proposes to remove the information related to submission of hard copy applications as most applications are received through the online system, information from hard copies are entered into the system by staff, and renewals are done only through the online system. This is necessary for clarity and consistency. The Department provides assistance to applicants who cannot access the online submission feature.

Proposed subsection (b) requires applicants who submit their application online to first create a user account if required by the system. Subsection (b) further specifies the information that may be requested by the licensing system to create a user account.

This subsection contains proposed amendments to specify that a user account shall be created if required by the licensing system. This is necessary because the Department will continue to utilize the three licensing systems used by the former licensing authorities while the Department develops a unified licensing system. The former Bureau's licensing system requires a user account, but this is not specifically required by the other systems. Thus, to extend the applicability of this subsection to cultivators and manufacturers, it has been amended to clarify that a user account must be created if required by the applicable licensing system.

Proposed subsection (c) specifies that an application must be completed by an owner and contains the requirements for an application for an annual cannabis license. This subsection contains an amendment that proposes removing the provision specifying that an application must be submitted for each location and license type. This is necessary because this requirement is already specified in section 15000.1 thus, inclusion here is unnecessarily duplicative.

Proposed subsection (c)(1) requires the name of the applicant. Proposed amendments specify the legal first and last name of the applicant and the legal business name of the commercial cannabis business are required. The wording of the original subsection did not clearly indicate the names being requested and used inconsistent terminology.

These amendments are necessary to clarify the names that are required of the individual applicant and the commercial cannabis business on the application. Original sections 17101 and 17102, applying to manufacturers, and 16102, applying to cultivators, also required the legal business name of the applicant entity. Therefore, these amendments are also necessary to more closely align with terminology used in repealed sections 17101, 17102, and 16102. As this subsection will apply to all license types, it is necessary for all applicants to know which applicant and business names must be disclosed.

Proposed subsection (c)(2) requires the doing business as (DBA) name of the commercial cannabis business. Requirements in original section 17102, subsection (a)(3), applicable to manufacturers, are included as proposed amendments to this section to further clarify and specify that all business trade names, fictitious business names, doing business as, or DBA the commercial cannabis business will be operating under must be disclosed in the application to the Department. This subsection will also now apply to cultivators. The Department determined that it is necessary to extend this requirement to all licensees because many licensees utilize business trade names, fictitious business names, and DBAs, on their products, merchandise, and advertisements. For the Department to readily identify the licensee responsible for products, merchandise, advertisements, and other

materials, the Department must have a list of all names licensees will be operating under. Proposed subsection (c)(3) requires applicants to indicate the requested license type for which the application is made and the medicinal and adult-use designations. This subsection is proposed to apply the requirement to applicants for all license types.

Similar requirements in original section 16102, subsections (b) and (c), applicable to cultivators, and original section 17102, subsection (a)(11) and section 17104, applicable to manufacturers are proposed to be repealed due to the consolidation of application requirements into this chapter. Subsection (c)(3) contains proposed amendments to specify the requirement that the commercial cannabis business indicate the medicinal or adult-use designation if applicable and has removed the clarification that testing laboratories do not need to indicate medicinal or adult-use. The addition of the phrase “if applicable” is sufficient to allow testing laboratories, which can test for any licensee, not to designate adult-use or medicinal on the application, and for cultivators not to select both as they are required to select medicinal or adult-use in the licensing system. This proposed section does not impose a new regulatory requirement on licensees and provides information necessary to determine the applicability of regulatory requirements contained in other sections of this division.

Original subsection (c)(4) requires payment of an application fee. The Department is not proposing amendments to the text of this subsection, however, due to the consolidation of these regulations application fees for all license types have been consolidated into original section 15014 of this division, and all general application requirements have been consolidated into this section. Therefore, this subsection is proposed to apply to all license types. Original sections 16010 and 16102, applicable to cultivators, and original section 17101 subsection (a)(2), applicable to manufacturers, also required an application fee and are proposed to be repealed.

The Department proposes to repeal original subsection (c)(5). This subsection, pursuant to Business and Professions section 115.4, provides for the expedited processing of applications for honorably discharged members of the Armed Forces of the United States. However, section 115.4, which forms the basis for this section, applies to the Department of Consumer Affairs and the boards and bureaus under it. Because this section of the BPC does not apply to the Department, the Department has determined it is necessary to repeal this subsection.

The Department proposes repealing original subsection (c)(6) and (c)(7) which request a list of all other licenses issued by other state cannabis licensing authorities and whether the commercial cannabis business had been denied a license or had a license suspended or revoked by any other state cannabis licensing authority. Due to the consolidation of the licensing authorities into one Department, the Department has determined that it will already have the information requested in these subsections and therefore will not need to request it from commercial cannabis businesses. Similar requirements in original section 16102 have also been proposed to be repealed.

Original subsection (c)(8) is proposed to be renumbered to subsection (c)(5) due to the repeal of the prior subsections. This subsection requires the disclosure of the physical address of the premises. Similar requirements in original section 17104, subsection (a),

applicable to manufacturers, and original section 16102, subsection (d), applicable to cultivators, are proposed to be repealed and this subsection is proposed to apply to all applicants for any type of license. Lastly, this subsection would extend the requirement that a document confirming the physical address of the premises be provided if the Department cannot verify the physical address to cultivators and manufacturers. The Department has determined that this requirement should be applicable to all license types to guarantee that the Department has an accurate physical location for each premises it licenses.

Original subsection (c)(9) is proposed to be renumbered to (c)(6) due to the repeal of prior subsections. This subsection is also proposed to apply to applicants for all license types and consolidates similar requirements contained in section 17102, subsection (a)(4), applicable to manufacturers, and section 16102, subsection (e), applicable to cultivators, which are proposed to be repealed. This subsection also proposes amending applicant to commercial cannabis business for clarity purposes. This is necessary to clarify that the Department requires the mailing address for the commercial cannabis business and not the individual owner who has applied on behalf of the commercial cannabis business.

Original subsection (c)(10) is proposed to be renumbered to (c)(7) due to the repeal of prior subsections. This subsection has been amended to require the phone number for the commercial cannabis business rather than the premises. The Department has determined that all licensees must have a phone number for the commercial cannabis business so that the Department can readily contact the business. Having a business phone is also a standard business practice, therefore the Department decided such a requirement would not be unduly burdensome on any licensees. However, not all licensees will have a landline phone at their premises. Many cultivators have premises that are far from electrical and phone grids and would therefore be unable to have a landline at the premises. Additionally, many manufacturers utilize a shared manufacturing premises and therefore would not have exclusive access to a landline phone at the premises. As many businesses no longer use landlines, even where available, and given the mobile nature of both businesses and phones, the Department has determined it is necessary and more appropriate to require a phone number for the commercial cannabis business and not the premises itself. Similar requirements in original section 1710 subsection (a)(5), applicable to manufacturers, and section 16102 subsection (g), applicable to cultivators, requiring a phone number for a primary contact for the commercial cannabis business, are proposed to be repealed and this subsection is proposed to apply to all applicants for any type of license.

Original subsection (c)(11) is proposed to be renumbered to (c)(8) due to the repeal of prior subsections. This subsection previously required the applicant's website address and email address. This subsection proposes amendments to require the website address of the commercial cannabis business, if any exists. The Department determined that the subsection should be amended to request the website address of the commercial cannabis business rather than the applicant's, which would be an individual owner's website. Additionally, this subsection specifies that the website address is required if there is one. This is necessary because not all commercial cannabis businesses will have a website. The requirement to provide the owner's email address has been eliminated. This

amendment is necessary because the Department determined that requested information for each owner includes their email address. As an applicant is an owner applying on behalf of the commercial cannabis business, the applicant's email address will already be captured and it is not necessary to duplicate the requirement in this subsection. The Department has determined that this subsection should also apply to manufacturers and cultivators as it is equally necessary to receive this information from all licensees.

Original subsection (c)(12) is proposed to be renumbered to subsection (c)(9) due to the repeal of prior subsections. The Department proposes to amend the subsection to require the federal taxpayer identification number the commercial cannabis business files federal taxes under. Originally this section required the business' federal employer identification number. However, the Department determined that requesting the number the commercial cannabis business files federal taxes under is more specific and incorporates additional types of numbers that a business may be filing taxes under, such as a social security number, tax identification number, or national identification number. These proposed amendments are also necessary because similar information is contained in original sections 17102 and 16102, applicable to owners and financial interest holders of cultivation and manufacturing commercial cannabis businesses. These sections are proposed to be repealed to consolidate the requirements into one section and have consistent requirements for all licensees. The proposed amendments to this subsection are necessary to guarantee applicants for all license types know which number to provide.

Original subsection (c)(13) is proposed to be renumbered to subsection (c)(10) due to the repeal of prior subsections. This subsection proposes amendments to specify that contact information must be provided for an owner of the commercial cannabis business, who will serve as the designated primary contact or designated responsible party for the business. This proposed amendment is necessary because this subsection will apply to applicants for all license types and consolidate similar requirements contained in original section 17102, subsection (a)(5) and 17104, subsections (e), applicable to manufacturers, and original section 16102 (g), applicable to cultivators, which are proposed to be repealed. Original subsection 16102 (g) requested additional identifying information about the designated responsible party, however, the Department has determined such information is already captured under individual owner submissions.

Proposed new subsection (c)(11) proposes to add a provision that requires disclosure of an agent for service of process for the commercial cannabis business if such an agent exists, and if so, specifies the information about the agent that must be disclosed to provide the Department with information necessary to be able to contact the agent. This subsection replicates similar requirements in original section 16102 (h), which only applied to cultivators and has been proposed to be repealed. The Department has determined it is necessary to keep this requirement as some licensees may have already relied on it and that it is appropriate to provide the option to applicants for all license types for consistency.

Original subsection (c)(14) is proposed to be renumbered to subsection (c)(12) to account for changes made to prior subsections. This subsection proposes to replace the word applicant with commercial cannabis business to clarify that the organizational structure of the business is required, not the individual owner's/applicant's organizational structure. Additionally, this subsection contains proposed amendments to add joint venture, limited

liability company, sole proprietorship, and trust to the subsection as examples of business organizational structures. This is necessary because this section consolidates requirements in original section 16102, subsection (a), applicable to cultivators, and original section 17102, subsection (a)(7), applicable to manufacturers, which are proposed to be repealed. These repealed subsections contained more examples of business organizational structures, which the Department has determined is helpful to applicants; thus, additional examples were included here to be more expansive.

Original subsection (c)(15) is proposed to be renumbered to subsection (c)(13) to account for changes to prior subsections in this section. The Department proposes to consolidate the requirements found in multiple original sections: original section 15002, subsection (c)(15), formerly applicable to applicants seeking licensure from the Bureau, original section 16102, subsection (k), applicable to cultivators, and 17102, subsection (a)(12) and (13), applicable to manufacturers. The proposed subsection is further amended to clarify the documents that must be provided with all applications for licensure. This subsection contains proposed amendments that specifies that, upon request, applicants must provide business-formation documents that are not available online through the California Secretary of State (CSOS), and provides examples of operating agreements, bylaws, and other documents that establish ownership or control over the commercial cannabis business. These amendments are necessary because the Department has determined that, there is no need for the Department to expend storage space and staff resources to process and maintain documents available on the CSOS website. The Department proposes to consistently apply this provision reducing the amount of documentation to be provided by all applicants consistently to all types of license applications. The subsection retains the requirement for the applicant to submit operating agreements and bylaws as these are not generally available online from CSOS and proposes adding a catch-all for documents that establish ownership or control over the commercial cannabis business, but limits the provision of these documents to only when requested. The Department determined that this addition was necessary because documentation beyond that available from CSOS may not be needed in all situations, thus, will be requested when the CSOS documents are not sufficient to properly identify owners of the commercial cannabis business. This proposed language provides clarity to the applicant about the type of documents that must be disclosed in the application process, if requested, while also being broad enough to cover a range of documents that may be needed related to a specific commercial cannabis business.

Original subsection (c)(16) requiring a list of every fictitious business name the applicant is operating under is proposed to be repealed as duplicative of the list required in subsection (c)(2) of this section and the business formation documents required under proposed subsection (c)(13) of this section.

Original subsection (c)(17) is proposed to be renumbered to subsection (c)(14) due to changes to prior subsections in this section. There are no proposed amendments to text, but this requirement will apply to applicants for all license types due to the consolidation of application requirements in this chapter. Similar provisions in section 17102, subsection (a)(7), applying to manufacturers, and section 16102, subsection (k), applying to cultivators, are proposed to be repealed due to the consolidation of the requirements in

this section.

Original subsection (c)(18) is proposed to be repealed. This subsection required an applicant to provide certain financial information including funds held in bank accounts, loans made to the business, and gifts provided to the business. While this information originally aided the Bureau in assisting applicants with identifying individuals that needed to be disclosed as financial interest holders or owners, neither original section 17102, applying to manufacturers, nor section 16102, applying to cultivators, required this information. The Department has determined that it is unnecessary to apply this requirement to cultivators and manufacturers. The Department has determined that proposed revisions in section 15003 and section 15004 provide clear parameters for applicants to determine which persons are considered owners or financial interest holders of the commercial cannabis business. Lastly, the Department can request this information on a case-by-case basis if it determines there is a need to receive it from a specific applicant. Therefore, the Department has determined it does not need to require the information contained in this subsection be provided by all applicants with the application for licensure.

Original subsection (c)(19) is proposed to be renumbered to (c)(15) due to changes to prior subsections in this section. This subsection also contains proposed amendments to specify that both individuals and entities must be disclosed as financial interest holders and specifies the information that must be provided for each financial interest holder. These amendments are necessary to provide further clarity to the original subsection. They are also necessary to incorporate the more specific requirements contained in original section 17102, subsection (a)(9), applicable to manufacturers, and original section 16102, subsection (j), applicable to cultivators, which are proposed to be repealed. The Department determined that these more specific provisions provide greater clarity to the applicant about what is required to be disclosed in the application for each financial interest holder of the commercial cannabis business and are therefore necessary amendments. In addition, the term “applicant” has been replaced with “commercial cannabis business” for consistency of terms throughout this division.

Original subsection (c)(20) contains the information regarding each owner that must be disclosed in an application for licensure. This subsection is proposed to be renumbered to subsection (c)(16) due to proposed changes to prior subsections in this section. This subsection contains proposed amendments to replace applicant and applicant entity with commercial cannabis business. This is necessary to clarify what the individuals being disclosed are owners of, which is the commercial cannabis business. To that end, the term “applicant” has been replaced with “commercial cannabis business” for consistency of terms throughout this division. Additionally, this subsection is proposed to be applicable to applicants of all license types due to the consolidation of application requirements into this chapter. Original section 17103, subsection (a), applicable to manufacturers, and original section 16102, subsection (j), applicable to cultivators, contained substantially similar requirements. Therefore, the Department proposes to repeal sections 17103 and 16102, and apply the requirements of this subsection to applications for all license types.

Original subsection (c)(20)(J) is proposed to be repealed. This subsection required the owner to disclose an ownership interest in other licenses. The Department determined this

is no longer necessary because all licensees are now licensed by the Department so the Department will already have this information.

Original subsection (c)(20)(K) is proposed to be renumbered to subsection (c)(16)(J) due to changes discussed above. The Department proposes to amend this subsection by removing the requirement that the owner provide a copy of their government-issued identification and instead require that the owner provide the number of their government-issued identification. The Department determined that this proposed amendment was necessary because a copy of the identification is not needed to verify the identity of the owner, considering the other identifying information already received by the Department. Therefore, the Department determined that the number of the owner's identification is sufficient. Additionally, although this requirement exists for former Bureau licensees, and former CDFA licenses by way of original section 16102, this requirement is not currently applicable to manufacturers. Therefore, the proposed amendment will make consistent the requirement for all licensees.

Subsection (c)(16)(K) is proposed to be added to require each owner to provide a copy of the completed application for electronic fingerprint images submitted to the Department of Justice. The Department has determined this addition is necessary because similar requirements are in original section 16102, subsection (j)(14), applicable to cultivators, and original section 17103, subsection (a)(7), applicable to manufacturers, which are proposed to be repealed to consolidate application requirements in this chapter and have consistent requirements for all licensees. The Department has determined that this requirement provides helpful information to the Department's licensing staff by alerting them that the owner has submitted their fingerprints and serves as another means of verifying the owner's identity.

Original subsection (c)(20)(L) requires the disclosure of an owner's convictions. This subsection, except for part (vi), is proposed to be repealed as there are substantially similar provisions in original section 16102, subsection (j)(13), applicable to cultivators, and original section 17103, subsection (a)(8). The Department determined this subsection should be deleted because the Department receives the criminal history of the owner. Additionally, the Department determined that requiring owners to disclose their convictions poses an undue burden on the owner and does not provide information that is not already available to the Department. In addition, the proposed amendments to subsection (c)(20)(L) makes this section consistent with statutory changes pursuant to Assembly Bill 2138 (Chui, 2018), which prohibits licensing authorities from requiring applicants to provide criminal history information and makes the provision of mitigating information voluntary.

Original subsection (c)(20)(L)(vi) required a statement of rehabilitation for each conviction disclosed. This subsection is proposed to be renumbered to subsection (c)(16)(L) due to the proposed repeal of prior subsections. Additionally, this subsection is proposed to be applicable to owners applying for any license type. Requirements similar to this original subsection contained in original section 17103, subsection (c), applicable to manufacturers, and section 16102, subsection (j)(13)(f) have been proposed to be repealed due to the consolidation of application requirements for all license types into this chapter. This subsection is also proposed to be amended to allow an owner to submit a statement of rehabilitation for any conviction, but not to require it. The Department

determined that it was not appropriate to require statements of rehabilitation, which is no longer consistent with statute. This amendment is necessary to clarify that owners may submit statements of rehabilitation, but they are not required to.

Original subsection (c)(20)(M) requires disclosure of administrative orders or civil judgements for violations of labor standards, suspension or revocation of a commercial cannabis license, or sanctions for unlicensed commercial cannabis activity. This subsection is proposed to be renumbered to subsection (c)(16)(M) due to proposed changes in prior subsections. Additionally, this subsection is proposed to apply to applications for all license types. Substantially similar requirements are contained in original section 17103, subsections (a)(8)(B)-(F), applicable to manufacturers, and section 16102, subsection (j)(15), applicable to cultivators, and are proposed to be repealed due to the consolidation of all application requirements into this chapter. Subsection (c)(16)(M) also contains a proposed amendment clarifying that an owner disclosing any type of discipline may provide mitigating information, such as a statement of rehabilitation, to the Department for consideration if any prior discipline disclosed would result in denial of the application. Original section 16102, subsection (c), required a statement of rehabilitation for similar discipline disclosures. The Department determined that a statement of rehabilitation should not be required for prior discipline for the same reasons it determined to not require a statement of rehabilitation for convictions and proposes to make the sections consistent. However, the Department determined that applicants/owners should have the opportunity to provide mitigating information for consideration if the prior discipline disclosed could result in denial of the application. This is necessary to guarantee that applicants may provide the Department with information that could provide grounds for the Department to issue a license despite the prior discipline.

Original subsection (c)(20)(N) requires the owner to attest that the information in the application is complete, true, and accurate. This subsection is proposed to be renumbered to (c)(16)(N) due to changes to prior subsections. Additionally, this subsection is proposed to be applicable to owners applying for any license type.

Original section 17101, subsection (b), applicable to manufacturers, contains a similar requirement and is proposed to be repealed due to the consolidation of application requirements in this Chapter. Original section 16102, applicable to cultivators, does not contain a similar provision, however, BPC section 26051.5, subdivision (a)(4) requires every application for licensure to contain “a statement, signed by the applicant under penalty of perjury, that the information provided is complete, true, and accurate,” thus all applicants are required to provide such a statement under the Act. Therefore, the Department has determined that it is necessary to have all owners submitting information as part of the application attest that the information provided is complete, true, and accurate.

Original subsection (c)(21) requires the applicant to provide evidence that they have the legal right to occupy and use the proposed location. This subsection is proposed to be renumbered to subsection (c)(17) due to changes in prior subsections and is proposed to apply to applicants for all license types. This is necessary because this information is required under BPC section 26051.5, subdivision (a)(4). Original section 16102, subsection (n), applicable to cultivators, and original section 17101, subsection (a)(1)(C),

applicable to manufacturers, contained similar requirements which are proposed to be repealed due to consolidation of application requirements for all license types in this chapter. Lastly, this subsection contains a proposed amendment to replace the word applicant with commercial cannabis business to clarify the entity that will be conducting business at the premises, rather than referring to the applicant, which includes an individual owner of the commercial cannabis business.

Original subsection (c)(22) requires evidence that the proposed premises is in compliance with BPC section 26054(b), which prohibits a premises from being within a 600-foot radius of a school or similar locations catering to children unless the Department or the local jurisdiction approve a different radius, and section 15026, which further specifies the distance requirement and the process for receiving a license exempt from the distance requirement. This subsection is proposed to be renumbered to subsection (c)(18) due to changes in prior subsections. The reference to section 15026 is proposed to be deleted as the cross reference is no longer necessary because the relevant subsections are also proposed to be deleted. Additionally, original section 16102, subsection (x), applicable to cultivators, and original section 17101 (b)(4), applying to manufacturers, which contained similar requirements to the sections in this chapter are proposed to be repealed and this subsection is proposed to apply to applicants for any license type. Both original sections 16102, subsection (x), and 17101, subsection (b)(4) allowed for an applicant to attest that the proposed premises is in compliance with BPC section 26054(b), therefore, the Department determined that these requirements should be consistently applied to former Bureau licensees. Original section 16102, subsection (x), applicable to cultivators, which specified that the radius be measured as provided in Health and Safety Code section 11362.768, subsection (c), has been proposed to be repealed and not included here because the Department has determined it duplicates the provision in statute. Additionally, the Department has determined that the requirement to provide non-attestation evidence of compliance should be maintained, but rather than for all applications, upon request. This is necessary because the Department has determined evidence beyond an attestation may be necessary to determine compliance with BPC section 26054(b). Additionally, original section 15026, subsection (b), which provided the evidence that an applicant can provide in order to demonstrate the local jurisdiction approved the premises to be within a radius less than 600-feet of a school, has been incorporated to provide clarity to licensees.

Original subsection (c)(23) is proposed to be renumbered to subsection (c)(19) due to proposed changes to prior subsections. This subsection previously required an applicant with 20 or more employees that has entered into a labor peace agreement to attest that the applicant has entered in to a labor peace agreements and will abide by the terms and provide specified evidence of the agreement, or provide a notarized statement indicating that they will enter into and abide by the terms of a labor peace agreement as soon as reasonably practicable after licensure. The proposed amendments to this subsection remove the attestation and require the commercial cannabis business to provide a notarized statement that the commercial cannabis business will enter into, or demonstrate that it has already entered into a labor peace agreement by providing a copy of the signature page of the agreement, and abide by the terms of a labor peace agreement. A commercial cannabis business with less than 20 employees that has not yet entered into a labor peace agreement is required to provide a notarized statement indicating that the

applicant will enter into and abide by the terms of a labor peace agreement within 60 days of employing its 20th employee. These amendments are necessary to be consistent with changes to BPC section 26051.5(a)(5), which have occurred since this regulation was originally adopted. This subsection also contains a proposed change to amend applicant to commercial cannabis business to clarify who the employer is. Although it was removed in the emergency regulations, the Department has decided to retain the provision that requires an applicant who has already entered into a labor peace agreement to provide a copy of the signature page of the agreement. This change is necessary because BPC section 26051.5 requires applicants that have already entered into a labor peace agreement to demonstrate such but does not specify how applicants may demonstrate this action. The Department determined that signature page of the labor peace agreement meets this requirement, without having to disclose contractual terms that may be considered confidential by the parties to the agreement. Additionally, this subsection is proposed to apply to applicants for all license types, not just license types formerly issued by the Bureau. Original section 17101, subsection (b)(2), applicable to manufacturers, and original section 16102, subsection (y), applicable to cultivators, contain substantially similar requirements, however, do not contain the proposed amendments necessary to be consistent with the current statute. These sections are proposed to be repealed due to the consolidation of application requirements into this chapter and because they do not contain the current statutory requirements.

Original subsection (c)(24) is proposed to be renumbered to (c)(20) and contains the requirement that the applicant provide a valid seller's permit number or attest that they are applying for a seller's permit, if applicable. This subsection is proposed to apply to applicants for all license types due to the consolidation of application requirements into this chapter. Original section 16101, subsection (l), applicable to cultivators, and section 17102, subsection (a)(6), applicable to manufacturers, contained the same requirement and are proposed to be repealed due to the consolidation of application requirements into this chapter. This subsection also contains a proposed change to amend applicant to commercial cannabis business.

Original subsection (c)(25) is proposed to be renumbered to (c)(21) and states that a diagram of the premises as required by section 15006 must be included with the application. This subsection is proposed to be applied to applicants for all license types due to the consolidation of application requirements into this chapter. Original section 16101, subsection (t), applicable to cultivators, and original section 17104, subsection (j), applicable to manufacturers, contained the same requirement for a premises diagram and are proposed to be repealed due to the consolidation of the application requirements for all license types into this chapter.

Original subsection (c)(26) is proposed to be renumbered to (c)(22) and previously required proof of a bond as required under section 15008. Prior section 15008 is proposed to be repealed, and this subsection is proposed to be amended to incorporate the former provisions of section 15008. This subsection now requires proof of a surety bond of at least \$5,000 payable to the State of California for each licensed premises. All bonds required under this section shall be issued by a corporate surety licensed to transact surety business in the State of California. This subsection is proposed to be applied to

applicants for all license types due to the consolidation of application requirements into this chapter. Original section 16101, subsection (o), applicable to cultivators, also required a bond and specified the parameters of the bond which are substantially like requirements found in original section 15008. Original section 17102, subsection (a)(10), applicable to manufacturers, also required a bond and specified the parameter of the bond which are substantially like requirements found in 15008 and 16101, subsection (o). The Department proposes to consolidate the requirements for a bond for applicants of all license types into this section and proposes to repeal sections 16101 subsection (o), 17102 subsection (a)(10), and section 15008. The substance of these sections, including the bond amount, has not been amended except to remove the requirement that a bond be required for each license. Due to consolidation of the licensing authorities, all licenses will be issued by the Department. Therefore, the Department determined that it was no longer necessary to require separate bonds from an applicant or licensee, provided the bond is for the aggregate number of licenses issued to the applicant. For example, a licensee with 5 licenses, could obtain one bond in the amount of \$25,000 rather than 5 bonds in the amount of \$5,000 each. This amendment is required to allow licensees more flexibility in obtaining bonds to comply with the statutory requirement.

Original subsection (c)(27) is proposed to be renumbered to (c)(23) due to changes to prior subsections. This subsection originally required additional information relevant to testing laboratories. Proposed amendments would remove the additional information relevant to testing laboratories and has been amended to instead require additional information as required by section 15011. This is necessary because the Department proposes consolidating application materials for specific license types into section 15011. This subsection will also apply to applicants of all license types due to the consolidation of application requirements into this chapter.

Original subsection (c)(28) is proposed to be renumbered to (c)(24) due to changes to prior subsections. This subsection specifies that when an applicant provides a license, permit, or other authorization from the local jurisdiction, the Department will notify the applicable local jurisdiction to confirm the validity of the authorization and if it does not hear back within 10 calendar days, the Department will consider the authorization valid. This subsection is proposed to be applicable to applicants of all license types due to the consolidation of application requirements for all license types into this chapter. Original section 17102, subsection (b), applicable to manufacturers, and original section 16110, applicable to cultivators, contained the same provisions as this subsection and are proposed to be repealed due to the consolidation of application requirements for all license types into this chapter.

Original subsection (c)(29) contained the requirement for certain operating procedures on various forms. These requirements are proposed to be repealed due to the proposed amendments throughout this division to consolidate application requirements for all license types into this chapter. Because the requirements in this subsection are specific to licensees of the former Bureau of Cannabis Control, they are proposed to be repealed here and incorporated under section 15011 with additional application requirements by license type.

Original subsection (c)(30) contained requirements for operating procedures for a

microbusiness and original subsection (c)(31) contained requirements for operating procedures for a testing laboratory. These requirements are proposed to be repealed due to the proposed amendments throughout this division to consolidate application requirements for all license types into this chapter. Because the requirements in this subsection are specific to microbusinesses and testing laboratories, they are proposed to be repealed here and incorporated under section 15011 with additional application requirements by license type.

Original subsection (c)(32) is proposed to be renumbered to subsection (c)(25) due to proposed changes in prior subsections. This subsection requires the limited waiver of sovereign immunity required by section 15009, if applicable. This subsection is proposed to be applied to applicants for all license types due to the consolidation of application requirements for all license types into this chapter. Original section 17100, subsection (a)(4), applicable to manufacturers, contained the same requirement and is proposed to be repealed due to consolidation of application requirements for all license types into this chapter. Original section 16102, subsection (cc), applicable to cultivators, also requires a waiver of sovereign immunity where applicable and specifies the requirements for such a waiver. That subsection is also proposed to be repealed due to the consolidation of application requirements for all license types into this chapter. Requirements for a waiver of sovereign immunity have been consolidated into section 15009.

Original subsection (c)(33) is proposed to be renumbered to subsection (c)(26) due to changes to prior subsections. This subsection requires applicants to provide evidence of exemption from, or compliance with, the California Environmental Quality Act (CEQA).

This subsection is proposed to be amended to just reference section 15010 as the section for specifying requirements for evidence of compliance with, or exemption from CEQA, as all CEQA requirements have been consolidated into one section.

Additionally, this subsection is proposed to be applicable to applicants for all license types due to the consolidation of application requirements for all license types into this chapter. Original section 17101, subsection (a)(3), applicable to manufacturers, and section 16102, subsection (r), applicable to cultivators, required evidence of compliance with, or exemption from CEQA as well. These subsections are proposed to be repealed with the requirement to provide CEQA evidence for all applicants being consolidated into this subsection, and the specific requirements for such evidence being consolidated under section 15010.

Original subsection (c)(34) is proposed to be renumbered to (c)(27) and contains the requirement that the applicant provide the State Employer Identification Number issued by the California Employment Development Department, if applicable. This subsection is proposed to apply to applicants for all license types due to the consolidation of application requirements into this chapter. Original section 16101 subsection (j)(2), applicable to cultivators, contained the same requirement and is proposed to be repealed due to the consolidation of application requirements into this chapter. Additionally, this subsection is now proposed to apply to manufacturers. This has not been a requirement for manufacturers, however, the Department determined that it was necessary to have the same information regarding applicants for all license types.

Original subsection (c)(35) is proposed to be renumbered to subsection (c)(28) due to proposed changes to prior subsections. This original subsection requires an applicant with more than one employee to attest that they employ, or will employ, within one year of receiving a license, one supervisor and one employee who have successfully completed a Cal-OSHA 30-hour general industry outreach course. This subsection also contains a proposed change to amend applicant to commercial cannabis business to clarify who the employer is. Additionally, this subsection is proposed to apply to applicants for all license types. Original section 17101, subsection (b)(5), applicable to manufacturers, and original section 16102, subsection (bb), applicable to cultivators, contain substantially similar requirements and are proposed to be repealed due to the consolidation of application requirements into this chapter.

Subsection (d) is proposed to be added to include applications for cannabis event organizer licenses in this section. This is necessary due to the proposed consolidation of application requirements for all license types into this chapter. Original section 15600, subsections (f) through (g) replicated requirements in this section, except for those requirements applicable to a premises and requirements applicable to the sale of cannabis. In order to maintain consistent requirements, this subsection proposes exempting applicants for a cannabis event organizer license from providing premises information as they are not required to have a premises and from requirements related to the sale of cannabis or cannabis products as the privileges of the license do not allow the licensee to own or sell commercial cannabis or cannabis products.

The authority and reference section has been amended to remove sections of the BPC that are no longer applicable due to the transfer of the Bureau from the Department of Consumer Affairs to the consolidated new Department of Cannabis Control.

Section 15002.1 Temporary Cannabis Event Application.

Proposed section 15002.1 contains the general requirements for an application for a temporary cannabis event license pursuant to this division. The requirements of this section are moved from existing section 15601, subsections (b) and (h). The purpose of this section is to consolidate application requirements for all licenses the Department issues into a single chapter. This is necessary for clarity and will ensure that all prospective Department licensees are utilizing application requirements in the same chapter.

Proposed subsection (a) states that a temporary cannabis event license shall only be issued to a person who holds a cannabis event organizer license issued by the Department. A cannabis event organizer license is required to hold a temporary cannabis event, as temporary cannabis events are limited in duration, and require a licensed cannabis event organizer to apply, organize, and hold the temporary cannabis event.

Proposed subsection (b) provides the required information for a temporary cannabis event license application, including the name of the application, license number of each state cannabis license held, the address of the location of the temporary cannabis event, the name of the temporary cannabis event, a diagram of the physical layout of the temporary cannabis event including a limited-access area that can only be accessed by the cannabis event organizer and Department representatives, the dates and hours of operation for

which the temporary cannabis event license is being sought, the contact information for the applicant's designated primary contact, contact information for the primary contact that will be onsite at the event, written approval from the local jurisdiction authorizing any onsite cannabis sales or consumption, a list of all licensees and non-cannabis vendors that will be participating in the commercial cannabis event as well as a description of what type of product they will be selling or displaying, and an attestation. This information is basic and essential to ensure a complete review of the temporary cannabis event, and whether it meets the statutory and regulatory requirements for allowable commercial cannabis activity. The Department has removed the former provision that prevents premises diagrams from containing highlighting and requires the markings on the diagram be in black-and-white print. Based on its experience, the Department determined that there is no longer a need to restrict diagrams to black-and-white print without highlighting as color premises diagrams can be helpful in application review and in the field at temporary cannabis event premises. In addition, the Department proposes to require that all licensees and non-cannabis vendors that will be participating in a temporary cannabis event be identified by the temporary cannabis event organizer. The Department recognizes that not only retail licensees participate in temporary cannabis events; distribution, cultivation, and manufacturing licensees and others participate in temporary cannabis events for informational purposes such as brand awareness and to market their cannabis and non-cannabis goods. This provision is necessary to ensure that Department staff is able to identify the licensees individuals that are onsite and engaging in commercial cannabis activities at the temporary cannabis event on behalf of their commercial cannabis licensee employers. Notably, temporary cannabis events are still required to follow the same rules and regulations that correspond to their license type, and the information provided in this section will help the Department determine whether the temporary cannabis event license application is appropriate for licensure.

Section 15003. Owners of Commercial Cannabis Businesses.

This section addresses who is considered an owner of a commercial cannabis business for purposes of disclosure in the application and licensing process. The proposed revisions to this section are intended to provide clarification as to whom is considered an owner, as this has been an area of confusion for licensees. This is necessary to allow the Department to identify and verify the true identity of individual owners of commercial cannabis businesses, and then to determine if they are qualified to hold a license as required by BPC section 26055.

The title of the section has been amended to remove the "Designation of" portion. This amendment is necessary for clarity as the section includes requirements beyond the designation of owners. The title has also been amended to include "of commercial cannabis businesses" to clarify that the section provides requirements regarding owners of the commercial cannabis businesses seeking licensure.

Proposed subsection (a) specifies who is considered an owner under the statutory definition for clarity. This provision assures that all individuals who meet the definition of "owner" are disclosed as part of an application for licensure. This clarification is necessary to ensure that applicants and licensees can easily identify which individuals associated with the commercial cannabis business must be disclosed on the license application. This

information is essential in identifying the true and correct individuals that are considered owners of a commercial cannabis business. The true and correct identities must be provided because the Act requires the Department to make a complete and thorough determination of a person's suitability for licensure, including consideration of each owner's history of convicted offenses that are substantially related to the qualifications, functions, or duties of the profession for which the application is made, pursuant to BPC section 26057. This is to ensure that the Department carries out the statutory mandate for public protection as the highest priority by licensing only qualified persons. The Department has determined references to the statute are not necessary in this section and such cross-references have been eliminated.

This section generally codifies similar provisions contained in original section 16102, subsection (i), applying to cultivators, and original section 17102, subsection (a)(8), applying to manufacturers. Original sections 16102, subsection (i), and 17102, subsection (a)(8) instructed applicants to provide a complete list of every owner of the commercial cannabis business. These sections are proposed to be repealed as subsection (a) requires all applicants to disclose owners and it will now apply to all Department licensees, including cultivators and manufacturers.

The Department determined that it is necessary to clarify for all applicants how to identify all individuals who meet the definition of "owner" that must be disclosed in a complete application for licensure. In furtherance of the Department's effort to identify all individuals who meet the definition of "owner", the Department proposes to amend subsection (a)(1) to include clarification about what the term "aggregate" means in the context of ownership interest and to include an example of indirect ownership. Inclusion of the proposed clarifications are necessary because commercial cannabis businesses are seeking alternative methods to acquire capital as traditional business loans are often unavailable to them. Because of these nontraditional methods, some commercial cannabis businesses have multi-level ownership structures that result in aggregate ownership percentages. This clarification is necessary to ensure prospective applicants and licensees are sufficiently notified of which individuals will be considered an owner; it also provides additional information on how to calculate ownership percentages. In light of this more specific language regarding how to determine aggregate ownership, the Department has determined that the language in prior subsection (c) addressing multi-level ownership structures, which has been confusing to licensees, is no longer necessary. Original sections 16103 subsection (a)(1), applying to cultivators, and 17102 subsection (a)(1), applying to manufacturers, indicate that any person that has an aggregate ownership interest, other than a security interest, lien, or encumbrance, in a commercial cannabis business of 20 percent or more would be considered an owner of the cannabis cultivation business. As this subsection will now apply to all license types, original sections 16103 subdivision (a)(1) and 17102 (a)(1) are proposed to be repealed.

Subsection (a)(2) further clarifies the definition of "owner" by providing examples of individuals who are considered to manage, direct, or control the operations of a commercial cannabis business and would thus be considered owners who would assume responsibility for the license. The Department has included a minor spelling correction that is grammatical in nature, replacing "manger" with "manager", that does not change the

substance of the requirements. This section generally codifies similar provisions contained in original section 16103 subsections (a) and (b), applying to cultivators, and original section 17002 subsection (a), applying to manufacturers. Original sections 16103 subsections (a) and (b) and 17002 subsection (a) identified certain individuals that may be considered an owner of a cannabis business, depending on how the business entity was organized; they also provided examples of individuals who would be considered participating in the direction, control, or management of the cannabis business entity. These sections are proposed to be repealed and subsection (a)(2) of this section will apply to all Department licensees, including cultivators and manufacturers to ensure consistency amongst license types. In addition to individuals that were previously identified in the Department's regulations as owners, such as general partners of a commercial cannabis business that is organized as a partnership; non-member managers or managing members of a commercial cannabis business that is organized as a limited liability company; the trustee(s) and all persons who have control of the trust and/or the commercial cannabis business that is held in trust; and members of board of directors of a nonprofit; the Department provides additional examples of persons who are known to make decisions on behalf of commercial cannabis businesses. This includes: individuals with the authority to provide strategic direction and oversight for the overall operations of the commercial cannabis business, such as the chief executive officer, president or their equivalent, or an officer, director, vice president, general manager, or their equivalent; and individuals with the authority to execute contracts on behalf of the commercial cannabis business. This subsection is necessary because prospective applicants have expressed confusion regarding what individuals meet the requirements for managing, directing, or controlling a commercial cannabis or corporate entity. The Department has reorganized this section for clarity purposes and has deleted the examples in original subsection (b) which are no longer necessary.

Proposed subsection (b) provides that, where a commercial cannabis business is owned in whole or part by an entity, and the entity includes individuals who manage, direct or control the operations of the commercial cannabis business, those individuals must also be disclosed as owners. This proposed subsection is a clarification of the requirements of the original subsection (c), which has been deleted. This subsection is necessary because commercial cannabis businesses are seeking alternative methods to acquire capital as traditional business loans are often unavailable to them. Because of these nontraditional methods, some commercial cannabis businesses have multi-level ownership structures that result in additional persons managing, directing, or controlling the commercial cannabis business seeking licensure. Such persons include those individuals described in paragraphs (a)(2)(E), who provide strategic direction and oversight for the overall operations of the commercial cannabis business or individuals with the authority to execute contracts on behalf of the commercial cannabis business. The Department has determined that identifying such persons as owners is essential to identifying the true and correct individuals that meet the definition of owner for a commercial cannabis business and ensures that the Department is carrying its statutory mandate for public protection as the highest priority by licensing only qualified persons. Moreover, this clarification ensures that prospective applicants for licensure are notified of which individuals will be considered an owner and ensures that the disclosures trace back to actual individuals holding an

ownership interest in the commercial cannabis business.

Original subsection (c) is proposed to be deleted as entity ownership is addressed in proposed subsection (b). Proposed subsection (c) clarifies that upon notification by the Department, an applicant or licensee must disclose additional individuals as owners and submit the required ownership information or, in the alternative, demonstrate that the individual does not qualify as an owner. This clarifies that when the Department requests additional information, it may include information related to additional persons identified as owners during the licensing process and is necessary to ensure that the Department carries out the statutory mandate for public protection as the highest priority. It also ensures that, where sufficient evidence is provided by the applicant or licensee, the Department does not spend unnecessary time vetting individuals who are not truly an owner of the commercial cannabis business.

Section 15004. Financial Interest in a Commercial Cannabis Business.

BPC section 26051.5, subdivision (d) explicitly requires applicants to provide a complete list of every person with a financial interest in the applicant. Moreover, BPC section 26051.5, subdivision (a)(7) requires the applicant for a commercial cannabis license to provide any other information as required by the Department. The Department is proposing revisions to this section which would provide added clarity to stakeholders regarding what individuals are or are not considered financial interest holders that must be identified in an application for licensure. The proposed amendments to this section also eliminate certain application requirements, which have been determined to be unnecessary in the processing of applications for licensure, for consistency. Finally, the proposed section has been revised to aid applicants in the disclosure of individuals with an aggregate financial interest in the commercial cannabis business. Sections 16103 and 17002, applicable to cultivators and manufacturers respectively, are proposed to be repealed because they are no longer necessary and are considered duplicative of the provisions in this section.

Specifically, proposed subsection (a) of this regulation has been revised to clarify what individuals are considered financial interest holders of a commercial cannabis business, including a person with an aggregate ownership interest of less than 20 percent; a person providing a loan to the commercial cannabis business; and a person entitled to receive 10 percent or more of the profits of the commercial cannabis business. The subsection further identifies individuals who are generally entitled to receive 10 percent or more of the profits of the commercial cannabis business, including: an employee who has entered into a profit share plan with the commercial cannabis business; a landlord who has entered into a lease agreement with the commercial cannabis business for a share of the profits; a consultant who is providing services to the commercial cannabis business for a share of the profits; a person acting as an agent, such as an accountant or attorney, for the commercial cannabis business for a share of the profits; a sales person who earns commission; or a person that has entered into an intellectual property licensing agreement for a share of the profits. The types of individuals who are identified in proposed subsections (a)(1) through (a)(3) are persons who have some interest in the commercial cannabis business and may have some influence over the business, but do not rise to meeting the definition of being an owner. As such, the Department believes it is necessary

to identify these individuals as required in the Act. This subsection is necessary because it provides clarification regarding what constitutes a “financial interest” in the commercial cannabis business. This also provides necessary guidance to applicants and licensees to clarify that a financial interest does not just include the act of owning shares of the commercial cannabis business, but the act of receiving some form of financial benefit from the commercial cannabis business. The Department received numerous inquiries regarding who meets the criteria for qualifying as a financial interest holder and determined that the revised language provides a greater level of clarification than prior subsection (a). Original sections 16103, subsection (c), applying to cultivators, and 17002, subsection (b), applying to manufacturers, also clarified the distinction between owners and financial interest holders of commercial cannabis businesses. These sections have been repealed and subsection (a) of this section will now apply to all Department licensees, including cultivators and manufacturers.

Consistent with BPC section 26051.5, subdivision (d), proposed subsection (b) has been added because it provides distinct exceptions to individuals that are considered financial interest holders. The proposed language clarifies that banks and other financial institutions that provide loans; individuals whose only financial interest is through an interest in a diversified mutual fund, blind trust, or similar instrument; individuals whose only financial interest is a security, lien, or encumbrance; and individuals who hold a share of stock that is less than 10 percent of the total shares in a publicly traded or privately held company are not required to be identified as a financial interest in the commercial cannabis business. Subsection (b)(4) has been amended to include individuals who hold a certain share of a privately held company in addition to individuals who hold shares in publicly traded companies as financial interest holders for consistency. The department has determined that financial interest holders of private companies must comply with the same disclosure requirements as public companies and has determined that the threshold for qualifying as a financial interest holder under this subsection should be increased from 5 percent to 10 percent. The Department has determined that the threshold of 5 percent of ownership resulted in a number of unnecessary disclosures of individuals who did not have a substantial ownership interest in the commercial cannabis business. The Department has determined that a threshold of 10 percent, which is half of the 20 percent threshold for being considered an owner under the Act, is more appropriate when applied to financial interest holders to make this provision consistent with the other categories of persons that must be disclosed. This subsection is necessary to clarify what individuals are not considered financial interest holders or owners and therefore do not need to be disclosed on an application for licensure.

Original section 16103, applicable to cultivators, specifies that persons who have a financial interest in the commercial cannabis business, but are not owners, are deemed financial interest holders and must be disclosed on the application. This section also specifies that “financial interest” means an investment into a commercial cannabis business, a loan provided to a commercial cannabis business, or any other fully-vested equity interest in a commercial cannabis business. Clarification is also provided that the following persons were not considered to be owners or financial interest holders: a bank or financial institution whose interest constitutes a loan; persons whose only ownership interest in the commercial cannabis business is through an interest in a diversified mutual

fund, blind trust, or similar instrument; persons whose only financial interest is a security interest, lien, or encumbrance on property that will be used by the commercial cannabis business; and persons who hold a share of stock that is less than 5 percent of the total shares in a publicly traded company.

Original section 17002, applicable to manufacturers, specifies that “financial interest” means an agreement to receive a portion of the profits of a commercial cannabis business, investment into a commercial cannabis business, a loan provided to a commercial cannabis business, or any other equity interest in a commercial cannabis business. Clarification is also provided that the following persons were not considered to be owners or financial interest holders: a bank or financial institution whose interest constitutes a loan; persons whose only ownership interest in the commercial cannabis business is through an interest in a diversified mutual fund, blind trust, or similar instrument; persons whose only financial interest is a security interest, lien, or encumbrance on property that will be used by the commercial cannabis business; and persons who hold a share of stock that is less than 5 percent of the total shares in a publicly traded company.

The Department proposes to repeal original sections 16103 and 17002 to consolidate these requirements under section 15004, which provides greater clarification and specification as to who is considered a financial interest holder for commercial cannabis businesses.

Section 15004.1 Independence of Testing Laboratories.

The Act recognizes the importance of ensuring testing laboratories do not experience undue influence from individuals with an interest in other commercial cannabis businesses that could affect the reliability of compliance testing results. Specifically, BPC section 26053(b) restricts persons that hold a testing laboratory license from obtaining a license for any other commercial cannabis activity, except testing. BPC section 26053(b) further provides that a person that holds a testing laboratory license from the Department shall not employ an individual who is also employed by any other licensee that does not hold a state testing laboratory license. The Department proposes new section 15004.1 to provide added clarity to applicants and licensees, further ensuring the independence of testing laboratories in a manner that is consistent with the Act. The Department has also determined that preventing the identified scenarios is necessary to ensure that the testing of cannabis goods remains in compliance with the Act and its regulations, thereby protecting public health and safety through reliable test results, while instilling consumer confidence in the testing results generated by independent testing laboratory licensees.

Proposed subsection (a) provides that a licensed testing laboratory shall maintain independence from persons that hold a license or an interest in a commercial cannabis business licensed for any activity other than testing. Consumers expect that laboratory testing results are accurate and that they may be relied on. This subsection clarifies for licensed testing laboratories that they must remain independent from persons who may try to influence laboratory testing results due to an interest in another activity within the supply chain.

Proposed subsection (b) prohibits a person that is an owner or financial interest holder of a licensed testing laboratory from being an owner or financial interest holder of a commercial

cannabis business licensed for any activity other than testing. This proposed section is consistent with BPC section 26053(b), which restricts persons from obtaining a license for any other commercial cannabis activity if they already hold a testing laboratory license. However, the term hold is not defined by statute. The Department has determined that it is necessary to clarify what individuals are considered to hold commercial cannabis licenses. This is necessary to prevent those persons that have an interest in a testing laboratory from holding another type of commercial cannabis business, as their testing activities may become unreliable because of the conflict created between their personal interest in ensuring profitability versus their professional testing responsibilities.

Proposed subsection (c) prohibits a licensed testing laboratory from entering into a lease for real or personal property from or to a commercial cannabis business licensed for any activity other than testing. Based on the Department's experience, it has determined that commercial cannabis businesses licensed for any commercial cannabis activity other than testing whom enter into a lease of real or personal property with testing laboratories, may be able to exert their influence on their tenant testing laboratory's compliance testing results. Moreover, holding this type of financial arrangement may result in the testing laboratory's preferential treatment of their landlord. Accordingly, the Department determined it was necessary to clarify that these types of financial agreements that could call into question the reliability of compliance testing results.

Proposed subsection (d) prohibits a licensed testing laboratory from employing any person that is employed by a commercial cannabis business, or that is an owner or financial interest holder of a commercial cannabis business, licensed for any activity other than testing. These subsections are a restatement of the provisions of BPC section 26053(b), which provides that a person that holds a testing laboratory license from the Department shall not employ an individual who is also employed by any other licensee that does not hold a state testing laboratory license. The Department has included these subsections in its regulations for consistency and clarity purposes.

Proposed subsection (e) prohibits a licensed testing laboratory from offering or agreeing to provide preferential treatment, including discounted testing services, to any other licensee unless such offer or agreement is available to all licensees. The Department's stakeholders expect to be treated fairly by testing laboratories and that their laboratory testing results are accurate and that they may be relied on. The Department has determined that this provision is necessary to prevent testing laboratories' preferential treatment of licensees who are willing to meet certain terms to gain an advantage in testing, which may call into question the reliability of compliance testing results.

Section 15005. Personnel Prohibited from Holding Licenses.

This section is proposed to be applied to applicants and licensees of all licenses issued by the Department. Original section 16215, applicable to cultivators, and original section 17005, applicable to manufacturers, contained the same requirements and are proposed to be repealed due to the consolidation of application and licensing requirements into this chapter. The term "cannabis goods" is proposed to be replaced with "cannabis products" for consistency throughout the regulations. This section also includes minor revisions which include removing the term "of this section", that are stylistic or grammatical in nature

that do not change the substance of the requirements.

Section 15006. Premises Diagram.

This section provides the requirements for the premise diagram that is to be submitted with license applications. This section is proposed to be applied to applicants and licensees of all licenses issued by the Department. Original section 16105, applicable to cultivators, and original section 17003, applicable to manufacturers, contained the same requirements and are proposed to be repealed due to the consolidation of application and licensing requirements into this chapter.

Original subsection (d) updates the cross reference to include 15044 for clarity purposes to ensure that prospective licensees can refer to the appropriate video surveillance requirements in the division.

Original subsection (f), which prevented premises diagrams from containing highlighting and required the markings on the diagram be in black-and-white print, has been removed. Based on its experience, the Department determined that there is no longer a need to restrict diagrams to black-and-white print without highlighting as color premises diagrams can be helpful in application review and in the field at licensed premises. Subsequent subsections have been renumbered accordingly. Subsection (g), original subsection (h), has been amended to replace the term “applicant” with commercial cannabis business for consistency in use of terms throughout this division.

Subsection (h), original subsection (i), which contained the requirements for premises diagrams for microbusiness applicants who plan to engage in cultivation is proposed to be deleted. In its place, the proposed subsection (h) is to include the premises diagram requirements for all applicants engaging in cultivation, which would include microbusiness applicants.

Proposed subsections (h)(1) through (h)(4) contain the premises diagram requirements from the original section 16105, applicable to cultivators, which is proposed to be repealed due to the consolidation of application and licensing requirements into this chapter. Notably, the Department proposes to remove subsection (h)(4)(I), which previously required commercial cannabis cultivators to identify designated area(s) for physically segregating cannabis or nonmanufactured cannabis products subject to an administrative hold. With the expansion of the Department’s embargo authority to all license types, the Department determined that it is no longer necessary for a cultivator to demarcate its administrative hold area.

Proposed subsections (h)(5) through (h)(8) contain the premises diagram requirements from the original section 16106 that were determined necessary to maintain.

Proposed subsection (i) has been added to the section. Proposed subsection (i) provides notice to applicants, who are seeking a Type S license or seeking to register as a Shared-Use Facility, that there are additional premises diagram requirements that are applicable in these specific cases. The proposed subsection cites Article 2 of chapter 7 which contains the specific requirements for Type S licenses and Shared-Use Facilities. This proposed subsection is necessary to ensure that applicants are fully informed of the premises diagram requirements that are applicable to Type S license applicants and manufacturing

licensees who are seeking to register as a Shared-use Facility.

Proposed subsection (k) requires commercial cannabis manufacturers who seek to conduct manufacturing activities using a closed-loop system to include the location of the closed-loop extraction system and clearly display the system's serial number on the premises diagram. Depending on the solvents used during the manufacturing process, closed loop systems may present safety issues through the use of solvents that are flammable or are considered asphyxiants. The Department determined that requiring the disclosure of this information is necessary to ensure that, while on inspections of licensed manufacturing premises, Department staff has accurate information regarding manufacturing closed-loop activities that occur at the premises.

Section 15007. Landowner Approval.

This section is proposed to be applied to commercial cannabis businesses applying for, or issued, a license of any type by the Department. Original section 16104, applicable to cultivators, and original section 17104, subsection (k), applicable to manufacturers, contained the same requirements and are proposed to be repealed due to the consolidation of application and licensing requirements into this chapter. Additionally, this section has been amended to replace "applicant" with "commercial cannabis business" for clarity and consistency throughout the regulations.

Section 15007.1. Electronic Signature.

This section is proposed to be applied to applicants and licensees of all licenses issued by the Department. The section clarifies that the Department will accept electronic signatures for applications that are submitted electronically.

Section 15007.2. Use of Legal Business Name.

The Department proposes to repeal this section as it has been included with other general requirements in proposed new section 15000.1.

Section 15008. Bond.

The Department proposes to repeal this section as it has been included with other application requirements in amended section 15002, subsection (c)(22).

Section 15009. Limited Waiver of Sovereign Immunity.

This section is proposed to be applied to applicants and licensees of all licenses issued by the Department. Original section 16102, subsection (cc), applicable to cultivators, and original section 17106, applicable to manufacturers, contained the same requirements and are proposed to be repealed due to the consolidation of application requirements for all license types into this chapter.

Section 15010. Compliance with the California Environmental Quality Act (CEQA).

The California Environmental Quality Act (CEQA) (Pub. Resources Code, § 21000 et seq.) is a state law that requires state and local government agencies to identify the significant environmental impacts of their actions and to avoid or reduce those impacts to the extent

feasible. The Department is subject to the requirements of CEQA because the Department licenses commercial cannabis activities that have the potential to impact the environment and the Department may impose conditions on its licensees.

Currently, the Department has separate CEQA regulations for cultivators, manufacturers, and all other licensees. For cultivators, section 16102 subsection (r) requires that they provide evidence of exemption from or compliance with CEQA in the form of a signed copy of a local jurisdiction's Notice of Determination or Notice of Exemption and any corresponding CEQA document; where no CEQA compliance has been done, cultivators must supply an environmental document unless the Department specifies otherwise. For manufacturers, section 17105 allows applicants to submit copies of the local license, permit, or other authorization to meet this requirement; where no CEQA compliance has been done, manufacturers must also supply an environmental document unless the Department specifies otherwise. Finally, for all other licensees, the Department currently requires an applicant to provide either a certified or adopted environmental document, or a Department provided project information form and exemption petition form.

For consistency and clarity reasons, the Department's requirements have been consolidated to ensure licensees adhere to the requirements. The proposed amendments to this section provide clarity regarding required submittals based on questions received by the Department during application review Sections 15010.1, 15010.2, 15010.3, 16102 subsection (r), and 17105 are proposed to be repealed because they are no longer necessary and are considered duplicative of the requirements in this section.

Original subsections (a), (a)(1), and (a)(3) are proposed to be deleted as the department has determined they are not necessary. Original subsection (a)(2) is proposed to be renumbered as subsection (a). The CEQA Guidelines explain how to determine whether an activity is subject to environmental review, what steps are involved in the environmental review process, and the required content of environmental review documents. The CEQA Guidelines are generally applicable to public agencies throughout the state, including the Department. The Department determined that, for clarity purposes, it was necessary to define CEQA Guidelines to aid its applicants in fulfilling this application requirement. Applicants for licensure may refer to the appropriate environmental review guidelines that are applicable to the Department's act of issuing commercial cannabis licenses. The subsection is also necessary to avoid duplication of the environmental review requirements in the CEQA Guidelines that have already been prepared and developed by the Office of Planning and Research and certified and adopted by the Secretary of the Resources Agency in late 2018. (Pub. Resources Code, § 21083.) The Department-specific procedures previously enumerated in 15010, 15010.1, 15010.2, 15010.3, 16102 subsections (r)(1)-(2), and 17105 are proposed to be repealed.

Proposed subsection (b) provides that an applicant for licensure must provide certain information to enable the Department to determine the scope of environmental review under the CEQA Guidelines. The subsection has been amended to change "may" to "shall", adds language regarding exemptions, and removes the requirement that an applicant submit a copy of an environmental document previously certified or adopted by the local jurisdiction. Proposed subsection (b)(1) provides applicants the opportunity to provide evidence of CEQA compliance. This section generally codifies similar provisions

contained in original section 16102, subsection (r)(1)-(2), applying to cultivators, and original section 17105, applying to manufacturers. These sections are proposed to be repealed and subsection (b)(1) of this section will apply to all Department licensees, including cultivators and manufacturers. This subsection provides that an applicant may provide evidence of CEQA compliance by submitting a signed copy of a project specific Notice of Determination or Notice of Exemption and a copy of the associated CEQA document or reference to where it may be located electronically, as well as any accompanying permitting documentation from the local jurisdiction. Section 15096 of the CEQA Guidelines allows the Department to collect the appropriate information to minimize redundancy in the environmental review process of a project for which a local jurisdiction has already acted as lead agency and has completed environmental review and evaluated a project's impacts. For clarity purposes, this subsection also provides examples of the types of documentation that may be produced as part of the local jurisdiction's administrative record. The Department recognizes that CEQA review is a nuanced area of law and applicants for licensure may not be familiar with the types of documents that are produced by a local jurisdiction as part of their administrative record. Not only are the examples consistent with the administrative record documents identified in the CEQA Guidelines, but the examples are consistent with documentation the Department has received from applicants to date. By identifying the potential documentation that is produced by local jurisdictions as part of their environmental review processes, the Department hopes to provide added clarity for its applicants as they gather the appropriate documentation for submittal to the Department.

Proposed subsection (b)(2)(A) is renumbered to include provisions contained in current subsection (c) and removes the introductory statement of subsection (c). The proposed subsection (b)(2) requires applicants for licensure to provide specific information if they do not have the evidence specified in subsection (b)(1), or if the Department determines the evidence submitted is not sufficient to determine compliance or exemption from CEQA. The proposed section maintains the elements required for the form that are already included in the regulation. Prior to issuing a license, the Department must ensure the appropriate level of environmental review under CEQA has been completed. The elements required in the form are necessary to guide applicants and ensure that they provide sufficient information for the Department to determine whether the issuance of a license has the potential to generate significant adverse environmental impacts that might trigger further CEQA review. In situations where the local jurisdiction has undertaken environmental review, the information received from the form will afford the Department the opportunity to evaluate whether conditions have changed since the local determination took place.

Specifically, the form will ensure that applicants provide information, maps, and photographs related to the project location and surrounding land use; a project description that sufficiently describes the activities included in the project application and any other relevant agency approvals; and information regarding the environmental setting of the project (e.g., natural characteristics, watercourses, transportation/traffic, historic or cultural artifacts, sensitive habitats, hazardous materials, solid waste, energy needs). The purpose of the form is to assure that all applicants provide project-specific information required for CEQA review in a consistent manner for the Department to review and consider. The

Department has also determined that it is not necessary to incorporate the form by reference as all required elements are contained in the section. Additionally, the Department has proposed additional language in subsection (b)(2)(B)(iv) to include a requirement that the applicant must identify if they have been licensed by, or applied for licensure from, one of the three prior licensing authorities. This is necessary because if the proposed premises has already undergone a CEQA review, that information may be used to determine if any additional CEQA review is necessary or if the information from the prior CEQA review is sufficient.

Proposed subsection (c) allows the Department to charge the applicant for the costs of preparation for any supplemental environmental document as well as the Department's costs for procedures to comply with CEQA unless the Department specifies otherwise. This subsection has been moved from current section 15010.3 and is necessary to address situations where the Department determines that a project does not qualify for an exemption, or that the previously certified environmental document does not adequately address all the project's impacts, necessitating further environmental review by the Department. This section clarifies to applicants that they will be responsible for bearing the costs for the preparation of such environmental review in furtherance of meeting CEQA's mandate unless the Department specifies otherwise. This provision is currently applicable to licenses previously issued by the Bureau but, these amendments will apply the same provision to cultivators and manufacturers for consistency in requirements across license types. The proposed amendments to the original language remove the citation to the Public Resources Code and include edits that do not change the requirement for clarity.

Section 15010.1. Review of Previously Prepared Environmental Documents Pursuant to CEQA.

The Department proposes to repeal this section as requirements for CEQA have been consolidated in section 15010.

Section 15010.2 CEQA Exempt Projects.

The Department proposes to repeal this section as requirements for CEQA have been consolidated in section 15010.

Section 15010.3 Preparation of CEQA Environmental Documents for Applicant.

The Department proposes to repeal this section as requirements for CEQA have been included in section 15010.

Section 15011. Additional Information.

This section contains application requirements that are unique to specific license types. Due to consolidation, application requirements that are specific to certain license types have been consolidated into this section. In most instances, the original sections which contained these requirements have been repealed. This provides additional clarity as it allows for application requirements to be located in the same chapter within the regulations, making it clearer for commercial cannabis businesses applying for a license.

Proposed subsection (a) has been added to the section. This proposed section contains

the additional application requirements that are required for commercial cannabis businesses applying for licenses to engage in cultivation. Proposed subsections (a)(1) through (a)(5) contain requirements found in original section 16102. Original section 16102, subsections (f), (m), (p), (q), and (s), applicable to cultivators, contained the same requirements as the requirements proposed to be added to this section. Original section 16102 is proposed to be repealed due to the consolidation of application requirements for all license types into this chapter.

Proposed subsection (a)(1) has been amended to remove the former requirement that cultivation applicants provide a minimum of two (2) hours of operation that are between 8:00 a.m. and 5:00 p.m. (Pacific Time) on each day, Monday through Friday. The Department recognizes that there are certain periods of time during the plant growing cycle where it is not necessary to have employees on the cultivation site. Moreover, the Department has the ability to arrange for the licensee to be onsite at the time it conducts inspections. Based on the Department's experience, this is necessary to remove a burden on licensees which will not negatively impact the Department's operations.

Proposed subsection (a)(2) has been amended to remove the phrase "the licensing authority that issued the license." As all legacy licensing authorities have been consolidated into one commercial cannabis licensing department, this language is no longer necessary.

Proposed subsection (a)(6) requires that the application include a cultivation plan that complies with the requirements of section 16309. The requirement to provide a cultivation plan is found in original section 16102. Original section 16102, subsection (u), applicable to cultivators, contained the same requirements as the requirements proposed to be added to this section. Original section 16102 is proposed to be repealed due to the consolidation of application requirements for all license types into this chapter. Original section 16102, subsection (u) cited original section 16106 as the section containing cultivation plan requirements. Original section 16102 has been moved to section 16309, which now contains the cultivation plan requirements. The amendments in the proposed subsection reflect the change of the section number.

Proposed subsection (a)(7) requires that all water sources be identified as required in section 16311. The requirement to identify all water sources is found in original section 16102. Original section 16102, subsection (v) applicable to cultivators, contained the same requirements as the requirements proposed to be added to this section. Original section 16102 is proposed to be repealed due to the consolidation of application requirements for all license types into this chapter. Original section 16102, subsection

(v) cited original section 16107 as the section containing the requirements for identifying water sources. Original section 16102 has been moved to section 16311, which now contains the requirements for identifying water sources. The amendments in the proposed subsection reflect the change of the section number.

Proposed subsections (a)(8) through (a)(11), contain requirements found in original section 16102. Original section 16102, subsections (w), (z), (aa), (bb), and (dd), applicable to cultivators, contained the same requirements as the requirements proposed to be added to this section. Original section 16102 is proposed to be repealed due to the consolidation

of application requirements for all license types into this chapter. Proposed subsection (a)(11) removes the former requirement that the applicant provide a document evidencing approval of the extraction operation by the local fire code official. The Department has learned that fire officials generally do not provide such evidence prior to the time a manufacturer would be applying for a state license. Thus, requiring this information at the time of application for licensure may be premature. The Department has also updated section cross-references in this subsection for clarity.

Proposed subsection (a)(12), contains requirements found in original section 16106. Original section 16106, subsections (a)(3)(C) and (b)(2)(C), applicable to all cultivators except processors, contained the same requirements as the requirements proposed to be added to this section. Original section 16102 has been moved to section 16309, which now contains the cultivation plan requirements. The proposed version of 16309 no longer contains the requirement found in this proposed subsection.

Proposed subsection (b) has been added to the section. Proposed subsection (b) contains the additional information that is required for licensees who will be engaging in manufacturing. This proposed subsection is necessary to ensure that commercial cannabis businesses seeking licenses to engage in commercial cannabis manufacturing are aware of the specific information that is required in addition to the general information that is required for all applicants.

Proposed subsections (b)(1) through (b)(12) contain requirements found in original section 17104. Original section 17104, subsections (c) through (g), (j), (l), and (m), applicable to manufacturers, contained the same requirements as the requirements proposed to be added to this section. Original section 17104 is proposed to be repealed due to the consolidation of application requirements for all license types into this chapter. Proposed subsections (b)(6)-(10) propose requiring the various operating procedures specified in these subsections be provided to the Department upon request rather than with the application. This change is necessary because the Department has determined that commercial cannabis businesses engaging in manufacturing should develop and maintain these procedures, but the Department does not need them until it is ready to conduct a review of them, which is often during the Department's inspection of the premises. Because the Department generally reviews these items during or after inspection, making them required upon request alerts the business to the need to have them while limiting the number of documents the Department receives and stores.

Proposed subsection (b)(13) contains application requirements for a Type S manufacturing license. These provisions were contained in section 17125 but are proposed to be added here to consolidate application requirements for all license types. The Department has removed the term "cannabis concentrates" in proposed subsection (b)(13)(D) for consistency of terms within this division. Additionally, the Department has clarified proposed subsection (b)(13)(F)(iii) that provides that S type licenses may engage in extractions with water, glycerin, vegetable oil, animal fat, or using mechanical methods, such as presses. These edits do not change the substance of the requirements, but further clarify which substances may be used for extractions and aligns with the definition of non-volatile solution.

Proposed subsection (c) has been added to the section. Proposed subsection (c) provides that prospective commercial cannabis distributors must provide certain information upon request of the Department and identifies certain forms that must be utilized. This proposed subsection is necessary to ensure that applicants seeking licenses to engage in commercial cannabis distribution are aware of the specific information and corresponding form that may be required by the Department, in addition to the general information that is required for all applicants. It also identifies the appropriate form numbers and date the forms came into effect.

Proposed subsection (c)(1) requires that applicants for a distribution license complete and provide Standard Operating Procedures Form DCC-LIC-019 (New 2/22) as part of the license application. Form DCC-LIC-019 (New 2/22) has been developed by the Department to replace the individual standard operation procedure forms originally used by the licensing authorities and required under original section 15002. Form DCC-LIC-019 (New 2/22) contains many requirements found in original section 15002. Original section 15002, subsection (c)(29), which was applicable to all license types licensed by the Bureau, contained requirements for providing information regarding various standard operating procedures that must be submitted as part of a license application. Original section 15002 subsection (c)(29), is proposed to be repealed and the requirements are moved to this proposed subsection, with Form DCC-LIC-019 (New 2/22), for clarity. The Department has determined that requiring applicants to submit multiple procedure forms were often excessive. The Department has Developed Form DCC-LIC-019 (New 2/22) to simplify the process of collecting standard operating procedure information from applicants. Therefore, the requirement to submit multiple forms describing specific procedures has been replaced with the requirement to complete and submit only Form DCC-LIC-019 (New 2/22). This change is necessary to prevent applicants from having to submit and the Department from having to receive documents that may not be essential to making licensure decisions, while allowing the Department to efficiently obtain relevant application information through a process that is clear and easily understood by applicants.

Proposed subsection (c)(2) requires distribution applicants to provide proof of compliance with the insurance requirements found in proposed section 15308. BPC section 26070 subsection (a)(2) requires that licensed distributors are insured at a minimum level established by the department. These insurance requirements are found in section 15308. This proposed subsection is necessary to ensure that applicants for licenses to distribute commercial cannabis goods are aware of the need to show compliance with the insurance requirement that is unique to the license type they are seeking. However, the Department has determined that receiving this information upon request is sufficient for its regulatory activities.

Proposed subsection (c)(3) requires distribution applicants to provide vehicle information required under section 15312. Section 15312 provides the information that must be provided for every vehicle used in the transportation of cannabis and cannabis products. This proposed subsection is necessary to ensure that applicants for licenses to distribute commercial cannabis and cannabis products are aware of the need to provide vehicle information. However, the Department has determined that receiving this information upon request is sufficient for its regulatory activities.

Proposed subsection (d) has been added to the section. Proposed subsection (d) contains the additional information that is required for commercial cannabis businesses applying for a license to engage in the retail sale of cannabis and cannabis products, upon the request of the Department. This proposed subsection is necessary to ensure that applicants seeking licenses to engage in retail sales are aware of the specific information that is required in addition to the general information that is required for all applicants.

Proposed subsection (d)(1) requires that applicants for a license authorizing the retail sale of cannabis and cannabis products complete and provide Standard Operating Procedures Form DCC-LIC-019 (New 2/22) as part of the license application. Form DCC-LIC-019 (New 2/22) has been developed by the Department to replace the individual standard operation procedure forms originally used by the licensing authorities and required under original section 15002. Form DCC-LIC-019 (New 2/22) contains many requirements found in original section 15002. Original section 15002, subsection (c)(29), which was applicable to all license types licensed by the Bureau, contained requirements for providing information regarding various standard operating procedures that must be submitted as part of a license application. Original section 15002 subsection (c)(29), is proposed to be repealed and the requirements are moved to this proposed subsection, with Form DCC-LIC-019 (New 2/22), for clarity. The Department has determined that requiring applicants to submit multiple procedure forms were often excessive. The Department has Developed Form DCC-LIC-019 (New 2/22) to simplify the process of collecting standard operating procedure information from applicants. Therefore, the requirement to submit multiple forms describing specific procedures has been replaced with the requirement to complete and submit only Form DCC-LIC-019 (New 2/22). This change is necessary to prevent applicants from having to submit and the Department from having to receive documents that may not be essential to making licensure decisions, while allowing the Department to efficiently obtain relevant application information through a process that is clear and easily understood by applicants.

Proposed subsection (d)(2) requires commercial cannabis businesses applying for a license to engage in the retail sale of cannabis and cannabis products to provide delivery employee information required under section 15415. Section 15415 provides the information that must be provided for every delivery employee employed by the licensee. This proposed subsection is necessary to ensure that applicants for licenses to engage in the retail sale of commercial cannabis goods are aware of the need to provide delivery employee information. However, the Department has determined that receiving this information upon request is sufficient for its regulatory activities.

Proposed subsection (d)(3) requires commercial cannabis businesses applying for a license to engage in the retail sale of cannabis and cannabis products to provide delivery vehicle information required under section 15417. Section 15417 provides the information that must be provided for every delivery vehicle used by the licensee. This proposed subsection is necessary to ensure that applicants for licenses to engage in the retail sale of commercial cannabis goods are aware of the need to provide delivery vehicle information. However, the Department has determined that receiving this information upon request is sufficient for its regulatory activities.

Proposed subsection (e) has been added to the section. Proposed subsection (e) clarifies

that commercial cannabis businesses applying for a microbusiness license must submit all the application information required for each of the activities they plan to engage in under the microbusiness license. This proposed subsection is necessary to ensure that applicants seeking microbusiness licenses are aware of the additional information that is required as part of the license application.

Proposed subsection (f) has been added to the section. Proposed subsection (f) requires that applicants seeking a cannabis event organizer license identify the number of temporary cannabis events they plan to organize during the license period. This requirement is unique to cannabis event organizers and must be obtained at the time of application as the annual license fee is determined by the number of events the cannabis event organizer plans to organize. This proposed subsection is necessary to properly assess the appropriate licensing fee for each cannabis event organizer applicant.

Proposed subsection (g) has been added to the section. Proposed subsection (g) contains the additional information that is required for commercial cannabis businesses that will be engaging in laboratory testing. This proposed subsection is necessary to ensure that applicants seeking licenses to engage in laboratory testing are aware of the specific information that is required in addition to the general information that is required for all applicants.

Proposed subsection (g)(1) requires that a testing laboratory license applicant provide proof of accreditation or an interim license as required for testing laboratories under the division. This proposed subsection is necessary to ensure that testing laboratory applicants are aware of the requirement to obtain accreditation or an interim license to obtain a testing laboratory license from the Department. This requirement is unique to testing laboratory licensees.

Proposed subsection (g)(2) instructs applicants for a testing laboratory license, Upon request from the Department, complete and provide Standard Operating Procedures Form DCC-LIC-019 (New 2/22) as part of the license application. Form DCC-LIC-019 (New 2/22) has been developed by the Department to replace the individual standard operation procedure forms originally used by the licensing authorities and required under original section 15002. Form DCC-LIC-019 (New 2/22) contains many requirements found in original section 15002. Original section 15002, subsection (c)(29), which was applicable to all license types licensed by the Bureau, contained requirements for providing information regarding various standard operating procedures that must be submitted as part of a license application. Original section 15002 subsection (c)(29), is proposed to be repealed and the requirements are moved to this proposed subsection, with Form DCC-LIC-019 (New 2/22), for clarity. The Department has determined that requiring applicants to submit multiple procedure forms were often excessive. The Department has Developed Form DCC-LIC-019 (New 2/22) to simplify the process of collecting standard operating procedure information from applicants. Therefore, the requirement to submit multiple forms describing specific procedures has been replaced with the requirement to complete and submit only Form DCC-LIC-019 (New 2/22). This change is necessary to prevent applicants from having to submit and the Department from having to receive documents that may not be essential to making licensure decisions, while allowing the Department to efficiently obtain relevant application information through a process that is clear and easily

understood by applicants.

Proposed subsection (g)(3) requires that a testing laboratory applicant provide additional operating procedures as required by chapter 6 of the division. Licensure for testing laboratories requires additional verification of sampling and testing methods that are not applicable to other license types. This proposed subsection is necessary to ensure that testing laboratory applicants are aware of the additional application information that is required for testing laboratory applications.

The original language of section 15011 has been renumbered to subsection (h) to accommodate all the proposed subsections that are being added to the section. The provisions of proposed subsection (h) will be applied to all license types but only used when needed. This proposed subsection is required to ensure that the Department receives all the information necessary to make decisions regarding licensure. Since it is not possible to list all the information that the Department may need to make licensing decisions, the Department must have a method for requesting additional information from applicants as required based on the facts and information provided for a particular application.

Proposed subsection (i) specifies that the Department may request the items contained in this section at any time following issuance of a license and requires licensees to maintain the information and provide it to the Department upon request. This is necessary to clarify that these items may be requested during the Department's application review or after the issuance of a license. These items are often reviewed during compliance inspections to determine whether or not licensees are operating in compliance with the Act and this Division and the licensee's own established procedures; thus, the Department must be able to request them at any time. The Department also proposes that it may allow a licensee to provide the information in a form other than on the Department form relevant to the requested information. This is necessary for flexibility in circumstances when the information is provided in a manner that does not necessitate using the form. The references have also been amended to include section 26130 of the BCP.

Section 15012. Incomplete and Abandoned Applications.

This section provides information regarding how the Department determines if an application received is incomplete or abandoned. The section also provides applicants with the requirements regarding the processing of abandoned applications and reapplying for licensure following an abandoned application.

This section is proposed to be applied to applicants and licensees of all licenses issued by the Department. Original section 16112, subsection (b), applicable to cultivators, and original section 17107, applicable to manufacturers, contained similar requirements and are proposed to be repealed due to the consolidation of application requirements for all license types into this chapter.

The title of the section is being amended to include "and abandoned." This amendment is necessary for clarity and to accurately reflect the contents of this section, as the section provides information regarding the Department's handling of both incomplete and abandoned applications.

Original subsection (a) is proposed to be deleted as the original subsection indicates that notice of an incomplete application would be provided to the applicant under BPC section 124. This code section was applicable to the former Bureau as a Bureau under the Department of Consumer Affairs. As the Department of Cannabis Control is a new department separate from the Department of Consumer Affairs, BPC section 124 is no longer applicable. The proposed subsection (a) provides a simple definition for incomplete applications and indicates that the Department will provide the applicant with a written notice if an application is deemed to be incomplete. This subsection is necessary to provide applicants with a definition of an incomplete application as well as informing applicants of how the Department will notify them if an application is deemed to be incomplete.

Original subsection (b) is proposed to be deleted. Original subsection (b) indicated that after receiving notice of an incomplete application, the applicant had one year to correct all deficiencies, or the applicant would be deemed to be abandoned. The original regulations applicable to cultivation, original section 16112, subsection (b), provided for 90 days from the notice of incompleteness before an application was deemed to be abandoned. The original regulations applicable for manufacturers, original section 17107, provided for 180 days from the notice of incompleteness before an application was deemed to be abandoned. As a result of consolidation, it is necessary to develop consistent licensing requirements that apply to all licensees. The Department has determined that providing licensees with 180 days to respond to the initial notice of an incomplete application before the application is determined to be abandoned is an appropriate amount of time based on the experience of the Department. This proposed subsection is necessary to provide notice to applicants that they must respond to a notice of an incomplete application within 180 days before the application is deemed to be abandoned. References to BPC section 142 have been removed as this code section was applicable to the former Bureau as a Bureau under the Department of Consumer Affairs.

Original subsection (c) is proposed to be deleted. The requirements have been moved to proposed subsection (e). Proposed subsection (c) indicates that if an applicant fails to submit payment of license fee within 60 days from the date of the request for payment, the application is deemed to be abandoned. It is necessary for the Department to collect licensing fees prior to issuing licenses to applicants. Therefore, license fees must be paid within a timely manner after an application is approved. Based on its experience, the Department has determined that 60 days is enough time for a licensee to submit payment of the license fee. This subsection is necessary to provide notice to applicants that they must pay their license fee within 60 days of the request for payment before the application is deemed to be abandoned.

Original subsection (d) has not been amended. This subsection is proposed to be applied to applicants and licensees of all licenses issued by the Department. Original section 16112, subsection (b), applicable to cultivators, and original section 17107, applicable to manufacturers, contained the same requirements and are proposed to be repealed due to the consolidation of application requirements for all license types into this chapter. This subsection is necessary to provide notice to applicants that application fees are not refundable in the case of an incomplete or abandoned application.

Proposed subsection (e) has been added to the section. Proposed subsection (e) indicates that an applicant may reapply at any time following an abandoned application. The proposed subsection also indicates that a new application fee is required. Original section 16112, subsection (b), applicable to cultivators, and original section 17107, applicable to manufacturers, contained the same requirements and are proposed to be repealed due to the consolidation of application requirements for all license types into this chapter. This subsection is necessary to provide applicants with the requirements for reapplying following an abandoned application.

Section 15013. Withdrawal of Application.

This section is proposed to be applied to applicants and licensees of all licenses issued by the Department. Original section 16114, applicable to cultivators, and original section 17108, applicable to manufacturers, contained substantially similar requirements and are proposed to be repealed due to the consolidation of application requirements for all license types into this chapter. The Department has also added the email address where a request may be sent for clarity. Additionally, the reference to section 118 of the BPC has been amended to section 26057. This is necessary because section 118 does not apply to the Department. As part of the consolidation, the legislature incorporated a provision like section 118 into section 26057 to be applicable to the Department. Subsection (c) has been amended to replace “applicant” with “commercial cannabis business” for consistency of terms used throughout this division. Subsection (e) has been amended to add the word “application” before “fee” to provide clarity and specificity regarding which fee is being referred to.

Article 3. Licensing

Section 15014. Fees.

This section provides the fees collected by the Department and paid by applicants and licensees. This section is proposed to apply to applicants for all license types to establish consistency in application requirements and aid applicants in locating requirements by consolidating fees into this section.

Proposed subsection (a) has been amended to remove the term “all annual licenses” within the application fee schedule to replace it with “Testing Laboratory, Distributor, Retailer, and Microbusiness.” As a function of consolidation, the Department is the licensing authority for all commercial cannabis licensing. The original language that applied to all license issued by the Bureau is no longer appropriate. This amendment is necessary to clearly identify which licenses correspond with the appropriate application fees found in the table.

The physical modification of premises fee of \$500 is now applicable to all license types. This provision already applied to all licenses issued by the Bureau prior to consolidation. Under original section 17118, manufacturing licensees were required to pay a \$700 fee for a request for authorization for a modification of the premises. The Department has determined that the fee amount of \$500 is appropriate for all licensees, except cultivators as they did not previously have a fee for this prior to consolidation of the cannabis licensing authorities into the Department.

An entry for Type 6, 7, N, or P manufacturing licenses has been added to the application fee table. The corresponding application fee of \$1,000 has also be added to the table. The application fee for these license types was taken from section 17109, subsection (a)(1) and added to this table to aid applicants in locating requirements by consolidating fees into this section. Original 17109 subsection (a)(1), applicable to manufacturers, contained the same fees and is proposed to be repealed due to the consolidation of application and licensing requirements into this chapter. This amendment is necessary to include the application fees for manufacturing licenses in the section.

An entry for Type S manufacturing licenses has been added to the application fee table. The corresponding application fee of \$500 has also be added to the table. The application fee for these license types was taken from section 17109, subsection (a)(2), and added to this table to aid applicants in locating requirements by consolidating fees into this section. Original 17109, subsection (a)(2), applicable to manufacturers, contained the same fees and is proposed to be repealed due to the consolidation of application and licensing requirements into this chapter. This amendment is necessary to include the application fees for manufacturing licenses in the section.

An entry for cultivation licenses has been added to the application fee table. A reference to proposed subsection (f), which contains the fee schedule for cultivation application fees, has also be added to the table. This amendment is necessary to include the application fees for cultivation licenses in the section.

Proposed subsection (b) has been amended to specify that an applicant shall pay the license fee after approval of the application and a licensee shall pay the renewal license fee as required by section 15020. This is necessary because renewal fees are paid with the renewal application.

Proposed subsection (c) has been amended to specify that to determine the annual license fee for testing laboratory, distributor, retailer, and microbusiness licenses, the applicant or licensee must estimate the expected gross revenue for the license period. This amendment is necessary to clarify that the expected gross revenue is only applicable in the determination of specific license types. Additionally, the proposed amendments replace the word “application” with “original license” for clarity that the fee applies to the original annual license and license renewals. Further, a sentence has been added to clarify that the annual license fees must be paid prior to the issuance or renewal of a license; this change is necessary because it reflects the Department’s intent that annual license fees are to be paid prior to issuance of the license.

Proposed subsection (d) has been revised to provide clarity, however the substance has not changed.

Proposed subsection (e) has been added to the section and contains an introductory statement that the annual license fee for manufacturing licenses is based on gross revenue and the method for calculation of gross revenue for manufacturers in original section 17110, which is proposed to be repealed to consolidate fee related sections into one. A table of the annual license fees for manufacturing license types that are contained in section 17109 is added to the table in this section to aid applicants in locating requirements by consolidating fees into this section. Original 17109, applicable to

manufacturers, is proposed to be repealed due to the consolidation of application and licensing requirements into this chapter. This amendment is necessary to include the annual license fees for manufacturing licenses in the section.

Proposed subsection (f) has been added to the section. Proposed subsection (f) contains the license application fees for cultivation licenses. The application fees for these license types are contained in section 16101 and added to this table to aid applicants in locating requirements by consolidating fees into this section. Original 16101, applicable to cultivators, is proposed to be repealed due to the consolidation of application and licensing requirements into this chapter. This amendment is necessary to include the application fees for cultivation licenses in the section.

Proposed subsection (g) has been added to the section. Proposed subsection (g) contains the annual license fees for cultivation licenses. The annual license fees for these license types are contained in original section 16102 are being added to this table to aid applicants in locating requirements by consolidating fees into this section. Original 16102, applicable to cultivators, is proposed to be repealed due to the consolidation of application and licensing requirements into this chapter. This amendment is necessary to include the annual license fees for cultivation licenses in the section.

Original subsection (e) has been renumbered to subsection (i) to accommodate the addition of the proposed subsections to this section.

Section 15015. Payment of Fees.

This section specifies how a licensing fee may be paid. The section is proposed to be extended to applicants and licensees of all license types under the Department due to the consolidation of general requirements into this chapter. Additionally, the Department has determined that the penalty fee for failure to pay the appropriate license fee should apply to applicants of all license types. The Department determined that to establish consistency amongst licensing requirements, all licensees should be required to pay a penalty fee of fifty percent of the licensing fee for failure to pay the appropriate license fee. This allows for the penalty to be based on the size of the commercial cannabis business rather than a standard fee for all licensees. This safeguards against discrimination against small businesses by avoiding a set fee for all licensees. A set fee could be extremely detrimental to a small business while being negligible for a large business. Additionally, subsection (a) has been amended to replace “made” with “paid” for accuracy, and subsection (c) includes a minor revision which removes the term “of this division”, that is stylistic or grammatical in nature that does not change the substance of the requirements.

Section 15017. Substantially Related Offenses and Criteria for Rehabilitation.

This section provides clarity to licensing requirements by providing a detailed list of offenses that may impact an applicant’s ability to obtain a license. Additionally, the section provides the requirements for submitting evidence of rehabilitation that may be considered in making licensing determinations. This section is necessary to provide applicants and licensees notice of how criminal history may impact an applicant’s ability to obtain a license from the Department.

This section is proposed to be applied to applicants and licensees for all licenses issued

by the Department. Original section 16113, applicable to cultivators, and original sections 17114 and 17115, applicable to manufacturers, contained the same requirements and are proposed to be repealed due to the consolidation of application and licensing requirements into this chapter.

The section has been amended to comply with changes in the law pursuant to Assembly Bill 2138 (Chui, 2018). The bill amended statutory language applicable to licenses issued under the BPC. These amendments are necessary for the section to be consistent with current state law.

Assembly Bill 2138 repealed and added BPC sections 481 and 493 to specify three criteria that the Department must consider when evaluating whether a crime is substantially related to the regulated business or profession for purposes of denial, suspension, or revocation of a license. The three criteria set out in Assembly Bill 2138 are: (1) the nature and gravity of the offense; (2) the number of years elapsed since the date of the offense; and (3) the nature and duties of the particular license the applicant seeks or the licensee holds. Subsection (a) of the section has been amended to include these three factors to comply with the statute. This amendment is necessary to comply with requirements for license applications found in the BPC.

Subsection (b), formerly subsection (a), has been renumbered to account for the addition a new subsection. Subsection (b) has been amended to provide the definition of the term conviction as it will be used in the section. The definition is taken from BPC Section 7.5, which was amended by AB 2138. The definition was added to the section to provide additional clarity. Suspension and revocation have been added to the list of items for which rehabilitation shall be considered, as required under Assembly Bill 2138, to better comply with these revisions and allow the greatest number of applicants to receive the benefits of Assembly Bill 2138. Additionally, the phrase “but are not limited to,” has been inserted to clarify for the applicants and licensees that the list of convictions from the statute may not be exhaustive as the Department will consider the statutorily required factors in new subsection (a) to determine whether a conviction that is not explicitly listed is substantially related to the license the applicant is seeking.

Proposed subsection (c) has been added to the section. Proposed subsection (c) is applicable only to applicants for licenses to engage in commercial cannabis manufacturing and contains provisions from original section 17114, subsections (f) through (i) applicable to manufacturers. These requirements are proposed to be added to this subsection as original section 17114 is proposed to be repealed due to the consolidation of application and licensing requirements into this chapter.

Subsection (d) is the former subsection (b) and has been renumbered to account for the addition new subsections.

Proposed subsection (e), originally subsection (c), has been renumbered to account for the addition new subsections. Subsection (e) has also been revised to add “act or professional misconduct” after “convicted of a criminal offense,” to better reflect the amendments to the BPC under Assembly Bill 2138, since the bill added “professional misconduct” to the list of items that must be considered in these circumstances under the statute. This addition has also been made in subsections (e)(1), (e)(4), and (e)(5) to better

reflect the amendments required by Assembly Bill 2138, as stated above.

Proposed subsection (e)(1) has changed the word “severity” to “gravity” to be consistent with Assembly Bill 2138’s amendments to the relevant BPC sections.

Proposed subsection (e)(7) has been revised to add “... 1203.42 or pursuant to” for consistency with the amendments made by Assembly Bill 2138.

Proposed subsection (e)(8) has been added to state that the Department shall consider “evidence the applicant has been granted clemency or a pardon by a state or federal executive” to better comply with amendments made by Assembly Bill 2138. Subsequent subsections have been renumbered accordingly.

Subsection (f) is the former subsection (d) and has been renumbered to account for the addition of new subsections.

The reference list has been amended to include BPC Sections 480, and 481 so the licensee is aware that provisions in the section are also based on these code sections.

Section 15018. Additional Grounds for Denial of a License.

This section is proposed to be applied to applicants and licensees of all licenses issued by the Department. Original section 16115, subsection (b), applicable to cultivators, and original section 17113, subsection (a), applicable to manufacturers, contained the same requirements and are proposed to be repealed due to the consolidation of application and licensing requirements into this chapter. Proposed subsection (c) has been amended to add that the application is subject to denial if the applicant denied the Department access to the property identified in the application as the premises. This is necessary to provide greater clarity to applicants. The phrase “or the property identified in the application as the premises” has been added to clarify that this provision applies to the licensed premises even if it has not yet been approved. This is necessary because during the licensing process, there may be a need for the Department to inspect the premises to determine if it meets all requirements for licensure.

Subsection (j) is proposed to be added to specify that a license may be denied if an applicant has engaged in conduct that is grounds for disciplinary action specified in BPC 26030. This provision is contained in section 17113 and is proposed to be repealed to consolidate grounds for denial in one section. The inclusion of this provision is necessary to clarify that the grounds for discipline contained in BPC 26030 would also be grounds for denial of a license and for consistency amongst applicants. Evidence that the applicant is engaging in activity that violates the Act and regulations provides information related to their ability and willingness to comply with the rules related to the license.

Section 15020. Renewal of License.

This section provides the requirements for requesting a renewal of an annual commercial cannabis license. This section is necessary to provide licensees with the appropriate information to allow them to obtain a timely renewal of their license. This section is proposed to be applied to applicants and licensees of all licenses issued by the Department. Original section 16203, applicable to cultivators, and original section 17121, applicable to manufacturers, contained similar requirements and are proposed to be

repealed due to the consolidation of application and licensing requirements into this chapter.

Subsection (b) contains a proposed amendment to modify the term cannabis goods to cannabis and cannabis products. This is necessary for conformity of terms used throughout this division and to distinguish between cannabis and cannabis products and final form cannabis goods.

Subsection (c) is amended to add a provision that clarifies that a licensee that does not submit a complete renewal within 30 days after the expiration of the license forfeits their eligibility to renew a license and will instead be required to submit a new license application. This requirement is found in original section 16203, subsection (c), applicable to cultivators, and original section 17121, subsection (d), applicable to manufacturers. The requirement is proposed to be added to this subsection and original sections 16203 and 17121 are proposed to be repealed due to the consolidation of application and licensing requirements into this chapter. Although the requirement was not explicitly included in original section 15020, the requirement can be inferred from the existing regulatory language. The department has determined to explicitly include the requirement for the purposes of clarity.

Subsection (d)(1) contains a proposed amendment to modify the term applicant to commercial cannabis business for consistency in use of terms throughout this division and for accuracy as the Department is requesting the name of the business and not the individual owner applying on behalf of the business.

Subsection (d)(3) is amended to require the licensee's mailing address and licensed premises, rather than the licensee's address of record. This change is necessary for clarity and consistency with the provisions of section 15002(b)(6).

Subsection (d)(4) is proposed to be amended to include a clarification that the requirement does not apply to cultivators, as the fee for cultivation licenses is not determined based on gross revenue. This is necessary for clarity as the section will apply to all licensees.

Subsection (d)(7) is amended to include the phrase, "If applicable," This amendment is necessary to clarify that not all renewals will require the waiver of sovereign immunity and that only certain licensees must comply with this requirement.

Former subsection (e) has been stricken from this section, as the Department proposes to allow cultivators to add license designations through the business modification process; accordingly, this subsection is no longer required. Subsequent subsections have been renumbered accordingly. The provisions of new subsection (e) are taken from original section 16203, subsection (g), applicable to cultivators. The requirements are proposed to be added to this subsection and original section 16203 is proposed to be repealed due to the consolidation of application and licensing requirements into this chapter.

Section 15021. Denial of License.

This section is proposed to be applied to applicants and licensees of all licenses issued by the Department. Original section 16115, subsections (a) and (c), applicable to cultivators, and original section 17116, applicable to manufacturers, contained the same requirements and are proposed to be repealed due to the consolidation of application and licensing

requirements into this chapter.

Proposed subsection (d) has been added to the section. Proposed subsection (d) indicates that if an application is denied due to an owner's conviction history, the Department will notify the applicant of this fact and also provide the applicant with information on how to request a copy of their conviction history and how to question the accuracy of the record. This amendment is necessary to be consistent with current state statutes, including the amendments to BPC section 480 by Assembly Bill 2138, which is applicable to licenses issued under the BPC.

Section 15022. Cancellation of License.

The Department proposes to repeal this section. The Department has determined that the Act specifies when a license must be canceled. See for example BPC section 26050.2, which requires the Department to cancel a provisional license upon issuance of an annual license, denial of an annual license, abandonment of an application for licensure, or withdrawal of an application for licensure. Because the Act already specifies when a license must be canceled, the Department has determined that this section is not needed and may create confusion amongst licensees and the public regarding cancellation of a license. Additionally, this section, applicable to former Bureau licenses, is not applicable to manufacturers or cultivators and no similar provisions are contained in sections governing these license types. Therefore, this section is proposed to be repealed so that consistent requirements apply to all licensees.

Section 15023. Business Modifications.

The Department recognizes that the information provided as part of an application for licensure is not static and changes may arise. The purpose of this section is to require existing licensees to timely notify the Department of any changes to the information listed in the application; this assures that the Department has up-to-date information on its licensees and that the Department has the opportunity to determine whether certain changes affect licensure status. It also clarifies circumstances in which changes to ownership require the submittal of a new application for licensure. Former section 16204, applicable to cultivators, and section 17119, applicable to manufacturers, are proposed to be repealed due to consolidation of general requirements for all licensees under the Department. Due to this consolidation, the Department proposes consolidating requirements for business modifications for all licensees into this section.

The proposed section deletes the phrase "items contained in the application". This is necessary for clarity and to ensure that licensees are aware that the items they must notify the Department about are not necessarily always submitted as part of their application for licensure.

Proposed subsection (a) deletes the phrase "at renewal as required under section 15020 of" and replaces it with "as required by the Act." This is necessary to for clarity to ensure that all Department licensees are maintaining up-to-date standard operating procedures in the same manner.

Proposed subsection (b) requires that a licensee, whom at the time of licensure, employed less than 20 employees, provide the Department a notarized statement that they will enter

into a labor peace agreement and will abide by the terms of the agreement or demonstrate that the commercial cannabis business has entered into a labor peace agreement by providing a copy of the signature page of the agreement within 60 days of employing 20 or more employees. Although removed in the emergency regulations, the Department has decided to retain the provision that requires an applicant who has already entered into a labor peace agreement to provide a copy of the signature page of the agreement. This is necessary because BPC section 26051.5 requires applicants that have already entered into a labor peace agreement to demonstrate such but does not specify how applicants may demonstrate this action. The Department determined that signature page of the labor peace agreement meets this requirement, without having to disclose contractual terms that may be considered confidential by the parties to the agreement. Additionally, this subsection is proposed to apply to applicants for all license types, not just license types formerly issued by the Bureau. The proposed amendments are necessary to be consistent with changes to BPC section 26051.5(a)(5) , since this regulation was originally adopted.

Proposed subsection (c)(1) revises the reference from section 15002(c)(20) to section 15002(c)(16). This is necessary for clarity to ensure that the Department's licensees can refer to the appropriate regulation regarding ownership information that must be submitted for each new owner. Former section 16204, applicable to cultivators, and 17119, applicable to manufacturers, contained substantially similar provisions. Due to the consolidation of general requirements for all license types, these former sections have been proposed to be repealed, and this section is proposed to apply to all licensees under the department.

Proposed subsection (c)(2) adds a timeframe of "within 14 calendar days of the change" for consistency with the timelines contained in this section. This is also needed to provide licensees and new owners with clarity on when they need to report changes regarding ownership.

Proposed subsection (d) revises the reference from section 15002(c)(19) to section 15002(c)(15) and eliminates reference to section 15004. This is necessary for clarity to ensure that the Department's licensees can refer to the appropriate regulation regarding information that must be submitted for each new financial interest holder. Minor grammatical revisions have also been made which do not change the substance of this regulatory provision.

Proposed subsection (e)(3) has been revised to clarify "DBA" means "doing business as." This is necessary for clarity.

Original subsection (e)(4) is proposed to be repealed. This is necessary for consistency as the Department proposes to repeal original subsection 15002(c)(18). The Department has determined it does not need to require the financial information contained in subsection 15002(c)(18) be provided by all applicants with the application for licensure, and thus, does not need to be informed of modifications to this information.

Proposed subsection (e)(5) has been renumbered to subsection (e)(4) and revises the reference from section 15008 to section 15002(c)(22) of this division. This is necessary for clarity to ensure that the Department's licensees can refer to the appropriate information regarding bond requirements.

Original subsection (e)(6) is proposed to be repealed. The Department has determined that insurance information will only be required to be provided upon request; therefore, it is no longer necessary to provide this notification. This is necessary for consistency with other provisions related to insurance information.

Proposed subsection (f) removes the phrase “for all activities except cultivation” following the word “Licensees”. This is no longer necessary, as licensed cultivators may add licensure designations to their license through the business modifications process. It also ensures consistency with the Department’s regulations on license designations in section 15000.2.

Proposed subsection (h) has been amended to include the phrase “except as permitted under BPC section 26050.2(h).” This revision is necessary align with statutory requirements.

Proposed subsection (i) has been amended to refer to the proposed amended form DCC-LIC-027 incorporated by reference, and to allow licensees to make changes to contact information through the online system. The Department has determined that all licensees should provide these notifications on the form for consistency and to alert the Department that such change has occurred. The Department has determined that licensees who are able to make changes to contact information in the online system, such as manufacturers, should be able to continue this practice. This is necessary for consistency and for the Department to properly track changes in licensees’ businesses.

The reference to section 136 of the BPC has been removed. This is necessary because it is no longer applicable to the operations of the Department. Section 136 of the BPC only applies to board and bureaus within the Department of Consumer Affairs.

Section 15024. Death, Incapacity, or Insolvency of a Licensee.

This section is proposed to be applied to licensees of all license types. Former section 17120, applicable to manufacturers, and section 16206, applicable to cultivators, contained substantially similar provisions. Due to the consolidation of general requirements, this section is proposed to be applicable to all license types and sections 16206 and 17120 are proposed to be repealed. Subsection (b) has been amended to replace cancel with surrender and subsection (c)(2) has been amended to replace cannabis goods with cannabis products for consistency of terms used throughout this division.

Section 15024.1. Cannabis and Cannabis Products After Termination of License.

This section is proposed to apply to licensees of all license types under the Department. The Department determined this was necessary to ensure that former licensees of all license types have an opportunity to transfer of their cannabis and cannabis products after termination of a license. This practice benefits public health and safety by discouraging diversion and safeguards cannabis and cannabis products within the supply chain. This section contains proposed amendments throughout to remove the term “cannabis goods” and replace it with “cannabis and cannabis products.” This amendment is necessary for consistency in the use of terms through the division and consistent with proposed changes to the definition of cannabis goods in section 15000. The title of this section has also been

amended accordingly.

Subsection (b) contains proposed amendments to remove “purchase” and replace it with “procure.” This change is necessary because licensees such as manufacturers and cultivators must use a distributor for transport and quality assurance, but they are permitted to sell their cannabis and cannabis products directly to another licensee. The term procure more accurately captures what a distributor can do under this section which is to acquire a former licensee’s inventory on behalf of themselves or another licensee. The Notification and Request Form, Notifications and Requests Regarding Regulatory Compliance DCC-LIC-028, incorporated by reference in subsection (b)(1) is new as the Department proposes to amend and divide form DCC-LIC-027.

Subsection (b)(2)(A) is proposed as a new section; it is comprised of part of former subsection (b)(2) which clarified a distributor must arrange for laboratory testing after acquiring cannabis goods unless they had been tested and had a corresponding certificate of analysis within the last twelve months. The subsection is proposed to be amended to specify that cannabis and cannabis products acquired in final form must be transported to a distributor premises for testing unless they have been tested within the prior twelve months.

Subsections (b)(2)(B)-(D) contain proposed amendments to further specify where cannabis and cannabis products acquired under this section may be transported to, consistent with requirements contained in the Act and this division for the movement of cannabis and cannabis products throughout the supply chain. This subsection would require cannabis needing further processing or manufacturing to be transported to the licensed premises of a licensee authorized to conduct processing or manufacturing.

Cannabis that requires packaging and labeling shall be transported to a licensee authorized to conduct such activities, and cannabis products that require further manufacturing must be transported to a licensed manufacturer. These edits are necessary to provide clarity and to specify where cannabis and cannabis products in various stages may be transported now that the section will also apply to licensed cultivators and manufacturers.

Section 15025. Additional Premises Requirements for Retailers and Microbusinesses Engaging in Retail.

This section is proposed to be amended to apply specifically to retailers and microbusinesses authorized to engage in retail. The Department determined this was necessary because former subsections (c)-(g) were intended to apply to retailers and microbusinesses engaging in retail. Thus, these subsections have been amended where necessary to clarify that they are applicable to retailers or microbusinesses authorized to conduct retail. The title of the section has also been amended to clarify that the section applies to retailers and microbusinesses. The provisions of former subsections (a) and (b) have been incorporated into general requirements, thus they are proposed to be repealed from this section and the remaining subsections have been renumbered accordingly.

Proposed subsection (a) has been amended to allow for curbside delivery conducted pursuant to section 15404 of the Department’s regulations. Recognizing the need for social distancing during the COVID-19 pandemic, the Department provided relief from its

regulations and enabled retailers and microbusinesses authorized to engage in retail to engage in curbside delivery of cannabis under certain circumstances. Because such licensees have engaged in this practice for almost two-years without cause for concern, the Department has determined that the prohibitions on curbside delivery are no longer necessary.

Proposed subsection (c) has been amended to include distribution. In addition, the proposed subsection clarifies that manufacturing, cultivation, or distribution premises shall be separated from licensed retail operations by solid walls that extend from floor to ceiling. The Department has received questions from licensees regarding what constitutes a “wall” for the purposes of satisfying premises requirements. Accordingly, the Department has determined it is necessary to clarify that walls must constitute a solid barrier, that extends from floor to ceiling. This is necessary to limit the potential for contamination of cannabis goods and to limit opportunities for diversion of commercial cannabis.

Subsection (e) has been amended to replace “applicant” with “commercial cannabis business” for consistency of terms within this division.

Section 15026. Premises Location.

The Department proposes to repeal this section as it has been relocated to proposed section 15000.3. This is necessary to reduce duplicative requirements as all licensees may now refer to section 15000.3 to ensure consistency.

Section 15027. Physical Modification of Premises.

This section provides the requirements for requesting authorization to engage in a physical modification of a licensed premises. The title of this section has been amended to include operations, as it more accurately reflects the contents of this section. This section is necessary to provide licensees with guidance regarding how to request this authorization. It is important for the Department to review modifications of a licensed premises and the licensee’s operations, as the Department issues licenses only after reviewing the application information submitted and ensuring that the applicant follows all regulatory requirements. One aspect of the regulatory requirements is requirements that are applicable to the licensed premises and its operations. If a licensee makes modifications to the licensed premises and its operations, the Department must first ensure that the licensee will remain in compliance with all requirements for the licensed premises and its operations following the modifications.

This section is proposed to be applied to applicants and licensees of all licenses issued by the Department. Original section 16205, applicable to cultivators, and original section 17118, applicable to manufacturers, contained the same requirements and are proposed to be repealed due to the consolidation of application and licensing requirements into this chapter. For clarity purposes, the Department has reorganized this section to reflect the material or substantial changes, alterations, or modifications for each license type.

Proposed subsection (b) provides clarity regarding what activities will be considered material or substantial changes, alterations, or modifications to licensed cultivation premises that require prior approval from the Department. The proposed subsection provides specific requirements regarding premises modifications that are only applicable to

licensees engaging in cultivation. Original section 16205, applicable to cultivators, contained the same requirements found in subsection (b). These requirements have been moved to this proposed subsection, with some modifications. Specifically, proposed subsection (b)(1) clarifies that chemical storage areas include those areas with pesticides and other chemicals. This is necessary for clarity to ensure that licensees are aware of what areas will be considered “chemical storage areas” for the purposes of their licensed premises. Former subsection (b)(3) has been repealed, as the Department determined it is no longer necessary and is more accurately reflected in new subsections (b)(3) and (b)(4). New subsections (b)(3) and (b)(4) would require cultivation licensees to inform the Department of any increase or decrease in the physical size or capacity of the licensed premises or any physical change that would require a building permit, zoning change, or other approval from the applicable local jurisdiction. These changes are necessary because changes in the capacity of the licensed premises may have bearing on the appropriate type of license the cultivation licensee requires. Moreover, such changes may be significant enough to warrant further environmental review as required by California Environmental Quality Act. Section 16205 is proposed to be repealed due to the consolidation of application and licensing requirements into this chapter.

Proposed subsection (c) has been added to the section. The proposed subsection provides specific requirements regarding premises modifications that are only applicable to licensees engaging in manufacturing. Original section 17118, subsection (a), applicable to manufacturers, contained the same requirements found in subsections (c). These requirements have been moved to this proposed subsection, with some modifications. Specifically, proposed subsection (c)(1) provides that the addition of any ethanol, carbon dioxide, or volatile extraction method or extraction unit will be considered a material or substantial change, alteration, or modification to the manufacturing premises. This is necessary because certain extraction methods may involve the use of dangerous chemicals or methods; Department staff must have up-to-date information of these activities for their own and public safety. Proposed subsections (c)(2) and (c)(4) would require manufacturing licensees to inform the Department of any increase or decrease in the physical size or capacity of the licensed premises or any physical change that would require a building permit, zoning change, or other approval from the applicable local jurisdiction. These changes are necessary for the Department to ensure that the physical modifications are consistent with license requirements and the Department has the necessary information about where commercial cannabis activity is being conducted. Moreover, such changes may be significant enough to warrant further environmental review as required by California Environmental Quality Act. Proposed subsection (c)(3) would require manufacturing licensees to inform the Department of any change that would require the installation of additional video surveillance cameras. This change is necessary to ensure that manufacturing licensees are able to satisfy the surveillance camera requirements of section 15047. Section 17118 is proposed to be repealed due to the consolidation of application and licensing requirements into this chapter.

Proposed subsection (d) has been added to the section. The proposed section provides specific requirements regarding premises modifications that are only applicable to licensees engaging in microbusiness activities. Specifically, subsection (d)(1) and (d)(2) provides that the addition of a commercial cannabis activity is considered a material or

substantial change, alteration, or modification, as are those material or substantial changes, alterations, or modifications listed in subsections (b), (c), and (e). These changes are necessary for the Department to ensure that the physical modifications are consistent with license requirements and the Department has the necessary information about where commercial cannabis activity is being conducted. Moreover, such changes may be significant enough to warrant further environmental review as required by California Environmental Quality Act.

Proposed subsection (e) has been added to the section. The proposed section provides specific requirements regarding premises modifications that are only applicable to licensees engaging in distribution, retail, or testing laboratory activities. Specifically, Proposed subsections (e)(1) and (e)(3) would require manufacturing licensees to inform the Department of any increase or decrease in the physical size or capacity of the licensed premises or any physical change that would require a building permit, zoning change, or other approval from the applicable local jurisdiction. These changes are necessary for the Department to ensure that the physical modifications are consistent with license requirements and the Department has the necessary information about where commercial cannabis activity is being conducted. Moreover, such changes may be significant enough to warrant further environmental review as required by California Environmental Quality Act. Proposed subsection (e)(2) would require these licensees to inform the Department of any change that would require the installation of additional video surveillance cameras. This change is necessary to ensure that these licensees are able to satisfy the surveillance camera requirements of section 15047.

Original subsection (c) has been renumbered to subsection (f) to accommodate the addition of the new subsections. Subsection (f) has also been amended to clarify the method for submitting requests for approvals of physical modifications of a licensed premises. Despite, the consolidation of the three commercial cannabis licensing authorities, the original separate licensing systems continue to be utilized. Licensed cultivators must request the approval through the cultivation license system as was required prior to the consolidation. All other license types are required to submit the identified form along with the information required in the subsection. This amendment is necessary to clarify how requests for modifications of premises are to be submitted based on the license type of the licensee submitting the request. Because licensed cultivators have a different method for requesting this approval, it is necessary to make this clarification in the regulations. The title of the Notification and Request Form, DCC- LIC- 027, and amendment date have been changed as the Department proposes to amend the form. This section has also been amended to specify the fee applies to all licensees except licensed cultivators.

Original subsection (d) has been renumbered to subsection (g) to accommodate the addition of the new subsections.

Proposed subsection (h) has been added to clarify that licensees shall notify the Department of all changes, alterations, or modifications to a licensed premises or licensee's operations that do not require prior approval by submitting the Licensee Notification and Request Form. Such notifications must be submitted no later than 3 business days after the changes have been made. In conducting inspections of licensed

premises, it is integral that Department staff has up-to-date information regarding what they can expect onsite. The Department has determined that 3 business days is a sufficient period of time to enable applicants to report such information for the Department's consideration in a timely manner.

Section 15028. Subletting of Premises.

The Department proposes to repeal this section as it has been relocated to proposed section 15000.4. This is necessary to reduce duplicative requirements as all licensees may now refer to section 15000.4 to ensure consistency.

Section 15030. Licensee's Responsibility for Acts of Employees and Agents.

The Department proposes to repeal this section as it has been relocated to proposed section 15000.5. This is necessary to reduce duplicative requirements as all licensees may now refer to section 15000.5 to ensure consistency.

Section 15031. Age Restriction.

The Department proposes to repeal this section as it has been relocated to proposed section 15000.6. This is necessary to reduce duplicative requirements as all licensees may now refer to section 15000.6 to ensure consistency.

Section 15032. Commercial Cannabis Activity.

This section contains provisions related to the conduct of commercial cannabis activity applicable to licensees regulated by the Bureau prior to consolidation. The provisions of this section have been relocated to other sections so that they are applicable to all licensees regulated by the Department or the Department has determined the provision is not necessary. Accordingly, this section is proposed to be repealed.

Subsection (a) requires commercial cannabis activity to be conducted between licensees but allows retail licensees to conduct sales to customers and nonprofits. The requirements of this subsection are proposed to move to section 15000.1(b) and be applicable to all licensees regulated by the Department. Accordingly, this subsection is proposed to be repealed. This is necessary to reduce duplicative requirements as all licensees may now refer to section 15000.1(b) to ensure consistency.

Subsection (b) states that licensees shall not conduct commercial cannabis activities on behalf of, at the request of, or pursuant to a contract with any person who is not licensed under the Act. The Department has determined that this requirement is no longer necessary and is proposing to repeal this section. This requirement has created confusion in the industry with respect to persons who are owners of a brand name related to cannabis and cannabis products that license use of the brand name but do not handle cannabis or cannabis products directly. The Department has determined that these persons should be identified as financial interest holders of the commercial cannabis business and has amended section 15004 of this division to allow such individuals to be identified as financial interest holders. This is consistent with other existing provisions in section 15004 which require that other persons that contract with a commercial cannabis business but do not handle cannabis or cannabis products be identified as financial

interest holders of the business.

Subsections (c) through (e) contain the requirements specific to medicinal cannabis licenses. The requirements of these subsections are proposed to move to section 15000.2 and be made applicable to all licensees regulated by the Department.

Accordingly, section 15032(c) through (e) are proposed to be repealed. This is necessary to reduce duplicative requirements as all licensees may now refer to section 15000.2 to ensure consistency.

Section 15033. Storage of Inventory.

The Department proposes to repeal this section as it has been relocated to proposed section 15000.7. This is necessary to reduce duplicative requirements as all licensees may now refer to section 15000.7 to ensure consistency.

Section 15034. Significant Discrepancy in Inventory.

This section contains proposed amendments to clarify that the section applies to all department licensees. This amendment is necessary due to the consolidation of general requirements for all license types. The Department determined that it is necessary to extend the provisions of this section to all license types, to ensure commercial cannabis inventory is accurately tracked by all Department licensees.

This section has also been amended to clarify that a significant discrepancy is considered a difference of five percent or more between the licensee's on-hand inventory, and the recorded inventory in the licensee's track and trace system. The five percent requirement was previously contained in the CDPH regulations; it has been maintained as a reasonable threshold to alert the Department to the difference but not require reporting when normal operations may result in a difference in inventory calculations. This is necessary to make clear, consistent and efficient, the requirements for licensees to track commercial cannabis inventory and to know when to report any possible significant discrepancies and diversions to the Department. As all licensees are required to record commercial cannabis activity in the track and trace system, this will be an accurate basis to account for the movement and inventory of cannabis or cannabis products.

This section has also been amended to replace "cannabis goods" with "cannabis and cannabis products." This change is necessary for consistency with terms used throughout this division.

Section 15035. Notification of Criminal Acts, Civil Judgments, Violations of Labor Standards, and Revocation of a Local License, Permit, or Other Authorization After Licensure.

Section 15035 requires a licensee to notify the Department within 48 hours of criminal convictions of any owner, civil penalties or judgments rendered against the licensee or any owner, administrative orders or civil judgments for violations of labor standards, or a revocation of a local license, permit, or other authorization. Original section 17123 applying to manufacturers, and section 16204, subsection (c), applying to cultivators duplicated the requirements contained in this section. Because these sections duplicated the requirements in this section, they have been eliminated. Section 15035 will apply to all

Department licensees. This is necessary to guarantee that all Department licensees are following the same requirements regarding essential notifications. The Notification and Request Form, Notifications and Requests Regarding Regulatory Compliance DCC-LIC-028, incorporated by reference is new as the Department proposes to amend and divide form DCC-LIC-027. There are no substantive amendments that have been made to this section or the requirements contained in this section.

Section 15036. Notification of Theft, Loss, and Criminal Activity.

Section 15036 requires a licensee to notify the Department and local law enforcement within 24 hours of discovery of a significant discrepancy in inventory, diversion, theft, loss, or criminal activity. Original section 17202 applying to manufacturers, and section 16409, applying to cultivators, duplicated the requirements contained in this section.

Because these sections duplicated the requirements in this section, they have been eliminated. Section 15036 will apply to all Department licensees. This is necessary to guarantee that all Department licensees are following the same requirements regarding essential notifications. This section has been amended to replace “cannabis goods” with “cannabis and cannabis products.” This change is necessary for consistency with terms used throughout this division. The Notification and Request Form, Notifications and Requests Regarding Regulatory Compliance DCC-LIC-028, incorporated by reference is new as the Department proposes to amend and divide form DCC-LIC-027. There are no substantive amendments that have been made to this section or the requirements contained in this section.

Section 15037. General Record Retention Requirements.

Section 15037 of the Department’s regulations consolidates all of the Department’s recordkeeping provisions by further defining what must be stored and maintained as a record; clarifying how and how long records must be stored; clarifying in what manner records must be kept; and clarifying that all records related to commercial cannabis activity are subject to inspection by the Department. Sections 15310, 15426, 15505, 15507, 15600 subsection (d), 15739, 16400, and 17500 are being deleted because they are no longer necessary and are considered duplicative of the requirements in this section and the Department’s inspection provisions in section 17800. The purpose of proposed subsection (a) is to define what must be stored and maintained as a record and for how long. Specifically, proposed subsection (a) deletes original subsection (a)(6) – (8) and renumbers the remaining sections accordingly. Subsection (a) provides that the recordkeeping requirements apply to all records in connection with the licensed commercial cannabis business and as required by the Act and the Department’s regulations for at least seven years from the date of the record’s creation unless a shorter time period has been specified. This subsection is necessary to provide clarity by ensuring that all records in connection with the licensed commercial cannabis business are maintained in a manner that would allow the Department to effectively enforce its regulations and conduct thorough investigations. Deletion of the lists of records in sections 15038, 16400, 17500 is also necessary to ensure that licensees do not inadvertently destroy records that the Department must inspect to effectively enforce its regulations. The Department determined that requiring licensees to maintain records for seven years was

consistent with most record retention schedules, including those recognized by generally accepted accounting principles.

The Department determined that the section should be reorganized to provide further clarity to licensees regarding their roles and responsibilities related to recordkeeping. Subsection (b), requires Department licensees to produce records to the Department in either electronic copy or hard copy form. This subsection is necessary to provide clarity to licensees regarding how records should be produced to the Department upon request.

Subsections (c) and (d) restate the requirements that were formerly found in subsections (b)(1) and (b)(2) and are necessary to assure that records are consistently prepared and retained by all Department licensees. Specifically, these subsections are necessary to assure that all records are legible and accurate, and are protected from debris, moisture, contamination, hazardous waste, and theft – conditions that would render the records illegible or inaccessible by Department staff.

Former subsections (c) and (d), regarding the Department's ability to inspect records, have been deleted as the Department has determined that they are duplicative of the records provisions of the Act, as well as the enforcement provisions in section 17800, which enable the Department to immediately inspect and examine licensees' records. Former subsection (e) of this section has also been deleted.

Section 15310 is proposed to be repealed as duplicative of the requirements in section 15037. Section 15310 required that in addition to those records that were required to be maintained and retained under section 15037, licensed distributors were also required to maintain records related to branding, packaging and labeling, inventory logs, transportation bills of lading, shipping manifests, vehicle and trailer ownership records, quality-assurance records, records relating to destruction and disposal of cannabis and cannabis products, laboratory-testing records, warehouse receipts, and records relating to tax payments collected and paid under the Revenue and Taxation Code. Section 15310 specified and clarified those records that may have been specific to distribution activities and were in addition to those identified in section 15037. Due to the proposed changes in section 15037, and clarifying that those records listed in section 15037 is not an exhaustive list, and that licensees are required to maintain records in connection with the licensed commercial cannabis business, section 15307 clarifies and specifies those requirements that were in section 15310, rendering section 15310 duplicative.

Section 15426 is proposed to be repealed as duplicative of the requirements in section 15037. Section 15426 required that all licensed retailer-specific records be maintained in accordance with section 15037. As section 15426 referenced the requirements in section 15037, the Department determined section 15426 is duplicative.

Section 15505 is proposed to be repealed as duplicative of the requirements in section 15037. Section 15505 required that in addition to those records that were required to be maintained and retained under section 15037, licensed microbusinesses engaging in cultivation activities were also required to maintain records for cultivation plans, all records evidencing compliance with environment protection measures as required by the regulations, and all unique identifiers (UID) assigned to product in inventory and all unassigned UIDS. Section 15505 specified and clarified those records that may have been

specific to cultivation activities by licensed microbusinesses and were in addition to those identified in section 15037. Due to the proposed changes in section 15037, and clarifying that those records listed in section 15037 is not an exhaustive list, and that licensees are required to maintain records in connection with the licensed commercial cannabis business, section 15307 clarifies and specifies those requirements that were in section 15505, rendering section 15505 duplicative.

Section 15507 is proposed to be repealed as duplicative of the requirements in section 15037. Section 15507 required that in addition to those records that were required to be maintained and retained under section 15037, licensed microbusinesses engaging in manufacturing activities were also required to maintain records as required under chapter 15 of this division. Section 15507 specified and clarified those records that may have been specific to manufacturing activities by licensed microbusinesses and were in addition to those identified in section 15037. Due to the proposed changes in section 15037, and clarifying that those records listed in section 15037 is not an exhaustive list, and that licensees are required to maintain records in connection with the licensed commercial cannabis business, section 15307 clarifies and specifies those requirements that were in section 15507, rendering section 15507 duplicative.

Section 15600 subsection (d) is proposed to be repealed as duplicative of the requirements in section 15037. Section 15600, subsection (d), required that all records of a cannabis event organizer licensee be maintained in accordance with section 15037. As section 15600, subsection (d), referenced the requirements in section 15037, the Department determined section 15600, subsection (d), was duplicative and should be deleted.

Section 16400 is proposed to be repealed as duplicative of the requirements in section 15037. Section 16400 specified those records that were required to be maintained and retained by licensed cultivators, including department issued cultivation licenses, cultivation plans, all records evidencing compliance with environment protection measures as required by the regulations, all unique identifiers (UID) assigned to product in inventory and all unassigned UIDS, financial records related to the licensed commercial cannabis activity, personnel records, training records, contracts with other state licensed cannabis businesses, all permits or other authorizations to conduct commercial cannabis activity, records associated with composting or disposal of cannabis waste, and documentation associated with composting or disposal of cannabis waste. Section 16400 specified and clarified those records that may have been specific to cultivation licensees, in addition to records already specified in section 15037, such as financial records, personnel records, training records, contracts, and other permits and authorization. Due to these same requirements being required in section 15037, as well as proposed changes clarifying that those records listed in section 15037 is not an exhaustive list, and that licensees are required to maintain records in connection with the licensed commercial cannabis business, section 15307 clarifies and specifies those requirements that were in section 16400, rendering section 16400 duplicative.

Section 17500 is proposed to be repealed as duplicative of the requirements in section 15037. Section 17500 specified those records that were required to be maintained and retained by licensed manufacturers, including a valid and displayed manufacturing license,

premises diagram, standard operating procedures, shipping manifests, financial records related to the licensed commercial cannabis activity, personnel records, contracts with other state licensed cannabis businesses, all permits or other authorizations to conduct commercial cannabis activity, and sales invoices and receipts.

Section 17500 specified and clarified those records that may have been specific to manufacturing licensees, in addition to records already specified in section 15037, such as financial records, personnel records, training records, contracts, and other permits and authorization. Due to these same requirements being required in section 15037, as well as proposed changes clarifying that those records listed in section 15037 is not an exhaustive list, and that licensees are required to maintain records in connection with the licensed commercial cannabis business, section 15307 clarifies and specifies those requirements that were in section 17500, rendering section 17500 duplicative.

The Department also determined that it was not necessary to incorporate several requirements enumerated in deleted section 17500. Specifically, the Department determined that section 17500, subsection (b), requiring that outdated operating procedures be maintained such that onsite employees cannot mistakenly access outdated information, was duplicative of the operational requirements for licensed manufacturers in section 17219. Likewise, the Department determined that section 17500, subsection (c), requiring that all documentation be maintained in English, was duplicative of the requirement in section 15037, subsection (c), that all records be legible.

Section 15038. Disaster Relief.

Section 15038 allows a licensee impacted by a disaster to request relief from regulatory requirements that they are unable to comply with due to the disaster. Original section 17122 applying to manufacturers, and section 16207 applying to cultivators, duplicated the requirements contained in this section. Because these sections duplicated the requirements in this section, the Department has proposed to repeal them. Section 15038 will now apply to all Department licensees. This is necessary to guarantee that all Department licensees are following the same requirements regarding disaster relief.

This section has been amended to replace “cannabis goods” with “cannabis and cannabis products.” This change is necessary for consistency with terms used throughout this division. The requirement to use the Notification and Request Form, DCC-LIC-027, previously incorporated by reference here has been repealed. The Department has determined that the form was not the best means for requesting disaster relief, thus the section has been amended to require the request in writing. This will allow licensees to send an email requesting relief which licensees have previously indicated would be less burdensome than completing the form.

Proposed subsection (e) has been amended to provide that a licensee shall not be subject to an enforcement action for a violation of a licensing requirement during the time in which the licensee has received temporary relief and is in compliance with any conditions of relief required by the Department. This change is not a substantive change, but is one for clarity, to ensure that licensees understand that they must abide by the terms of disaster relief to not be subject to disciplinary action.

Proposed subsection (g) is proposed to be amended to remove the reference to section 15022 as that section has been repealed. The subsection would now specify that a premises that has been vacated due to a disaster shall not be considered abandoned under the plain meaning of the term “abandoned.”

Proposed subsection (h) has been amended to replace cannabis goods with cannabis products for consistency of terms used throughout this division.

Proposed subsection (i) is new and specifies the information that licensees must provide to the Department when requesting relief pursuant to this section. This subsection is intended to replace the form that was previously incorporated by reference. The subsection specifies that licensees must provide information in the requests for disaster relief that will aid the Department in its determination. Such information includes the name of the licensed commercial cannabis business requesting relief, the license number issued by the Department, the premises address, contact information for the owner submitting the request, date of request, specific regulations from which relief is requested, time period for which the relief is requested, and a description of the reason for the request including a clear explanation of how the relief requested is tied to the specific circumstances of the declared disaster. This information was previously contained in the form incorporated by reference, however since the requirement to use the form is proposed to be repealed from this section, it is necessary to specify the information that a licensee must provide to the Department in a request for disaster relief. There are no substantive amendments that have been made to this section or the requirements contained in this section.

Article 4. Posting and Advertising

The Department has determined that the sections of this article should also apply to licensed cultivators and licensed manufacturers where applicable, due to the consolidation of the licensing authorities into the Department.

Section 15039. License Posting Requirement.

Section 15039 contains no amendments, however, this section is proposed to be extended to all licenses issued by the Department, which now includes cultivation and manufacturing licensees. This is necessary for consistency amongst licensees and to ensure that licensure can easily be identified on the premises.

Section 15040. Advertising Placement.

BPC section 26151(b) provides guidelines for advertising and marketing. The title of this section has been amended to more-accurately reflect the provisions of this section.

Proposed revisions to subsection (a) provide further clarification regarding how licensees may ensure their advertising and marketing is tailored to appropriate audiences and not children. Specifically, subsection (a)(3) is proposed to be amended to clarify that any advertising or marketing that is placed in broadcast, cable, radio, print, and digital communications shall not contain the use of images that are attractive to children. Subsection (a)(3) provides further examples of images that are considered attractive or appealing to children, or intended for children, including cartoons; any likeness to images, characters, or phrases that are popularly used to advertise to children; any imitation of

candy packaging or labeling; or the terms “candy” or “candies” or variants in spelling such as “kandy” or “kandeez”. This subsection incorporates labeling restrictions, which were previously contained in original section 17408(b). The Department determined it was necessary to consolidate these provisions into one section for clarity, so that provisions intended to protect the health and safety of children are contained in one location. Not only do the proposed changes guarantee that all Department licensees are held to the same advertising and marketing standards in one uniform set of regulations, but the proposed changes are necessary to safeguard the protection of minors as required by the Act.

Subsection (a)(4) has been modified to provide additional clarification regarding the use of promotions or marketing tools. BPC section 26153 prohibits a licensee from giving away any amount of cannabis or cannabis products or cannabis accessories as part of a business promotion. Therefore, the Department determined it was necessary to add cannabis accessories to this subsection to ensure that licensees are aware that the prohibition is not limited to cannabis goods but also includes cannabis accessories. It is also necessary to discourage potential activities that are in violation of state law.

Notably, contests, sweepstakes, raffles, and lotteries are generally prohibited by state law except in limited, charitable circumstances and engaging in such unsanctioned activities may result in criminal violations. Therefore, this subsection now applies to all licensees. The Department determined that all licensees may engage in advertising and marketing, thus it is necessary to safeguard against violations of the Act and other laws by guaranteeing all licensees are covered by the prohibition from providing or advertising free cannabis goods or accessories. Lastly, this subsection has been amended to remove the prohibition on providing free noncannabis products because the Department has determined that retaining the prohibition is unnecessary.

Subsection (b) includes minor grammatical edits which do not change the substance of the regulatory provision.

Section 15040.1. Marketing Cannabis Goods as Alcoholic Products.

The Department proposes to clarify that this section applies only to distributor and retailer licensees, which were previously licensed by the former Bureau. This is necessary because the term licensee encompasses licensees other than those that this regulation currently applies to.

Section 15040.2. Prohibited Business Promotions.

The Department has received a number of inquiries regarding allowable commercial cannabis business promotions. BPC section 26153 prohibits licensees from giving away any amount of cannabis or cannabis products, or any cannabis accessories, as part of a business promotion or other commercial activity. Proposed subsection (a) restates this prohibition for convenience and clarity.

The Department recognizes that existing state laws generally prohibit contests, sweepstakes, raffles, and lotteries, except in limited, charitable circumstances and engaging in such unsanctioned activities may result in criminal violations. Accordingly, the Department proposes subsection (b), to make clear to licensees that they shall not conduct such activities as part of a business promotion, thereby discouraging potential

activities that are in violation of state law.

Section 15041. Age Confirmation in Advertising.

BPC section 26151 requires all licensees to confirm age prior to direct advertising communications. Because the Act applies the requirement to all licensees and due to the consolidation of general requirements for all licensees, the Department determined it was necessary to propose applying this section to all licensees. To safeguard public health, and youth health in particular, the Department proposes extending this section to cultivators and manufacturers.

Section 15041.1. Branded Merchandise.

This section is proposed to be amended to provide Department licensees clarity regarding the sale and distribution of branded merchandise. The Department has decided to repeal the former pre-approval process for branded merchandise and instead provide general guidance regarding branded merchandise because such guidance provides licensees with greater marketing flexibility, while also ensuring that the health and safety of the public is protected. Further, this section is proposed to apply to all Department licensees. Prior to the consolidation of the licensing authorities and these regulations, cultivators and manufacturers did not have any regulations to follow regarding branded merchandise. The Department has determined that licensees holding all license types produce branded merchandise and therefore, should be held to the same regulatory requirements.

Proposed subsection (a) indicates that branded merchandise is considered non-consumable consumer goods utilized by a commercial cannabis business licensed pursuant to the Act for advertising and marketing purposes, followed by examples of items that are non-consumable consumer goods that may be utilized as branded merchandise. This subsection is necessary to clarify what constitutes branded merchandise. The Department has decided to limit branded merchandise to those items that are typically used for marketing, many of which were originally contained in the definitions section of the former Bureau's regulations. However, the Department has determined that it is necessary to clarify that cannabis cannot be considered branded merchandise due to questions received by the Department. Additionally, food has been excluded as licensees are not allowed to sell or produce food, which is subject to another regulatory scheme.

Proposed subsection (b) indicates that branded merchandise must identify the licensee responsible for its content by displaying the licensee's license number in a manner that is permanently affixed to the merchandise, legible, and clearly visible from the outside of the merchandise. This provision is necessary because branded merchandise is considered a form of advertisement or marketing subject to the advertising and marketing requirements of the Act. Accordingly, this subsection makes clear to Department licensees that they are bound to the requirements of the Act related to the inclusion of license numbers. The Department has clarified that under this requirement includes the license number must be permanently affixed to the branded merchandise and visible, as the Department has received numerous inquiries about whether the license number can be hidden from view or on a removable tag, which does not allow a person seeing the branded merchandise to readily identify the responsible licensee.

Subsection (c) prohibits Department licensees from designing branded merchandise in a manner that is likely to appeal to anyone under 21 years of age. This clarification is necessary because it ensures that licensees do not utilize marketing tools which may be attractive to children to prevent minor's access to cannabis goods as well as their being attracted to cannabis goods.

Section 15041.2. Trade Samples.

Proposed section 15041.2 has been added. BPC section 26153.1 subsection (a) requires that the Department adopt regulations to establish a process authorizing licensees to designate cannabis and cannabis products as trade samples at any time while the cannabis and cannabis products are in the possession of the licensee. BPC section 26153.1 subsection (b) requires the Department to establish a definition of "trade sample."

This proposed section is necessary to comply with the requirements of the Act. The proposed section provides a definition of trade sample and general provisions related to trade samples. The proposed section also provides licensees with basic information regarding trade samples so that they may better understand the requirements found in the subsequent sections relating to trade samples.

Proposed subsection (a) provides a definition for the term trade sample. Establishing a definition is required by BPC section 26153.1 subsection (b) and is necessary to provide basic information that will allow licensees to identify when the requirements found in this chapter will be applicable. The definition was developed from information and requirements found in BPC section 26153.1. The proposed definition clarifies that trade samples can be provided to other licensees or a licensee's employees for the specific purposes of targeted advertising and product education.

Proposed subsection (b) provides the general intent for authorizing licensees to designate and provide trade samples. The intent stated in the proposed subsection is taken from BPC section 26153.1, subsection (f). This is necessary to provide licensees with guidance regarding trade sample activities in a manner that furthers the intent.

Proposed subsection (c) specifies that mature live plants cannot be designated or provided to licensees as trade samples. This proposed subsection is necessary to prevent licensees from designating and providing licensees mature plants as trade samples. The subsection further specifies that immature plants, seeds and propagated material may be provided by nursery licensees as trade samples. This is necessary to ensure that nurseries are not excluded from providing trade samples to inform about their nursery items.

Section 15041.3. Designating Trade Samples.

Proposed subsection 15041.3 provides the rules and requirements for licensees when designating cannabis and cannabis products as trade samples. This proposed section is necessary to provide licensees with the rules for making designations of trade samples since cannabis and cannabis products designated as trade samples may be handled differently from other cannabis and cannabis products held by the licensee. Additionally, it is important for licensees to properly identify which cannabis and cannabis products are trade samples so that the Department can accurately track the movement of cannabis and cannabis products to prevent diversion and ensure compliance with trade sample

requirements.

Proposed subsection (a) requires that licensees designate cannabis and cannabis products as trade samples using the state-wide track and trace system. This is necessary as the track and trace system is the primary method used by the department for tracking the movement of cannabis and cannabis products throughout the state. It is essential that cannabis and cannabis products that are to be treated as trade samples be properly identified within the system so that the Department can distinguish these trade samples from other cannabis and cannabis products since different rules apply to trade samples. Additionally, BPC section 26153.1 subsection (d) requires that cannabis and cannabis products be properly recorded in the track and trace system.

Proposed subsection (b) requires that the cannabis and cannabis products be in the possession of the licensee at the time the designation is made. This requirement is a restatement of the requirement found in BPC section 26153.1, subsection (a) that is restated in the proposed section for clarity.

Proposed subsection (c) indicates that once cannabis and cannabis products are designated as a trade sample, the designation cannot be changed. This is necessary to inform licensees that the decision to label cannabis or cannabis products as a trade sample is a permanent decision that cannot be undone. This is necessary to prevent changing designations so that trade samples may be properly accounted for and are not inappropriately sold or given to non- licensees.

Proposed subsection (d) indicates that after laboratory testing, cannabis and cannabis products that have been designated as trade samples may be transferred to licensees or licensee employees in accordance with section 15041.4. This is necessary to ensure all trade samples are laboratory tested. Subsection (d) clarifies that cannabis and cannabis products that have been designated as trade samples may be transferred to other licensees or licensee employees in accordance with subsequent sections in this chapter. Typically, under BPC section 26110, cannabis and cannabis products that have passed regulatory testing may only be transferred to a licensed distributor or a licensed retailer for retail sale. However, Business and Professions Code section 26153.1, subsection (c) allows for cannabis and cannabis products that have been designated as trade samples to be transferred to cultivators and manufacturers. This proposed subsection is necessary to provide clarification to licensees regarding where cannabis and cannabis products designated as trade samples may be transferred after laboratory testing as the rules differ from cannabis and cannabis products that have not been designated as trade samples.

Section 15041.4. Providing Trade Samples.

Proposed section 15041.4 provides the rules regarding providing trade samples to other licensees. The rules regarding providing trade samples to other licensees are based on limiting the use of trade samples to the intended purpose provided in the Act and this division. This proposed section is necessary to inform licensees on who may provide and receive cannabis and cannabis products designated as trade samples.

Proposed subsection (a) indicates that trade samples may be provided to any licensee except licensed cannabis event organizers, testing laboratories, and distribution transport

only licensees. All other license types besides the types excluded in the proposed subsection may potentially engage in the purchase and sale of cannabis and cannabis products. As such, these licensees would be able to use information obtained from receiving trade samples to inform their purchasing decisions. It is necessary to clearly identify what types of licensees may receive trade samples so that licensees who are providing trade samples are aware of which licensees may receive trade samples.

Proposed subsection (b) provides a list of license types that may designate and provide trade samples to other licensees or their employees. The list includes all license types that are authorized to sell cannabis and cannabis products to other licensees. The license types excluded from the list such as retailers, event organizers, and distributor transport only licensees are not authorized to engage in the sale of cannabis and cannabis products to other licensees. Therefore, there is no need for these license types to have the ability to designate and provide trade samples for the purpose of providing them to other licensees. This proposed subsection is necessary to clearly identify which types of licensees have the authority to designate and provide trade samples.

Proposed subsection (c) provides that nurseries may provide trade samples to licensed cultivators only, and not to their own employees. This is necessary to ensure that trade samples are only provided as necessary to educate and inform licensees about products available for sale. Nursery employees will be familiar with the cultivation attributes of their products due to the nature of their employment and thus do not need to receive trade samples to be familiar with the product.

Proposed subsection (d) provides a list of licensees who are not authorized to designate and provide trade samples. Although this rule may be inferred from proposed subsection (b), the inclusion of this proposed subsection is necessary to further clarify that licensees who are not authorized to sell cannabis and cannabis products to other licensees are also not authorized to designate and provide trade samples.

Proposed subsection (e) specifies that retailers may only designate and provide trade samples to their own employees for product education. Under the proposed subsection retailers are prohibited from providing trade samples to other licensees. Since retailers are not authorized to sell cannabis or cannabis and cannabis products to other licensees, there is no reason for retailers to be authorized to provide trade samples to other licensee. This proposed subsection was not included in the emergency regulations, but based on feedback from licensees, is necessary to allow their employees to become educated in the products that the retailer sells to consumers.

Proposed subsection (f) specifies specific instances where trade samples may not be provided. This includes providing trade samples as a form of payment or consideration, providing trade samples to employees as compensation, providing trade samples without adhering to cultivation, sales, and excise tax requirements, if any, providing trade samples to any unlicensed person, and providing trade samples for a cost. As indicated in the Act and this chapter, the intent is for licensees to use trade samples as a method of targeted advertising and product education. The proposed subsection prohibits the use of trade samples in a manner that would not comply with the intended purpose or in a manner that may circumvent taxation requirements. Additionally, BPC section 26153.1, subsection (h) prohibits licensees from providing trade samples for any form of payment, consideration,

cost, or compensation. This proposed subsection is necessary to clearly identify instances where providing trade samples would not be in line with the intended purpose of the provision.

Proposed subsection (g) requires that the transfer of trade samples be properly recorded in the track and trace program. This is necessary as the track and trace system is the primary method used by the department for tracking the movement of cannabis and cannabis products throughout the state. It is essential that cannabis and cannabis products that are to be treated as trade samples be properly identified and tracked within the system so that the Department can ensure that the movement of trade samples complies with all requirements. Additionally, BPC section 26153.1, subsection (d) requires that cannabis and cannabis products be properly recorded in the track and trace program.

Proposed subsection (h) reiterates that a licensee who is in receipt of trade samples may provide those trade samples to an employee for inspection or consumption. This would allow the licensee's employee to obtain information that may be provided to the decision maker for the licensee to assist the licensee in making decisions regarding potentially purchasing cannabis or cannabis products from other licensees. It is necessary to allow an employee of a licensee receiving trade samples to be able to consume the cannabis and cannabis products in order to effectively use the trade samples for making purchasing decisions in furtherance of the purpose stated in the Act.

Proposed subsection (i) requires that licensees who provide trade samples to their employees properly record the transaction in the track and trace system by entering the transaction as a package adjustment and recording the name of the employee and the time and date the trade sample was provided to the employee. This is necessary as the track and trace system is the primary method used by the Department for tracking the movement of cannabis and cannabis products throughout the state. It is essential that trade samples be properly identified and tracked within the system so that the Department can ensure that the movement of trade samples complies with all requirements. By providing details such as the name of the employee and the date and time the trade samples were provided, the Department will be better able to audit the transaction should the need arise. Additionally, BPC section 26153.1, subsection (d) requires that the movement of cannabis and cannabis products can be properly recorded in the track and trace program.

Proposed subsection (j) prohibits the employees who receive trade samples from giving, selling, or transferring the trade samples to another person. These prohibitions are necessary to ensure that trade samples provided to employees are used only for their intended purpose of providing licensees with information to be used in potential purchasing decisions. Additionally, these proposed requirements would work to prevent the unlicensed sale of cannabis and cannabis products received by licensee employees.

Section 15041.5. Requirements for Trade Samples.

Proposed section 15041.5 has been added and provides the requirements that apply to the cannabis and cannabis products that are to be designated as trade samples. This proposed section is necessary to ensure that licensees are made aware of the requirements they must comply with in designating and providing trade samples. The

requirements are taken from the requirements in BPC section 26153.1 and the Department's duty under the Act to protect the public.

Proposed subsection (a) requires that cannabis and cannabis products provided to licensees as trade samples comply with all packaging and labeling requirements applicable to cannabis and cannabis products sold at retail in addition to the requirement that the cannabis and cannabis products be identified as a trade sample on the labeling. This proposed subsection is necessary to ensure that licensees who receive trade samples for their consumption are provided with all the required information that must be provided to customers who are purchasing cannabis and cannabis products and are afforded the additional protection against accidental consumption by minors provided by the packaging requirements. Additionally, BPC section 26153.1, subsection (i) requires that trade samples comply with all applicable requirements for cultivation, manufacturing, distribution, processing, storing, laboratory testing, quality assurance, packaging, and labeling found in the Act. The requirement regarding packaging and labeling is restated in the proposed subsection for clarity.

Proposed subsection (b) requires that trade samples comply with all laboratory testing requirements applicable to cannabis and cannabis products sold at retail. This is necessary to ensure that trade samples that are provided to other licensees and employees for consumption are safe to consume. Additionally, BPC section 26153.1, subsection (i) requires that trade samples comply with all applicable requirements for cultivation, manufacturing, distribution, processing, storing, laboratory testing, quality assurance, packaging, and labeling found in the Act. The requirement regarding laboratory testing is restated in the proposed subsection for clarity. Immature plants, seeds, and propagated material are exempted from this requirement as they are not subject to testing under the Act. This is necessary for clarity and to ensure that the treatment of plants, seeds, and propagated material are treated consistency.

Proposed subsection (c) specifies that at the time of designation as a trade sample, cannabis and cannabis products must be labeled with the following: "TRADE SAMPLE. NOT FOR RESALE OR DONATION." This proposed subsection is necessary to provide clear notice to anyone in possession of a trade sample that the item is a trade sample that must comply with certain rules.

Proposed subsection (d) requires that trade samples that have undergone laboratory testing remain in their packaging until provided to a licensee employee for inspection or consumption. This proposed subsection is necessary to ensure that trade samples provided to licensee employees for their consumption have not be adulterated in any way after testing.

Proposed subsection (e) requires that the transportation of trade samples comply with the transportation requirements applicable to all other cannabis and cannabis products. This proposed subsection is necessary to clarify that the transportation of trade samples is subject to the same rules applicable to the transportation of all other cannabis and cannabis products under the Act with the exception provided in proposed subsection (f).

Proposed subsection (f) provides an exception to the application of the general transportation requirements that is only applicable to cannabis and cannabis products

designated as trade samples. BPC section 26153.1 subsection (g) allows for the transportation of trade samples in a vehicle that is not a registered vehicle of the licensed distributor or microbusiness so long as the employee conducting the transportation is an employee of a licensee authorized to engage in transportation and the employee transports quantities below the possession limits established in Health and Safety Code section 11357. This proposed subsection is necessary to clarify that licensees may transport trade samples in vehicles that are not registered to the licensed distributor or microbusiness which differs from the transportation requirements applicable to cannabis and cannabis products that have not been designated as trade samples. The proposed subsection also provides licensees with the specific quantity limitations that only apply to situations where trade samples are transported in a vehicle not registered to the licensed distributor or microbusiness.

Proposed subsection (g) specifies that licensees that receive immature plants, seeds, and propagated material as trade samples shall not give away, sell, or distribute cannabis derived from the cultivated trade sample. This is necessary to ensure that the intent of providing trade samples to inform and educate licensees and their employees about specific products is maintained. Allowing cultivators to derive commercial benefit from the trade samples they receive would be inconsistent with intent.

Section 15041.6. Consumption of Trade Samples.

Proposed section 15041.6 provides the rules regarding the consumption of cannabis and cannabis products that have been designated as trade samples. The proposed section is necessary to ensure that the consumption of cannabis and cannabis products designated as trade samples is conducted in a safe manner that complies with all other laws pertaining to consumption.

Proposed subsection (a) states that all consumption of cannabis and cannabis products designated as trade samples must comply with all state laws regarding consumption of cannabis and cannabis products. This proposed subsection is necessary to clarify that trade samples are not provided with any exceptions when it comes to consumption and that licensees who consume trade samples must comply with all state laws.

Proposed subsection (b) prohibits the consumption of trade samples by licensee employees who are engaging in transportation, delivery, any activity that requires the operation of a motor vehicle, or any activity that requires the use of heavy machinery, solvents, or asphyxiants. This proposed subsection is necessary to ensure that trade samples are consumed in a safe manner and that licensee employees who consume trade samples are not putting themselves or others at risk of being harmed by engaging in potentially dangerous activities while potentially impaired by the effects of consuming cannabis.

Proposed subsection (c) requires that cannabis and cannabis products designated as trade samples that are provided to employees but are not consumed must be destroyed in accordance with the requirements for the destruction of cannabis and cannabis products. This proposed subsection is necessary to ensure that trade samples are used only for their intended purpose and that if the trade samples are not consumed by a licensee employee as intended, that the trade samples are destroyed to prevent any potential misuse or

diversion.

Section 15041.7. Trade Sample Limits.

Proposed section 15041.7 provides the quantity limits for designating and providing trade sample. The proposed section also clarifies which type of cannabis and cannabis products cannot be used as trade samples. The section is necessary to inform licensees of the quantity limits they must comply with when designating and providing trade samples. Establishing limits on the amount of cannabis and cannabis products that may be designated and provided to other licensees as trade samples is important to limit the potential for diversion and abuse by ensuring that trade samples are used only for the purposes stated in the Act and the Department's regulations. Additionally, Business and Professions Code section 26153.1, subsection (b) requires the department to adopt regulations to establish the quantity of cannabis products that a licensee may designate and provide to licensees as trade samples.

Proposed subsection (a) establishes the maximum limit for cannabis and cannabis products that a licensee may designate as trade samples within a calendar month. The Department has determined that tracking trade sample quantities by month is appropriate as this allows licensees to regularly provide trade samples to other licensees as new products are developed while allowing the Department to track the monthly output effectively using the Track and Trace system.

Proposed subsection (a)(1) limits the total amount of dried flower that a licensee may designate as trades samples to 2 pounds a month. The Department has determined that this amount is sufficient for allowing licensees to provide trade samples to other licensees for the purposes of targeted advertising to aid in making purchasing decisions. Under proposed subsection (c)(1) a licensee would be able to provide a maximum of 30 grams of cannabis in the form of dried flower to each recipient licensee in a calendar month period. With a maximum limit of 2 pounds, a single licensee would be able to provide the maximum amount of trade samples in the form of dried flower to 30 different licensees each month. The maximum number of other licensees a licensee can provide trade samples to each month may exceed 30 different licensees if the licensee providing the trade samples provides less than the maximum amount of 30 grams to each licensee. For example, a licensee may provide 10 grams of dried flower as trade samples to a maximum of 90 different licensees. The Department has determined that allowing licensees to provide trade samples to 30 licensees each month, with the flexibility to provide to more licensees if the quantity provided to each licensee is reduced, reasonably allows the licensee to effectively use trade samples as a form of targeted advertising to aid in purchasing decisions. Additionally, since the limits only apply to each month, a licensee that has reached the maximum quantity of trade samples that may be provided only needs to wait a month before they can begin providing more trade samples.

Proposed subsection (a)(2) limits the amount of manufactured and non-manufactured cannabis products that a licensee may designate as trades samples to 900 individual units a month. The department has determined that this amount is sufficient for allowing licensees to provide trade samples to other licensees for the purposes of targeted advertising to aid in making purchasing decisions. Under proposed subsection (c)(2) a

licensee would be able to provide a maximum of 30 units of manufactured and non-manufactured cannabis and cannabis products. With a maximum limit of 900 individual units, a single licensee would be able to provide the maximum amount of manufactured and non-manufactured trade samples to 30 different licensees each month. The maximum number of other licensees a licensee can provide trade samples to each month may exceed 30 different licensees if the licensee providing the trade samples provides less than the maximum amount of 30 units to each licensee. For example, a licensee may provide 10 units of manufactured and non-manufactured cannabis and cannabis products as trade samples to a maximum of 90 different licensees. The Department has determined that allowing licensees to provide trade samples to 30 licensees each month, with the flexibility to provide to more licensees if the quantity provided to each licensee is reduced, reasonably allows the licensee to effectively use trade samples as a form of targeted advertising to aid in purchasing decisions. Additionally, since the limits only apply to each month, a licensee that has reached the maximum quantity of trade samples that may be provided only needs to wait a month before they can begin providing more trade samples.

Proposed subsection (a)(3) provides a quantity limit on the amount of seeds, propagated material, and immature plants that may be designated and provided as trade samples. The Department has determined that allowing licensees to provide an amount of seeds, propagated materials, and immature plants that would be enough to allow the receiving licensee to cultivate up to five mature plants is appropriate. The Department has determined that the limits provided in this proposed subsection would yield roughly five mature plants. The Department has determined that this amount is sufficient for allowing licensees to provide trade samples to other licensees for the purposes of targeted advertising to aid in making purchasing decisions. For this purpose, only small amounts of the cannabis and cannabis products are required. This proposed regulation allows licensees to provide multiple product lines of cannabis in small amounts to other licensees. This allows for the ability to have other licensees sample a variety of product offerings while ensuring that unnecessarily large amounts of cannabis and cannabis products are not being transferred in the form of trade samples. In conjunction with the limits provided in proposed subsection (a). The Department has determined that the amounts provided in this proposed subsection would allow licensees to provide trade samples in amounts that would be effective in assisting in purchasing decisions, while limiting the amount of trade samples provided to reduce the risk of diversion.

Proposed subsection (b) clarifies that licensees may provide trade samples to multiple licensees or multiple employees. This clarification is necessary to avoid potential confusion in interpreting the provisions in proposed subsection (c) which imposes a maximum limit per licensee who is receiving the trade samples.

Proposed subsection (c) provides the maximum limit for trade samples that a licensee may provide to other licensees. The limits apply to each licensee that is receiving trade samples within a calendar month. This proposed subsection is necessary to inform licensees of the maximum quantity of trade samples that they can provide to each recipient licensee.

Proposed subsection (c)(1) limits the amount of dried flower that a licensee may provide as trade samples to each recipient licensee to five grams per strain and no more than six

strains per recipient licensee. The Department has determined that this amount is sufficient for allowing licensees to provide trade samples to other licensees for the purposes of targeted advertising to aid in making purchasing decisions. For this purpose, only small amounts of the cannabis and cannabis products are required. This proposed regulation allows licensees to provide multiple strains of cannabis in small amounts to other licensees. This allows for the ability to have other licensees sample a variety of product offerings while ensuring that unnecessarily large amounts of cannabis and cannabis products are not being transferred in the form of trade samples. In conjunction with the limits provided in proposed subsection (a), a licensee may provide the maximum amount of trade samples in the form of dried flower to a maximum of 30 other licensees. The Department has determined that the amounts provided in this proposed subsection would allow licensees to provide trade samples in amounts that would be effective in assisting in purchasing decisions, while limiting the amount of trade samples provided to reduce the risk of diversion. In addition, the limits provided in this proposed subsection are consistent with the monthly trade sample limits found in the State of Oregon. The limits are also similar to the monthly trade sample limits imposed in the states of Michigan and Colorado.

Proposed subsection (c)(2) limits the amount of manufactured and non-manufactured cannabis products that a licensee may provide as trade samples to each recipient licensee to five individual units per product line and no more than six individual product lines per recipient licensee. The Department has determined that this amount is sufficient for allowing licensees to provide trade samples to other licensees for the purposes of targeted advertising to aid in making purchasing decisions. For this purpose, only small amounts of the cannabis and cannabis products are required. This proposed regulation allows licensees to provide multiple product lines of cannabis in small amounts to other licensees. This allows for the ability to have other licensees sample a variety of product offerings while ensuring that unnecessarily large amounts of cannabis and cannabis products are not being transferred in the form of trade samples. In conjunction with the limits provided in proposed subsection (a), a licensee may provide the maximum amount of trade samples in the form of manufactured and non-manufactured cannabis and cannabis products to a maximum of 30 other licensees. The Department has determined that the amounts provided in this proposed subsection would allow licensees to provide trade samples in amounts that would be effective in assisting in purchasing decisions, while limiting the amount of trade samples provided to reduce the risk of diversion. In addition, the limits provided in this proposed subsection are consistent with the monthly trade sample limits found in the State of Oregon. The limits are also similar to the monthly trade sample limits imposed in the states of Michigan and Colorado.

Proposed Subsection (c)(3) limits the amount of seeds, immature plants, and propagated material to no more than six strains to each recipient licensee. The Department has determined that this amount is sufficient for allowing licensees to provide trade samples to other licensees for the purposes of targeted advertising to aid in making purchasing decisions. For this purpose, only small amounts of the cannabis and cannabis products are required. This proposed regulation allows licensees to provide multiple product lines of cannabis in small amounts to other licensees. This allows for the ability to have other licensees sample a variety of product offerings while ensuring that unnecessarily large

amounts of cannabis and cannabis products are not being transferred in the form of trade samples. In conjunction with the limits provided in proposed subsection (a). The Department has determined that the amounts provided in this proposed subsection would allow licensees to provide trade samples in amounts that would be effective in assisting in purchasing decisions, while limiting the amount of trade samples provided to reduce the risk of diversion.

Proposed subsection (d) limits the amount of trade samples that a licensee may provide to an employee to one individual cannabis and cannabis products line a month. This proposed subsection is necessary to limit the amount of trade samples provided to employees to prevent employees from receiving excessive amounts of trade samples which may increase the risk of diversion or unauthorized sales of trade samples.

Proposed subsection (e) clarifies that the limits provided in proposed subsection (c) apply to the transfer of trade samples to each recipient licensee and does not apply to the total amount of trade samples that a licensee may transport. This proposed subdivision is necessary to avoid potential confusion regarding the transportation of trade samples. The proposed subsection is intended to clarify that trade samples for multiple licensee recipients may be transported together rather than requiring separate transportation for each licensee recipient.

Article 5. Security Measures

Section 15042. Premises Access Requirements.

Section 15042 provides the premises access requirements for a licensed premises. The section has been retitled to accurately reflect the contents of this section. The purpose of the section is to ensure that licensed premises maintain a certain level of security to reduce the risk of theft or loss of cannabis and cannabis products. The term “limited access areas” has been replaced with “licensed premises” for consistency of terms throughout this division.

The Department proposes for this section to be applicable to licensed manufacturers and licensed cultivators due to the consolidation of the commercial cannabis licensing authorities. The requirements regarding premises access are necessary for licensed manufacturers and licensed cultivators just as they are necessary for the other licensed types regulated by the Bureau prior to consolidation, as all licensees who have cannabis and cannabis products on their licensed premises must take certain security measures in order to secure the cannabis and cannabis products and reduce the risk of theft or loss of cannabis and cannabis products, which may ultimately result in diversion to the illegal market. Applying this section to all licensees is necessary to provide consistent premises access requirements in order to ensure that reasonable measures are being taken to properly protect cannabis and cannabis products found on a licensed premises.

Subsection (a) has been added to specify that all licensees with a premises that is not open to the public shall establish and implement an identification and sign-in/sign-out procedure for all individuals accessing the premises. This is necessary to guarantee that the licensee is maintaining security and control over the premises and safeguarding the cannabis and cannabis products from theft, diversion, or contamination from unauthorized

persons. The rest of the section has been renumbered accordingly.

Subsection (f) has been removed as the Department has determined that the subsection is duplicative of the requirements already established in section 15046 of the Department's regulations.

Section 15042.1. Security Plan for Licensed Manufacturers.

Section 17200 is proposed to be renumbered to section 15042.1 to consolidate security requirements in one chapter to provide greater clarity to the organization of these requirements. There are no changes to the regulatory requirements.

Section 15043. Licensee Employee Badge Requirement.

Section 15043 provides the requirements for badges that must be worn by licensee employees. The purpose of this section is to ensure that a licensee's employees can easily be identified by customers, the Department, or other individuals on the licensed premises.

Due to the consolidation of all license types under the Department, this section is proposed to be amended to clarify that employee badges are only required for the employees of licensees who are engaging in retail sales or participating in temporary cannabis events. This amendment is necessary because employee badges are only necessary for licensee employees who will be interfacing with the public. The licensed premises of licensees not engaging in retail sales or participating in a temporary cannabis event are closed to the public. Therefore, there is no need to require employees in those settings to have employee badges. To prevent these licensees from having to expend resources to obtain employee badges, this amendment limits the requirement to employees who will be interfacing with the public.

Section 15044. Video Surveillance System.

Section 15044 contains the video surveillance system requirements. The purpose of this section is to ensure that licensees are taking all reasonable steps to ensure that their licensed premises is protected by an effective video surveillance system. Video surveillance systems provide an effective means of deterring criminal activity at the licensed premises, while ensuring that licensees and the Department may be notified in a timely manner if there is an unauthorized intrusion of the licensed premises. Minor grammatical revisions have been made to this section, which do not change the substance of this section.

The Department proposes for this section to be applicable to licensed manufacturers due to the consolidation of the commercial cannabis licensing authorities. The requirements regarding video surveillance systems are necessary for licensed manufacturers just as they are necessary for the other licensed types regulated by the Bureau prior to consolidation, as licensed manufacturers who have cannabis and cannabis products on their licensed premises must take certain measures to secure the cannabis and cannabis products and reduce the risk of theft or loss of cannabis and cannabis products that may result in diversion to the illegal market. Applying this section to licensed manufacturers is necessary to provide consistent video surveillance system requirements that apply to all appropriate licensees, to ensure that reasonable measures are being taken to properly

protect cannabis and cannabis products found on a licensed premise. Original section 17201, which contained video surveillance requirements specifically for licensed manufacturers, is proposed to be repealed. All requirements found in section 17201 are duplicative of requirements found in this section.

Proposed subsection (a) has been amended to indicate that the requirements for video surveillance do not apply to a licensed premises that is exclusively used for cultivation or the cultivation area of a licensed microbusiness premises. Prior to the consolidation of the three licensing agencies, this section did not apply to cultivation licensees. The Department has determined that requiring the same level of video surveillance for cultivation locations that may be very large, outdoors, and located in rural areas where it may be difficult to access internet or electricity, would be unreasonably onerous and in some cases not possible. Therefore, the Department has determined that the video surveillance requirements that are appropriate for non-cultivation activities would not be appropriate for cultivation activities.

Subsection (d)(1) has been amended to replace cannabis goods with cannabis products for consistency of terms used throughout this division.

Subsection (j) contains a proposed amendment to specify that the date and time displayed on the images shall not cover the view of the recorded images in a manner that prevents the ready identification of any person or activity in the captured image. This is necessary to guarantee video recorded on the system is not obscured by text and thus available to provide a clear picture of what has occurred within the premises.

Original subsections (l)(1) and (l)(2) are proposed to be deleted as application requirements for all Department licensees have been consolidated and placed in chapter 1 of the Department's regulations. This is necessary for clarity and will ensure that all prospective Department licensees are utilizing application requirements in the same chapter. The remaining provisions have been consolidated and reworded for clarity. Subsection (l) recognizes that, in addition to multiple licensed premises being contained within the same building, multiple licensed premises may be located on the same parcel of land. Extending the provisions of subsection (l) to licensed premises on the same parcel of land more accurately reflects some of the premises arrangements that the Department has observed.

Proposed subsection (m) has been added to clarify that the exception to the video surveillance requirements that applies to licensees who are engaging in cultivation also applies to distributor-transport only licensees engaging in self-distribution whose premises is on the same parcel of land as the licensed cultivation premises. This clarification is necessary to avoid potential confusion regarding distributor-transport-only premises video surveillance requirements which are commonly located on the same parcel of land as a licensed cultivation premises. The reasoning for the exception for cultivation activities found in the amended subsection (a) also apply to distributor- transport only self-distribution licensees who are located on the same parcel of land as a cultivation premises.

Section 15045. Security Personnel.

Section 15045 includes the security personnel requirements for licensees engaging in retail sales. The purpose of this section is to ensure that licensees engaging in retail sales have appropriate security personnel to help reduce the risk of theft and other crimes during retail operations.

Original subsection(c)(1) was eliminated by the Department as application requirements for all Department licensees have been consolidated and placed in chapter 1 of the Department's regulations. This is necessary for clarity and will ensure that all prospective Department licensees are utilizing application requirements in the same chapter.

With the deletion of original subsection (c)(1), the subsections under subsection (c) have been eliminated. Subsection (c) has been amended to include the language from the original subsection (c)(2).

Section 15046. Locks.

Section 15046 includes the requirements for door locks on a licensed premises. The purpose of this section is to deter criminal activity at the licensed premises and ensure that the licensed premises is properly secure.

The Department proposes the section to be applicable to licensed manufacturers due to the consolidation of the commercial cannabis licensing authorities. The requirements regarding door locks are necessary for licensed manufacturers just as they are necessary for the other licensed types regulated by the Bureau prior to consolidation, as licensed manufacturers who have cannabis and cannabis products on their licensed premises must take certain measures to secure the cannabis and cannabis products and reduce the risk of theft or loss of cannabis and cannabis products that may result in diversion to the illegal market. Applying this section to licensed manufacturers is necessary to provide consistent door lock requirements that apply to all appropriate licensees to ensure that reasonable measures are being taken to properly protect cannabis and cannabis products found on a licensed premises. Licensed cultivators are explicitly exempted from the requirements in this section by the proposed amendments to the section.

The section has been amended has been amended to indicate that the requirements for door locks do not apply to a licensed premises that is exclusively used for cultivation or the cultivation area of a licensed microbusiness premises. Prior to the consolidation of the three licensing agencies, this section did not apply to cultivation licensees. After the consolidation this section would apply to all licensees. The Department has determined that requiring the door locks for cultivation locations that may be very large, outdoors, and located in rural areas would be unreasonably onerous and, in some cases, not possible. Therefore, the Department has determined that the door lock requirements that are appropriate for non-cultivation activities would not be appropriate for cultivation activities.

Section 15047. Alarm System.

Section 15047 includes the requirements for alarm systems on a licensed premises. The purpose of this section is to deter criminal activity at the licensed premises, ensure that the licensed premises is properly secure, and to ensure that licensees and the Department are

notified in a timely manner if there is an unauthorized intrusion of the licensed premises.

The Department proposes this section be applicable to licensed manufacturers due to the consolidation of the commercial cannabis licensing authorities. The requirements regarding alarm systems are necessary for licensed manufacturers just as they are necessary for the other licensed types regulated by the Bureau prior to consolidation as licensed manufacturers who have cannabis and cannabis products on their licensed premises must take certain measures to secure the cannabis and cannabis products and reduce the risk of theft or loss of cannabis and cannabis products that may result in diversion to the illegal market. Applying this section to licensed manufacturers is necessary to provide consistent alarm system requirements that apply to all appropriate licensees to ensure that reasonable measures are being taken to properly protect cannabis and cannabis products found on a licensed premise. Licensed cultivators are explicitly exempted from the requirements of the section by the proposed amendments to subsection (a).

Proposed subsection (a) has been amended has been amended to indicate that the requirements for alarm systems do not apply to a licensed premises that is exclusively used for cultivation or the cultivation area of a licensed microbusiness premises. Prior to the consolidation of the three licensing agencies, this section did not apply to cultivation licensees. After the consolidation this section would apply to all licensees. The Department has determined that requiring the alarm system requirements for cultivation locations that may be very large, outdoors, and located in rural areas where it may be difficult to access internet or electricity, would be unreasonably onerous and in some cases not possible. Therefore, the Department has determined that the alarm system requirements that are appropriate for non-cultivation activities would not be appropriate for cultivation activities.

Original subsection (d)(1) was eliminated by the Department as application requirements for all Department licensees have been consolidated and placed in chapter 1 of the Department's regulations. This is necessary for clarity and will ensure that all prospective Department licensees are utilizing application requirements in the same chapter. The remaining provisions in this section have been consolidated and reworded for clarity. Subsection (d) recognizes that, in addition to multiple licensed premises being contained within the same building, multiple licensed premises may be located on the same parcel of land. Extending the provisions of subsection (d) to licensed premises on the same parcel of land more accurately reflects some of the premises arrangements that the Department has observed.

Article 6. Track and Trace Requirements

Section 15047.1 Definitions.

Proposed Section 15047.1 adds definitions that are specifically related to track and trace requirements. This proposed section is necessary to clarify the definitions of these terms which are used in describing the requirements for the track and trace system. Providing definitions for these terms will provide clarity to licensees when using the track and trace system to ensure that cannabis and cannabis products are tracked and traced throughout the supply chain, as required by the Act.

Proposed subsection (a) defines the term plant tag. This definition is necessary to differentiate plant tags from package tags.

Proposed subsection (b) defines the term package tag. This definition is necessary to differentiate package tags from plant tags. Unlike a plant tag which is attached to a plant, a package tag is attached to batches of cannabis or cannabis product.

Section 15047.2 General Requirements.

Proposed section 15047.2 provides the general requirements for the track and trace system. Business and Professions Code section 26067 requires the Department to establish a track and trace system for the movement of cannabis and cannabis products throughout the distribution chain. These proposed regulations are necessary to implement statutory law and provide guidance on the implementation and proper use of the track and trace system, so that cannabis and cannabis products can be accurately tracked and traced. This is necessary to ensure that all Department licensees are utilizing track and trace requirements in the same chapter, and to apply the same requirements to all licensees for consistency.

Proposed subsection (a) requires that licensees create and maintain an account within the track and trace system prior to engaging in any commercial cannabis activity. This subsection captures and consolidates sections 15048(a), 17502(b), 16402(b), and 16109(b), and harmonizes the language to reconcile the minor differences in language from the existing sections, but the substantive requirements remain the same. This subsection is necessary to ensure licensees are complying with the statutory requirement to report the movement of cannabis and cannabis products in the track and trace system. Original section 15048(a) required licensees to create and maintain an active and functional account within the track and trace system prior to engaging in any commercial cannabis activity, including the purchase, sale, test, packaging, transfer, transport, return, destruction, or disposal, of any cannabis and cannabis products.

Original section 16402(b) required each cultivation licensee to use the track and trace system for recording all applicable commercial cannabis activities, and original sections 16109(b) and 17502(b) specified that cultivation and manufacturing licensees would not have access to the track and trace system until the designated account manager has completed track and trace training with proof of completion validated by the Department. Training and credentialing requirements for track and trace were consolidated under section 15048. The Department determined that specificity as to the requirements for track and trace should be delineated to provide all Department licensees with clarity regarding the process. The Department determined these amendments and consolidation of requirements was necessary based on experience with the track and trace system to provide better clarity to licensees regarding compliance with track and trace requirements.

Proposed subsection (b) requires that all commercial cannabis activity be accurately recorded in the track and trace system. This subsection captures and consolidates sections 15049(a), 16404(a), 17503(a), and harmonizes the language to reconcile the minor differences in language from the existing sections, but the substantive requirements remain the same. This subsection is necessary to ensure licensees are complying with the statutory requirement to report the movement of cannabis and cannabis products in the

track and trace system. This is also necessary for recall purposes, to track the cannabis good to the source of contamination or adulteration, and to timely access and remediate the risks and dangers to public health and safety, and investigate processes to determine the reasons for the recall. Original section 15049(a) required licensees to record in the track and trace system all commercial cannabis activity; original section 16404(a) required all cultivation license track and trace account managers and users to enter all commercial cannabis activities into the track and trace system; and original section 17503(a) required manufacturing license system account managers or designated users to record specified commercial cannabis activities into the track and trace system within 24 hours of activity. As these original sections contained the same requirement to enter commercial cannabis activity into the track and trace system by licensees, the Department deemed them duplicative and determined they should be consolidated under this section 15047.2. The requirement for commercial cannabis activity to be entered into the track and trace system within 24 hours is now captured under proposed section 15049, subsection (b). The Department determined these amendments and consolidation of requirements was necessary based on experience with the track and trace system to provide better clarity to licensees regarding compliance with track and trace requirements.

Proposed subsection (c) specifies that the licensee is responsible for the accuracy and completeness of all data and information entered into the track and trace system, and responsible for all actions taken by the designated account manager or other account users while performing track and trace activities. This subsection captures and consolidates sections 15048(f), 16402(a), and 17502(e), and harmonizes the language to reconcile the minor differences in language from the existing sections, but the substantive requirements remain the same. Original section 15048(f) specified that the licensee is accountable for all actions its owners or employers take while logged into or using the track and trace system; original section 16402(a) specified that the cultivation licensee is responsible for the accuracy and completeness of all data and information entered into the track and trace system and is assumed accurate; and original section 17502(e) provided that manufacturing licensees were responsible for all actions its owners or employees take while logged into the track and trace system or otherwise performing track and trace system activities. Subsection (c) of section 15047.2 clarifies the importance of entering accurate and complete information into the track and trace system, and further specifies that the licensee is responsible for all actions taken by the designated account manager or other account user to highlight the responsibility of the licensee in any and all information and data entered into the track and trace system.

This subsection is necessary to ensure that the licensee maintains oversight and responsibility for their use of the track and trace system and that the licensee's track and trace system is monitored for any deficiencies that would derail the ability to track the cannabis and cannabis products from seed to sale. The Department determined these amendments and consolidation of requirements was necessary based on experience with the track and trace system to provide better clarity to licensees regarding compliance with track and trace requirements.

Proposed subsection (d) specifies that any person using the track and trace system must not intentionally misrepresent or falsify information entered the track and trace system.

This subsection captures and consolidates sections 15049(d), 16404(c), and 17502(f), and harmonizes the language to reconcile the minor differences in language from the existing sections, but the substantive requirements remain the same. Original section 15409(d) required that licensees only enter and record complete and accurate information into the track and trace system, and correct any known errors entered into the track and trace system immediately upon discovery; original section 16404(c) prohibited any cultivation licensee track and trace account manager, user, employee or other agent to intentionally misrepresent or falsify information entered into the track and trace system; and original section 17502(f) also prohibited any person from intentionally misrepresenting or falsifying information entered into the track and trace system. This subsection is necessary to ensure that any track and trace system user accurately reports information into the track and trace system, so the cohesive and candid use of the track and trace system is not disrupted or impaired. The Department determined these amendments and consolidation of requirements was necessary based on experience with the track and trace system to provide better clarity to licensees regarding compliance with track and trace requirements.

Section 15048. Training and Credentialing.

The name of section 15048 has been changed from Track and Trace system, to Training and Credentialing. This change is necessary to clarify the requirements of the section which are all related to the training and credentialing of users of the track and trace system rather than requirements for the system itself. The Department proposes to clarify the requirements for training and credentialing into the track and trace system under this section. Original subsection (a) requiring that the licensee create and maintain an active and functional account within the track and trace system prior to engaging in commercial cannabis activity was moved from this section to subsection (a) of section 15047.2, for clarity and consistency purposes.

Proposed subsection (a) amends former subsection (b), which required that a licensee designate one individual owner of the license to be the track and trace system account manager. This language has been amended to clarify and specify that each applicant or licensee must identify an owner of the commercial cannabis business to be the track and trace system account manager. Language regarding the account manager's ability to designate other users has been removed. These provisions can be found in proposed section 15048.1. Therefore, it is not necessary to repeat it here. The Department proposes adding language that provides a licensee may change the account manager by submitting a written request to the Department. This is necessary to provide clarity to the Department licensees, so as to specify that the account manager must be an owner of the commercial cannabis business, and to specify that the process of designating an account manager is to identify an owner. Licensees have often expressed a desire to change account managers for the track and trace system, so the Department is also providing additional clarification as to how that may be done. This subsection also captures and consolidates sections 16109(a) and 17502(a) and harmonizes the language to reconcile the minor differences in language from the existing sections, but the substantive requirements remain the same.

Proposed subsection (b) is amended to provide a clear and consistent process by which Department licensees must train and credential into the track and trace system.

Subsection (b) provides that no later than 10 calendar days after the license is issued, the designated account manager must complete new user system training; email support@metrc.com from the designated account manager's email address to request access to the track and trace system as required under subsection (b)(2); and complete the credentialing process to establish a login as required under subsection (b)(3). This is necessary to clarify and consolidate the requirements for credentialing a new account manager, as licensees were provided different timeframes for obtaining training and signing up for a track and trace account, from five calendar days from license issuance to ten calendar days. This subsection captures and consolidates sections 16109(a) and 17502(a) and harmonizes the language to reconcile the minor differences in language from the existing sections, but the substantive requirements remain the same. Original section 15048(b)(2) required the account manager to sign up and complete training within five calendar days of license issuance, if not already completed prior to receiving their annual license; original section 16109(a) required the designated account manager of a cultivation license to register for track and trace system training within ten calendar days of receiving notice that its application for licensure had been received and is complete; and original section 17502(a) required the account manager of a manufacturing licensee to register for track and trace system training within ten calendar days from receiving notice that their application for licensure had been received. The discrepancies in the requirements for track and trace system training, including the timeframe for when it was to be completed as opposed to the timeframe for when a licensee must register for training was inconsistent and created confusion among licensees. This proposed subsection (b) of section 15048 provides specific timeframes for when the training must be completed, and how to complete the process for accessing the track and trace system. This amendment is necessary to provide consistency and clarity across all Department licensees

Proposed subsection (c) is amended to provide clarity as to the use of login information for the track and trace system. The language has been amended to better reflect the process of using logins for the track and trace system, and requires that the account manager and each user must utilize a unique login and must only access the track and trace system under their assigned login. Further, this subsection specifies that an account manager and user shall not share their track and trace login information for another to use for any reason. This subsection also captures and consolidates sections 16404(b), which was duplicative in requiring that each track and trace account manager or user for a cultivation licensee have a unique log-on, consisting of a username and password, which was not to be used or shared with any other person. This amendment is necessary to provide consistency and clarity across all Department licensees.

Original subsection (d) of section 15048 required that all account managers maintain a complete, accurate, and up-to-date list of all track and trace system users, consisting of their full names and usernames. Original subsection (e) of section 15048 required licensees to monitor all compliance notifications from the track and trace system, and to timely resolve these issues. These requirements are proposed to be removed from this section and consolidated under section 15048.1 of the Department's regulations. This is necessary to provide a streamlined process and consistency for Department licensees regarding the process for training and credentialing and the responsibilities for a designated account manager.

Original subsection (f) specified that the licensee is accountable for all actions its owners or employers take while logged into or using the track and trace system. This requirement has now been moved to and consolidated in section 15047.2, subsection (c).

Section 15048.1 Responsibilities of the Designated Account Manager.

Proposed section 15048.1 has been added. This proposed section delineates the responsibilities of the designated account manager. This is necessary for clarity to ensure that all Department licensees can refer to the track and trace designated account manager requirements in the same chapter, as well as to apply the same requirements to all licensees for consistency.

The requirements under this section for the designated account manager include designating and requiring training for track and trace system users, under subsection (a); maintaining an accurate and complete list of all the licensee's track and trace system users, under subsection (a)(1); removing users from the licensee's track and trace system when no longer authorized, under subsection (a)(3); correcting any errors in data that is entered into the system within 3 calendar days of discovery, under subsection (a)(4); ensuring all inventory is tagged and entered into the track and trace system, under subsection (a)(5); monitoring and resolving all system notifications, under subsection (f); notifying the Department of any loss of access to the track and trace system that exceeds 72 hours, under subsection (a)(6); and ensuring that the inventory of cannabis and cannabis products on the premises is reconciled within the track and trace system at least once every 30 calendar days, under subsection (a)(8).

Proposed subsection (a)(1) requires that the Department licensee designate track and trace system users, and require the designated users to be trained in the proper and lawful use of the track and trace system before the users are permitted to access the track and trace system. This subsection captures and consolidates the requirements under original sections 16402(c)(2), 15048(b), and 17502(c)(2), and harmonizes the language to reconcile the minor differences in language from the existing sections, but the substantive requirements remain the same. Original sections 16402(c)(2) and 17502(c)(2) contained duplicative language for these requirements, while original section 15048(b) required that the licensee designate one individual owner as the track and trace system account manager, who could authorize additional owners or employees as track and trace system users and who was responsible to ensure that each user was trained on the track and trace system user prior to access or use. These requirements were duplicative, and this amendment is necessary to streamline processes and provide consistency and clarity across all Department licensees.

Proposed subsection (a)(2) requires that the designated account manager maintain an accurate and complete list of all the licensee's track and trace system users, including full names and usernames, and to update the list immediately when changes occur. This subsection captures and consolidates the requirements under original section 15048(d), 16402(c)(3), and 17502(c)(3), and harmonizes the language to reconcile the minor differences in language from the existing sections, but the substantive requirements remain the same. Original sections 16402(c)(3) and 17502(c)(3) contained duplicative language for requiring the licensee to maintain an accurate and complete list of all track

and trace system designated users and to update the list immediately when changes occur, while original section 15048(d) required the licensee account manager to maintain a complete, accurate, and up-to-date list of all track and trace system users, consisting of their full names and usernames. These requirements were duplicative, and this amendment is necessary to streamline processes and provide consistency and clarity across all Department licensees.

Proposed subsection (a)(3) requires that the designated account manager remove users from the licensee's track and trace system account when that individual is no longer authorized to represent the licensee. This subsection captures and consolidates the requirements under original sections 17502(c)(4), and 16402(c)(4), and harmonizes the language to reconcile the minor differences in language from the existing sections, but the substantive requirements remain the same. Original section 17502(c)(4) required the manufacturing licensee to cancel any track and trace designated users from the licensee's track and trace system account if the individual was no longer authorized to represent the licensee, while original section 16402(c)(4) required cultivation licenses to, within three calendar days, cancel the access rights of any track and trace user from the account if that individual is no longer authorized to use the licensee's track and trace system account. The Department is removing the timeframe for canceling access rights within three calendar days from when the individual is no longer authorized, as users should be removed immediately from accessing or using a track and trace system account for which they are no longer authorized to do so. These requirements are otherwise duplicative, and this amendment is necessary to streamline processes and provide consistency and clarity across all Department licensees.

Proposed subsection (a)(4) requires the designated account manager to correct any errors in data that is entered into the system within 3 calendar days of discovery of the error. This subsection captures and consolidates requirements under original sections 17502(c)(5), 16402(c)(5), and 15409(d), and harmonizes the language to reconcile the minor differences in language from the existing sections, but the substantive requirements remain the same. Original sections 17502(c) and 16402(c)(5) were duplicative in language and requirements to correct any errors in data that is entered into the system within 3 calendar days of discovery of the error, while original section 15409(d) required licensees to only enter and record complete and accurate information in the track and trace system, and to correct any known errors entered into the track and trace system immediately upon discovery. The Department is adding this section, to capture those requirements for correcting any errors in the track and trace system, however, is also clarifying that such errors must be corrected within 3 calendar days of discovery. Correction of errors immediately provided less specificity to licensees, who often must consult with the licensing authority and the track and trace system provider, to address and correct any errors in the track and trace system. This amendment is necessary to streamline processes and provide consistency and clarity across all Department licensees.

Proposed subsection (a)(5) requires that the designated account manager to tag and enter inventory into the track and trace system. This consolidates original sections 17502(c)(7) and 16300(b) and harmonize the language to reconcile the minor differences in language from the existing sections, but the substantive requirements remain the same. Original

section 17502(c)(7) contained duplicative language that all inventory for manufacturing licensees must be tagged and entered the track and trace system. Original section 16300(b) provided that all plants and portions of a plant used for seed production needed to be tagged with a UID. This amendment is necessary to streamline processes and provide consistency and clarity across all Department licensees.

Proposed subsection (a)(6) requires that the designated account manager monitor and resolve all system notifications and issues identified, and that notifications must not be dismissed by an account manager until the issues identified in the notification have been resolved. This subsection captures and consolidates original sections 17502(c)(8), 16404(d), and 15408(e), and harmonizes the language to reconcile the minor differences in language from the existing sections, but the substantive requirements remain the same. These original sections contained duplicative language and merging these sections into this subsection (f) is necessary to provide consistency and clarity across all Department licensee.

Proposed subsection (a)(7) requires that the designated account manager notify the Department of any loss of access to the track and trace system exceeding 72 hours. This subsection captures and consolidates original sections 16402(c)(6), and 15050(b), which are now removed here. Original section 16402(c)(6) required the cultivation licensee to notify the licensing authority immediately for any loss of access that exceeded three calendar days and original section 15050(b) required the licensee to notify the licensing authority immediately for any loss of connectivity and additionally prohibited certain commercial cannabis activity during the loss of connectivity. The requirement for notification of a loss of access has been clarified as to when the designated account manager must notify the Department, to provide consistency and clarity for regulatory requirements and use of the track and trace system. These original sections were included in the provision relating to loss of access and loss of connectivity, however, the requirement for notifying the Department of such loss of access has been consolidated and moved under the responsibilities of the designated account manager, to clearly delineate certain requirements for designated account managers. This is necessary to streamline processes and provide consistency and clarity across all Department licensees.

Proposed subsection (a)(8) requires the designated account manager to reconcile the inventory of cannabis and cannabis products on the licensed premises in the track and trace system database at least once every thirty calendar days. This subsection captures and consolidates original sections 17222(b), 16406(a), and 15051(a). Original section 17222(b) required that all manufacturing licensees reconcile the on-hand inventory of cannabis and cannabis products at the licensed premises with the records in the track and trace database at least once every thirty calendar days; original section 16406(a) required cultivation licensees to reconcile all on-premises and in-transit cannabis or nonmanufactured cannabis products inventories at least once every thirty calendar days; and original section 15051(a) required licensees to reconcile physical inventory of cannabis and cannabis products at the licensed premises with the records in the track and trace database at least once every thirty calendar days. These requirements utilized language and terms that were not consistent with one another, such as on-hand inventory, physical inventory at the licensed premises, and on- premises and in-transit cannabis. In

order to provide clarity and consistency to all Department licensees, this subsection is added and amended from these original subsections to clarify that the reconciliation must occur between the inventory of cannabis and cannabis products on the licensed premises and the track and trace system database. Other requirements for inventory reconciliation remain under section 15051 of the Department's regulations. This is necessary to streamline processes and provide consistency and clarity across all Department licensees.

Section 15048.2 General Tag Requirements.

Proposed section 15048.2 has been added. This proposed section provides further guidance and clarity regarding general tag requirements. This proposed section is necessary for clarity to ensure that all Department licensees can refer to general tag requirements in the same chapter, and that all requirements are applied consistently to all licensees for consistency.

Proposed subsection (a) is added and moved from section 16403(a)(1), requiring that licensees must only use plant and package tags provided and distributed by the Department or the Department's designees. This subsection also captures original section 17502(c)(6), which required manufacturing licensees to obtain UID tags only from CDFA or its designees, and to ensure that a sufficient supply of plant or package tags are always available. The requirement for a sufficient supply of plant or package tags has been captured under subsection (c) of this section. These amendments are necessary to ensure that Department licensees are consistent and uniform in the tags that are used to maintain the integrity of the track and trace system.

Proposed subsection (b) is added to require that licenses only use plant and package tags assigned in the track and trace system and are not to transfer unused tags to any other licensee. Using tags that are not assigned in the track and trace system to that licensee will impair the intended purpose and functioning of the track and trace system, which is statutorily required to track cannabis and cannabis products from seed to sale. This requirement is necessary to provide clarification to licensees that unauthorized use or transfer of unused tags is prohibited.

Proposed subsection (c) is added and consolidated from sections 17502(c)(6) and 16403(a)(2) and harmonizes the language to reconcile the minor differences in language from the existing sections, but the substantive requirements remain the same. This subsection requires that licensees maintain a sufficient supply of tags to support tagging. This is necessary to provide consistency and clarity in the requirement to maintain a sufficient supply of tags, so the operations of the commercial cannabis business and the use of the track and trace system are not disrupted or impaired.

Proposed subsection (d) has been added. The proposed subsection prohibits licensees from reusing plant or package tags. The proposed subsection also requires licensees to discard plant and package tags as required in section 17223 when they are no longer in use. This proposed subsection would be an exception to the general record retention requirements applicable to other types of records. This proposed subsection is necessary to prevent large amounts of waste being generated and maintained by licensees who have large quantities of used tags. The prohibition on reusing tags is necessary to ensure that the system can effectively track the movement of cannabis and cannabis products by

reducing the risks of confusion or errors that may arise from reusing previously used tags. The Department has determined that retaining used tags is not necessary for the effective use of the track and trace system.

Section 15048.3. Ordering Tags.

Proposed section 15048.3 has been added. This proposed section provides guidance and clarity regarding the general tag requirements. This is necessary to ensure that all Department licensees can refer to tag ordering requirements in the same chapter, and in order to consistently apply the same requirements to all licensees.

Proposed subsection (a)(1) consolidates requirements from sections 16403(a) and 17506(a) to require that all licensees place an initial order of tags within 10 calendar days of credentialing into the track and trace system, and to reorder tags as needed. This is necessary to make consistent the timeframe for when tags must be ordered, which was amended from a previous requirement that licensed manufacturers were to order tags within five calendar days of receiving access to the track and trace system, and licensed cultivators were to order tags within five calendar days of the account manager credentialing into the track and trace system. The Department has determined that allowing for licensees to place the initial tag order within 10 calendar days of initial credentialing into the track and trace system is more in line with actual practices of licensees, who may require additional time to account for the inventory and thus the amount of tags that will be required for their operations.

Proposed subsection (a)(2) added and consolidated from sections 16403(b) and 17506(a), to require that the physical receipt of tags are to be recorded in the track and trace system within three calendar days of receipt, and if the ordered tags are not received, the licensee is to notify the Department. Original sections 16403(b) and 17506(a) did not require the licensee to notify the licensing authority if ordered plant or package tags were not received. The Department determined this requirement was necessary as some plant and package tags that were ordered were not received by the licensee, sometimes due to shipping delays or disruptions. To ensure that plant and package tags are not diverted to the illicit market or inappropriately used by licensed or unlicensed operators, this additional requirement for notification is added to the Department's regulations. This is necessary to provide consistency to Department licensees on the requirements when receiving tags and to ensure tags ordered and received are accounted for so as not to disrupt or impair the use and purpose of the track and trace system.

Proposed subsection (a)(3) has been added. The proposed subsection provides a requirement unique to cultivation licensees who are ordering tags after a Department approved license designation change. This proposed subsection is necessary to inform cultivation licensees of the requirement to order new tags when a designation change is authorized. The need for new tags in these circumstances is necessary to ensure that the Department can effectively track the movement of cannabis and cannabis products with using the track and trace system.

Section 15048.4 Tagging of Cannabis Plants.

Proposed section 15048.4 is added. This proposed section requires plant tags to be applied to cannabis plants. This is necessary to specify requirements for licensees to use the track and trace system. It is modified from and replaces existing regulatory section 16403, as well as adds new requirements.

Proposed subsection (a)(1) requires immature plant lots to each be assigned a plant tag. The proposed subsection specifies that a lot cannot exceed 100 immature plants per lot. Each lot must be uniform in strain or cultivar. The plant tag must be visible and kept free from dirt and debris. This requirement has been moved from original regulation section 16403(b)(1) with several non-substantive amendments removing “Licensees with immature plant,” as this is no longer necessary with the current wording of this section.

Proposed subsection (a)(1)(A) allows the licensee the option to either label each immature plant in the lot with the UID number and placed contiguous to one another or comply with (a)(1)(B).

Proposed subsection (a)(1)(B) allows the licensee the option to separate a plant lot by a physical barrier from other immature lots or mature plants and in that event each immature plant does not need a UID number label attached to each plant or comply with (a)(1)(A). Based on the Department’s experience in conducting license premises inspections, it is no longer necessary for all immature plants to be labeled in the lot if all the immature plants in the lot can be identified. Providing this alternative to individual labeling of immature plants will also assist licensees who face various issues when using labels that fall off or when UID numbers are no longer visible due to watering to have an alternative means of compliance.

Proposed subsection (a)(2) requires immature plants transferred for purposes of retail sale to be transferred in a package with a package tag. This requirement is moved from original regulation section 8403(b)(2) and is amended from existing regulations to make non-substantive changes consistent with the way this section is written. The changes in the language of the requirements are necessary for clarity to specify the specific tagging requirements for transferring immature plants to retail. The proposed amendments provide additional clarity.

Proposed subsection (a)(2) also adds a requirement for licensees receiving immature plants from a licensed nursery to transfer the nursery license’s package tag to a package or plant tag belonging to the receiving license within three calendar days. The Department determined that this requirement is necessary because inventory from nursery licensee is received with package tags and in the event that immature plants that die off or are maintained as mother plants, those plants would continue to be associated with the nursery’s package tag. As a result, the information necessary to determine accurate immature plant counts and mother plants on the licensed premises would not be captured without this requirement. This is necessary data for compliance and enforcement efforts. The Department determined the best way to address this issue was to have the receiving licensee apply their own tags to the packages they receive from the nursery licensee.

Proposed subsection (a)(3) requires that a plant tag be applied when a plant, that is outside the designated canopy area, begins flowering and that the flowering plant be

moved to the designated canopy area. This requirement is moved from existing regulations section 16403(b)(3) and makes non substantive changes for consistency with the moving this to a new section, as well as adds a cross reference to subsection (c) which has been added to account for how seed propagation plants are to be tagged. The subdivision also replaces UID with plant tag. Based on the Department's experience using the track and trace system it is more accurate to use the term plant tag, rather than UID as the UID is the number on the tag. This also helps clarify when a tag needs to be applied rather than just referencing the UID number.

Proposed subsection (b) provides the requirements for applying plant tags to mature plants. This requirement is moved from original regulations section 16403(b)(4) with some changes. Proposed subsection (b)(1) requires that each mature plant be assigned a plant tag that is attached to the main stem at the base of the plant. The proposed requirements regarding the location of the tag and the visibility of the tag are necessary in order to ensure that the tags are being used properly and that the cannabis plants can easily be identified through the tags if needed.

Proposed subsection (b)(2) Prohibits licensees from removing the plant tag from the mature plant until the plant is harvested, destroyed, or disposed of. This proposed subsection is necessary to ensure that the Department can easily identify the mature plant within the track and trace system.

Section 15048.5 Use of Harvest Batch Name and Package Tags.

Proposed Section 15048.5 has been added. The proposed section specifies when a harvest batch name and package tag must be assigned.

Proposed subsection (a) requires a unique harvest batch name to be assigned to harvested plants not held in containers that are hanging, drying or curing and the assigned harvest batch name must be placed in clear view and match what is entered in the track and trace system. This subsection is being added after the Department identified that there were no regulations that required harvest batch names to be posted with hanging, drying, and curing plants, which created issues for staff when conducting inspections of licensed premises. It is necessary for staff to be able to reconcile inventory on site with what is reported in the track and trace system, but lack of any requirement to identify harvest batch names did not allow staff to verify track and trace data. The Department has determined that the best way for harvest batches to be identified was for them to place the harvest batch name with hanging, curing, and drying plants because there is no way to apply a plant or package tag to these plants and the licensee already has to report the harvest batch name in the track and trace system. The Department has also determined that harvested plants held in containers do not present the same issue with respect to affixing the tag; thus, they are excluded from this subsection. This requirement is necessary to address compliance concerns.

Proposed subsection (b) requires that each harvest and manufactured cannabis batch be assigned a package tag that is recorded within the track and trace system. This subsection is necessary to clarify when a package tag must be assigned even if the cannabis is not in a container. The Department determined that a harvest batch needed a package tag whenever any part of the harvest batch is finished drying, curing, grading, and trimming to

facility track and trace obligations for enforcement purposes.

Proposed subsection (c) requires that all cannabis or cannabis products held in a container have the package tag affixed to at least one container, and if held in multiple containers, those containers must be contiguous to one another for easier identification. All units within a container are required to be labeled with the UID. The Department is adding this regulation to clarify requirements regarding package tag requirements necessary for compliance and enforcement activities. It is necessary for the Department to be able to identify batches on site and align them with what is reported in the track and trace system. Unless batches or the containers they are kept in are assigned a package tag or labeled accordingly the Department has no way of matching track and trace records to what is on site. This requirement is necessary to allow the Department to effectively ensure that licensees are complying with track and trace requirements.

Section 15049 Track and Trace Reporting.

Proposed subsection (a) has been added to require that all cannabis and cannabis products on the licensed premises be assigned a plant or package tag, but exempts harvested plants that are being processed as the track and trace system does not support tags for harvested plants not in containers or other packaging and are being dried, cured, graded, or trimmed. The Department determined it was necessary to create an explicit requirement that all cannabis and cannabis products on the licensed premises be assigned a plant or package tag to ensure that licensees are complying with all requirements and that the regulations are clear regarding the expectations for using tags.

Original subsection (a) has been changed to subsection (b) to accommodate the addition of proposed subsection (a). The amended subsection combines and consolidates original regulation sections 15049(a), 16405(b), and 17503(a) to remove duplication while preserving the regulation for all licensees. This subdivision sets forth which activities must be reported in the track and trace system and sets forth a time frame of 24 hours. The Department determined that 24 hours was reasonable and consistent with a majority of the consolidated regulation sections requirements to ensure accurate reporting by licensees. Amendments to this subdivision accommodate the consolidation of the regulation sections, but do not substantively alter the requirements to licensees. This includes a non-substantive amendment to renumber the subdivision.

Proposed subsection (b)(1) combines and consolidates existing regulation sections 15049(a)(4), 16405(b), and 17503(a)(1). The subsection amends prior requirements for providing the wet weight of each plant and allows for the wet weight of the harvest batch. This is necessary to provide licensees with a more efficient method of providing wet weight.

Proposed subsection (b)(2) combines and consolidates existing regulation sections 15049(a)(5) and 16405(b) to require reporting of the receipt of cannabis or cannabis products, but amends section 15049(a)(5) from return to rejection which is more accurately aligned with how this activity is defined in the track and trace system. The Department is amending this subdivision to remove sale to add rejection and non-substantive grammatical changes consistent with this amendment. Further, this amends the existing subdivision to remove and replace goods with products and add cannabis. These

amendments are to accommodate that this section must apply to all licensees and any cannabis or cannabis products they might receive to preserve existing requirements to report this information.

Proposed subsection (b)(3) moves existing regulation section 17503(a)(3)(A) to require the reporting of manufacturing cannabis or cannabis product. The Department is amending this subdivision to remove and replace transportation with processing. The Department is also removing and replacing goods with products and adding cannabis. These amendments are to accommodate that this section must apply to all licensees and any cannabis or cannabis products they might receive to preserve existing requirements to report this information.

Proposed subsection (b)(4) moves existing regulation section 17503(a)(4) to require the reporting of the use of cannabis or cannabis product for internal quality control for testing or research and development and removes receipt as the requirement to report receipt of cannabis and cannabis products has been moved to subdivision (b)(1). The Department is also removing and replacing goods with products and adding cannabis. These amendments are to accommodate that this section must apply to all licensees and any cannabis or cannabis products they might receive to preserve existing requirements to report this information.

Proposed subsection (b)(5) moves existing regulation sections 15049(a)(6) and 16405(c)(3) to require reporting of destruction of cannabis or cannabis product. This removes the term return and the requirement has been moved to subdivision (b)(2) of this section. The Department is also removing and replacing goods with products and adding cannabis. These amendments are to accommodate that this section must apply to all licensees and any cannabis or cannabis products they might receive to preserve existing requirements to report this information.

Proposed subsection (b)(6) moves existing regulation sections 15049(a)(1) and 17503(a)(3)(B) to require reporting of packaging or repackaging of cannabis or cannabis product except for cultivation licensees. This further clarifies the requirements in this subsection to report repackaging which was not previously specified. The Department determined it was necessary to include the repackaging requirements based on how licensees are operating, and current requirements did not capture this function. To accurately capture activities and reconcile inventory on site repackaging was added. The Department removed the term destruction and disposal as this requirement has been moved to subdivision (b)(5) of this section. The Department is also removing and replacing goods with products and adding cannabis. These amendments are to accommodate that this section must apply to all licensees and any cannabis or cannabis products they might receive to preserve existing requirements to report this information. Cultivation licensees are exempt from this section because it requires reporting within 24 hours and in existing regulation section 16405(c)(5) cultivation licensees have three days to report packaging activities. Because of track and trace system access issues in remote areas unique to cultivation licensees, it was determined that licensed cultivators should not be subject to a 24-hour requirement to report these activities. Requirements for cultivators to report packaging and repackaging activities within three days are captured in proposed new section 15049.1(b)(5).

Proposed subsection (b)(7) amends the current subsection to remove the word and the phrase “including testing” to further specify that testing results must be reported within the track and trace system. These amendments do not substantively change the requirement but provide additional clarity so licensees can comply with reporting requirements.

Proposed subsection (b)(8) moves existing regulation section 15049(a)(2), 16405(d), and 17503(a)(2) and (5) to require the licensee to report sale or donation of cannabis or cannabis product which replaces existing text for licensees to report any other activity. The Department determined the current text was no longer necessary because based on experience with the system all activities have been captured in this subdivision. The Department is amending existing text in sections 15049(a)(2), 16405(d), and 17503(a)(2), which referred to sale and transfer to replace with sale only. The Department determined sale was specific enough and was essentially the same as transfer. The Department is also adding the word donation to capture statutory amendments that allow licensees to donate cannabis. The Department determined it was necessary for licensees to report donations to track cannabis or cannabis products that are donated to ensure licensees are complying and for effective compliance and enforcement by the Department. The Department in combining the sections has added cannabis and cannabis products. These amendments are to accommodate that this section must apply to all licensees and any cannabis or cannabis products they might receive to preserve existing requirements to report this information.

Original subsection (b) is now changed to subsection (c) to accommodate the addition of proposed subsection (a). The amended subsection is a non-substantive amendment to renumber this subsection which lists what information is required to be recorded for each activity reported in subsection (b). Additional non-substantive changes are made to move the phrase “for each activity entered” to the end of the sentence. It also adds that these are the activities identified in subsection (b) of this section. The Department determined this was necessary to provide further clarity and specificity to adequately inform licensees of the information that must be provided in order to allow the Department to adequately track the movement of cannabis within the state.

Proposed subsection (c)(1) removes the requirement to provide the name of the cannabis and cannabis products and only requires the type and removes and replaces goods with products and adds cannabis. These amendments are to accommodate that this section must apply to all licensees and any cannabis or cannabis products they might receive to preserve existing requirements to report this information. This also moves and incorporates section 17503(b)(3) to report the type of cannabis material or cannabis product. Subsection (c)(1) has been amended to be broader, which the Department determined was necessary so that the record requirement was applicable to all licensees as providing a name would not apply to cannabis and would only apply to cannabis products. Furthermore, the Department determined providing the name of a cannabis product was not necessary for enforcement of the program.

Proposed subsection (c)(2) was amended to move and incorporate existing regulation sections 15049(b)(3), 16405(d)(5), and 17503(b)(4). The amendment removes the word “identifier,” as this requirement has been moved to subdivision (c)(4) and removes and replaces “goods” with “cannabis products.” These amendments are to accommodate that

this section must apply to all licensees and any cannabis or cannabis products they might receive to preserve existing requirements to report this information. This adds the requirement to record weight, volume, and count, which is necessary to apply this requirement to all license types.

Proposed subsection (c)(3) removes and replaces the requirement to report weight, volume, or count which has been moved to subdivision (c)(2) with the requirement to record the date of the activity. This moves and incorporates requirements in existing regulation sections 15049(b)(4), 16405(d)(4), and 17503(b)(5). The language was streamlined from existing regulations, but the substantive requirements remain the same. It also removes the requirement to provide the time of the activity as the Department determined that this requirement was not practicable or necessary for effective administration of the program.

Proposed subsection (c)(4) removes and replaces the requirement to note the date of the activity, which has been moved to subdivision (c)(3) and requires reporting the UID assigned to the cannabis or cannabis product. This moves and incorporates requirements in existing regulation sections 15049(b)(2), 16405 (d)(9), and 17503(b)(6). This amends existing requirements to apply to cannabis and cannabis products. These amendments are necessary to accommodate that this section must apply to all licensees and any cannabis or cannabis products they might receive to preserve existing requirements to report this information.

Original subsections (c)(5)-(6) are proposed to be removed from this section and moved into section 15049.2 regarding recording transfers in track and trace. This is necessary for clarity to ensure that all Department licensees are aware of requirements regarding recording transfers in track and trace.

Proposed subsection (c)(5) has been added to require that the brand name of the cannabis goods be recorded for transactions entered into the track and trace system. This requirement is necessary to allow the Department to easily identify and track cannabis and cannabis products involved in the transaction entered into track and trace as licensee business names may differ from the brand names they use or sell.

Proposed subsections (c)(7)(A)-(C) have been renumbered to (c)(6)(A)-(C) and amended to remove and replace “goods” with “cannabis products.” These amendments are to accommodate that this section must apply to all licensees and any cannabis or cannabis products they might receive to preserve existing requirements to report this information. Further grammar edits were made to accommodate these changes.

Proposed subsection (c)(6) also been amended to add the requirement that the information be recorded in the notes section. The Department made this change based on experience regarding operation of the track and trace system. The language is included here to provide specificity to licensees about where to list this information. This also amends paragraph (C) in this subdivision to replace the phrase “entity disposing of cannabis waste” with “method of disposal.” The Department determined it was more beneficial to know the method of disposal rather than the entity as that does not provide information relevant to the administration of the program. The method of disposal is necessary to ensure that the licensee is complying with their waste management plan.

Original subsection (c)(8) is moved to subdivision (d), see below.

Former subsection (c)(9) is proposed to be repealed to remove the requirement that licensees provide any other information as required pursuant to this division or any other applicable licensing authority. The Department determined this was no longer necessary as the licensing authorities are now under one Department and the regulations are being consolidated to apply to all licensees.

Proposed subsection (d) removes and replaces the current requirement to only enter complete and accurate information, which has been moved to section 15047.2(a), with the requirement to report package adjustments in the quantity of cannabis or cannabis products and explain the reason for the adjustment. This is moved from original section 15049(b)(8) and amends the language to clarify the requirement and leave open the reason for providing this information. The Department determined these amendments are necessary based on experience with the track and trace system to provide better clarity to licensees regarding compliance with track and trace requirements.

Proposed subsection (e) provides a cross-reference to the section on accepting and rejecting shipments and specifies that if a licensee rejects a partial shipment of cannabis goods pursuant to section 15052.1(b), the licensee shall record the partial rejection in the track and trace system.

The references have also been amended to remove 26070, 26160 and 26161 and add 26013 and 26169.

Section 15049.1 Additional Requirements for Recording Cultivation Activities.

Proposed section 15049.1 has been added and contains track and trace requirements that are unique to licensees engaging in cultivation activities.

Proposed subsection (a) is moved from existing regulation section 16405(c), which requires certain information specific to cultivators to be reported within 3 days. The language is streamlined to be consistent with the wording of other sections and much of the original text has been moved to other sections. However, the substantive 3-day reporting requirements for the items specified here was moved from original section 16405(c).

Proposed subsection (a)(1) requires reporting of planting of an immature lot, which has been moved from existing regulation section 16405(c)(1). There are no substantive amendments that have been made to this section or the requirements contained in this section.

Proposed subsection (a)(2) has been added to require recording within the track and trace system to include moving an immature plant to a designated canopy area, the flowering of an individual plant, or the application of a plant tag to an immature plant. This proposed subsection is necessary to ensure that all the transactions that must be recorded in the track and trace system to allow the Department to properly track the movement of cannabis are properly recorded by licensees.

Proposed subsection (a)(3) requires reporting of destruction or disposal of an immature or mature plant. This has been moved from existing regulation section 16405(c)(3). There are

no substantive amendments that have been made to this section or the requirements contained in this section.

Proposed subsection (a)(4) requires reporting of the harvest of a mature plant or portion of it. This has been partially moved from prior section 16405(c)(4) only with respect to this requirement. There are no substantive amendments that have been made to this section or the requirements contained in this section.

Proposed subsection (b) contains requirements for entering plant identifiers within the track and trace system. This subsection has been moved from prior section 16405, however the substance remains the same.

Proposed subsection (e) requires that after the harvest batch has completed drying, trimming, and curing and has been packaged, the licensee shall indicate the harvest is finished. This is moved and amended from existing section 16406(b) which specified time frames for determining when the harvest was complete and recording the net weight. Based on the Department's experience and practical application by licensees, the Department determined that this revised requirement coincides with how licensees operate and how the Department would like to capture this information. This necessary for clarity so licensees are aware of the requirements.

Section 15049.2 Recording Transfers of Cannabis and Cannabis Products.

Proposed section 15049.2 has been added. The proposed section provides the requirements for recording transfers of cannabis and cannabis products. This proposed section is necessary to provide licensees with the information that must be provided when transferring cannabis and cannabis products which will allow the Department to effectively track the movement of cannabis and cannabis products within the track and trace system.

Proposed subsection (a) requires licensees to prepare shipping manifests using the track and trace system prior to transferring cannabis and cannabis products off of their licensed premises and specifies what information must be recorded. This moves and consolidated requirements in existing regulation sections 15049(b), 16405(d), and 17501(a). These sections are amended and combined, but the substantive requirement to use the track and trace system to prepare a shipping manifest has not changed.

Proposed subsection (a)(1) requires the manifest to contain the name, license number, and licensed premises address of the originating licensee. This moves and makes non-substantive amendments to existing regulation sections 15049(b)(6)(A)(i), 16405(d)(1), and 17501(b)(1). This subdivision harmonizes the language to reconcile the minor differences in language from the existing sections, but the substantive requirements remain the same.

Proposed subsection (a)(2) requires the manifest to contain the name and license number of the distributor transporting the cannabis and cannabis products. This moves and amends existing regulation sections 15049(b)(6)(A)(ii) and 16405(d)(3). This subdivision harmonizes the language to reconcile the minor differences in language from the existing sections to capture that cannabis and cannabis products will be transferred. The Department determined this was necessary to amend and capture all cannabis or cannabis products that would be moved from one licensee to another. The substantive

requirements remain the same. This would add the requirement for manufacturing licensees and the Department determine it is necessary for all licensees to identify the distribution for efficient compliance and enforcement activities by the Department.

Proposed subsection (a)(3) requires the manifest to contain the name, license number, and premises address of the licensee that receives the cannabis or cannabis products. This moves and amends existing regulation sections 15049(b)(6)(A)(iii), 16405(d)(2), and 17501(b)(2). This subsection harmonizes the language to reconcile the minor differences in language from the existing sections to capture that cannabis and cannabis products will be transferred. The Department determined this amendment was necessary to capture all cannabis or cannabis products that would be moved from one licensee to another. The substantive requirements remain the same.

Proposed subsection (a)(4) requires the manifest to contain the UID numbers for all items being transferred. This moves and amends existing regulation section 16405(d)(9). The provision is amended by adding the phrase “number for all items being transferred.” The Department determined this was necessary to clarify what UID numbers would be provided so that licensees understand their obligations. This extends this requirement to all other licensees besides cultivation licensees. This is also necessary for efficient compliance and enforcement activities by the Department.

Proposed subsection (a)(5) requires the manifest to contain the item name, item category and weight or count of the cannabis or cannabis products associated with the tag. This moves and amends existing regulation sections 16405(d)(8), and 17501(b)(5). This subdivision harmonizes the language to reconcile the minor differences in language from the existing sections to capture that cannabis and cannabis products will be transferred. The Department determined this amendment was necessary to amend to capture all cannabis or cannabis products that would be moved from one licensee to another. The substantive requirements remain the same.

Proposed subsection (a)(6) requires the manifest to include the estimated date and time of departure. This moves and amends existing regulation sections 15049(b)(6)(A)(iv) and 16405(d)(6). This subdivision harmonizes the language to reconcile the minor differences in language from the existing sections. The substantive requirements remain the same. This would add the requirement for manufacturing licensees. The Department determine it is necessary for all licensees to identify the dates and time of departure for efficient compliance and enforcement activities by the Department.

Proposed subsection (a)(7) requires the manifest to include the estimated date and time of arrival at each of the licensed premises. This moves and amends existing regulation sections 15049(b)(6)(A)(v), 16405(d)(6), and 17501(b)(3). This subdivision harmonizes the language to reconcile the minor differences in language from the existing sections. The substantive requirements remain the same.

Proposed subsection (a)(8) requires the manifest to list the driver’s license number of the personnel transporting the cannabis or cannabis products, and the information for the vehicle used for transport. This moves and amends existing regulation section 15049(b)(6)(A)(vi). This subdivision makes minor non-substantive changes for consistency. This would add a requirement to cultivation and manufacturing licensees. The

Department determined it is necessary for all licensees to identify this information for efficient compliance and enforcement activities by the Department.

Proposed subsections (b)(1)-(2) specify what a licensed distributor transferring cannabis must record in the shipping manifest in the track and trace system. This has been moved and amended from existing regulation section 15049(b)(6)(A)(iv)-(v). The amendments are to harmonize amendments within this section to provide clarity, but the substantive requirements remain the same.

Proposed subsection (c) specifies that upon pick-up and receipt of cannabis or cannabis products, the receiving licensee must ensure it matches what is on the manifest and acknowledge this in the track and trace system. This has been moved from existing regulation section 15049(b)(6)(B). This would add a requirement to cultivation and manufacturing licensees. The Department determined it is necessary for all licensees to identify this information for efficient compliance and enforcement activities by the Department.

Proposed subsection (d) requires the licensee to reject any shipment of cannabis or cannabis products if there are any discrepancies in type or quantity of cannabis and cannabis products specified in the shipping manifest and those received by the licensee. This section has been amended from existing section 15049(b)(6)(C) to clarify the requirements for when there is a discrepancy between the shipping manifest and the shipment of cannabis or cannabis products received by the licensee. This subsection has been amended to clarify that in the case of a such a discrepancy, the licensee must reject the shipment. Existing regulations required the licensee to record and document the discrepancy in the track and trace system, however, the Department determined that this was not feasible for the licensees within the track and trace system. This is necessary to ensure that shipping manifests are accurately completed, and all cannabis and cannabis products can be tracked and traced, as statutorily required.

Section 15050. Loss of Access.

The name of this section has been changed to “Loss of Access.” The Department has determined that this section title is more appropriate and provides more clarity than the original section title. The section is amended to provide clarity and consistency for all Department licensees when there is a loss of access to the track and trace system. This is necessary for clarity to ensure that all Department licensees are complying with loss of access requirements in the same chapter, and to apply the same requirements to all licensees for consistency.

Throughout this section, the Department is replacing “connectivity” with “access” so that loss of connectivity is addressed and deemed as a loss of access to the track and trace system. This is necessary to ensure consistency of terms throughout the Department’s regulations. This is aligned with original sections 16402 and 17504, which have been consolidated and moved here.

Proposed subsection (a) requires that if a licensee loses access to the track and trace system for any reason, the licensee must prepare and maintain comprehensive records detailing all commercial cannabis activities that were conducted during the loss of access.

This subsection also captures and consolidates original sections 16402(e) and 17504(a), which were duplicative of this requirement. This subsection also now harmonizes the language to reconcile the minor differences in language from the existing sections, but the substantive requirements remain the same.

Subsection (b) has been amended to clarify that during a loss of access to the track and trace system, the licensee cannot initiate specific commercial cannabis activities, such as transfer, receipt, or delivery. This subsection also captures and consolidates section 17504(d) and 16402(e)(3), which have been removed. These original sections were duplicative and prohibited licensees from transferring any cannabis and cannabis products to another licensee until access to the track and trace system is restored, and all information is recorded into the track and trace system. This amendment is necessary to clarify and allow for such activities that are already in-process to be complete. The Department is also removing the requirement for the licensee to notify the Department of a loss of access in this section, as the requirement remains that the licensee must document such a loss of access as required under subsection (c), and is requiring the designated account manager to provide such notice under section 15048.1.

Proposed subsection (c) requires Department licensees to, within three calendar days, enter all commercial cannabis activity that occurred during the loss of access into the track and trace system, upon restoring access, and to document the cause for loss of access, including the dates and times for when access was lost and restored. Subsection (c) also now captures and consolidates original sections 16402(e) and 17504(b)-(c), which required that once access to the track and trace system was restored, the licensee was required to enter all inventory tracking activities that occurred during the loss of access within a specified timeframe. These original sections were consolidated into this section 15050 for consistency purposes as well, as original section 16402(e) required a timeframe of three calendar days to enter information into the track and trace system upon restoration of access, while original section 17504(b) required the licensee to do so within three business days. This is necessary to streamline processes and provide consistency and clarity across all Department licensees.

Section 15051. Track and Trace System Reconciliation.

The Department proposes to amend this section to the regulations to provide guidance and clarity on requirements for track and trace system reconciliation. This is necessary to ensure that all Department licensees are able to refer to reconciliation requirements in the same chapter, and to ensure that apply the same requirements consistently apply to all licensees.

Subsection (a) has been amended to clarify that the licensee must review the information recorded in the track and trace system at least once every 30 calendar days to ensure its accuracy. Doing so includes reconciling on-hand inventory with the records, reviewing the licensee's authorized users and ensuring any unauthorized users are removed. This also captures and consolidates sections 16406 and 17222 and harmonizes the language to reconcile the minor differences in language from the existing sections, but the substantive requirements remain the same.

The Department proposes to amend subsection (b) to clarify that the licensee must

conduct an audit if a discrepancy is discovered between the on-hand inventory and the track and trace system. This subsection is amended to specify and clarify that the inventory to be reconciled is the on-hand inventory of the licensee. The Department is specifically amending the language from physical inventory to on-hand inventory, to provide clarity and consistency to all Department licensees. Physical inventory could be interpreted as inventory on the licensed premises, or inventory owned on another premises, or inventory in transit. This amendment clarifies that the inventory to be reconciled with the track and trace system is the inventory on-hand. The Department is also removing the language requiring licensees to notify the Department of any reportable activity pursuant to section 15036 of this division, as being redundant; licensees are already required to notify the Department pursuant to that section. These amendments and clarifications are necessary to provide a streamlined process and provide consistency and clarity across all Department licensees.

Section 15052. Temporary Licenses; Licensees in Operation at Time of Licensure.

The Department proposes to repeal this regulation. This regulation is unnecessary because the Department can no longer issue temporary licenses, nor are there any active or valid temporary licenses.

Article 7. Returns and Destruction

Section 15052. Returns

Proposed section 15052 has been added. Proposed section 15052 provides the requirements for returns between licensees. This section is necessary as original section 15053, which generally prohibited returns of cannabis between licensees has is proposed to be removed. Therefore, the requirements for returns of cannabis and cannabis products must be provided. The Department has determined that allowing licensees to engage in returns under the requirements of this section would provide licensees with additional flexibility in conducting their business while not negatively affecting the Department's ability to effectively regulate commercial cannabis activity within the state.

Proposed subsection (a) clarifies that licensees may return cannabis and cannabis products that are currently in their possession to the originating licensee for any lawful business purpose if the following requirements are met. This proposed subsection is necessary to clarify the change in rules regarding returns.

Proposed subsection (a)(1) prohibits cannabis and cannabis products that are returned from being reprocessed, re-labeled, re-packaged, have the expiration dates amended, or modified in any way without approval from the Department. This proposed subsection is necessary to ensure that cannabis and cannabis products that are returned still comply with all requirements that exist to ensure that consumers are provided accurate information through packaging and labeling and that the cannabis and cannabis products are safe for consumption.

Proposed subsection (a)(2) requires that cannabis and cannabis products that are returned be transported to a licensed distributor for laboratory testing and quality assurance review. This proposed subsection is necessary to ensure that cannabis and cannabis products that are returned are safe for consumption before they are allowed to be sold to a consumer.

Proposed subsection (b) requires that returns be recorded in the track and trace system. This proposed subsection is necessary to ensure that the Department is able to effectively track the movement of all cannabis and cannabis products as required in the Act.

Proposed subsection (c) requires that both the licensee returning and the licensee receiving the cannabis and cannabis products consent to the return. The proposed subsection also requires that the licensee receiving the return physically accept the return and record the transaction in the track and trace system. This proposed subsection is necessary in order ensure that a return of cannabis and cannabis products is actually a transaction agreed on by both parties involved. This would prevent a licensee from abusing the provision to conduct a unilateral return without the consent of the other party.

Section 15052.1. Acceptance or Rejection of Shipments.

The title of the section has been amended to include “or rejection”. This amendment is necessary to provide additional clarity regarding the provisions in the section. The Department proposes applying this section to all licensees. This is necessary to ensure consistency across license types regarding acceptance and rejection of shipments.

Throughout the section, the term “cannabis goods” has been amended to “cannabis or cannabis products.” This amendment is necessary for clarification as the term “cannabis goods” is specifically defined and the section is intended to apply to all cannabis and cannabis products.

Subsection (c) has been amended to remove “as required by chapter 1, Article 6 of this division.” This amendment is necessary for clarity as the specific citation is not necessary to provide licensees with guidance regarding properly recording the transaction.

Proposed subsection (d) has been added. The proposed subsection clarifies that the licensee that originated the rejected shipment must physically accept the rejected shipment and record the transaction in the track and trace system. This proposed subsection is necessary to ensure that in the event of a rejection of a shipment, the originating licensee has clear instructions regarding their requirements.

Section 15053. Returns Between Licensees.

The Department has determined that this section should be repealed, and licensees may engage in the return of cannabis and cannabis products consistent with the Act. Specifically, the Department has since developed a fully functioning track and trace system that is utilized by all Department licensees, which allows for the efficient tracking of cannabis and cannabis products through the supply chain. Considering these circumstances, the Department has determined that this provision is no longer necessary to prevent the diversion of cannabis.

Section 15054. Destruction of Cannabis Goods Prior to Disposal.

The Department has determined that this section should be repealed, as cannabis waste management requirements for all Department licensees have been consolidated in chapter 9 of the Department’s regulations. This is necessary for clarity to ensure that all Department licensees are utilizing the cannabis waste management requirements in the same chapter.

Chapter 2. Distributors

Section 15300. Distribution Activities.

Section 15300 specifies what a distributor may distribute. This section contains a proposed amendment to change the term “cannabis goods” to “cannabis and cannabis products”. This is necessary for consistency in the use of the terms throughout this division.

Section 15301. Storage Services.

Section 15301 enumerates the requirements for a licensed distributor’s storage services. Proposed subsection (e) clarifies that items held for storage-only services by a licensed distributor may be distributed from the premises of the licensed distributor providing the storage-only services. The Department has received a number of inquiries from distributor licensees on this subject and has determined that cannabis goods held in storage may be transported to another licensee, without the cannabis goods having to return to the originating licensee with title to the cannabis goods. This subsection is necessary as it will aid in the reduction of the number of required vehicle trips involved with the transport of cannabis. Moreover, it ensures that licensees are able to avail themselves of additional storage capacity provided at licensed distribution premises.

Section 15302. Storage of Batches for Testing.

Section 15302 provides the requirements for storage of cannabis and cannabis products batches stored for regulatory compliance testing. This section has been amended to replace cannabis goods with cannabis products for consistency of terms used throughout this division.

The proposed amendment to subsection (b) clarifies that the information required in the section is in addition to all requirements regarding tags or labels found in section 15048.5. this amendment is necessary for clarity and to reduce any risk of confusion that may occur regarding the tagging and labeling requirements found within the regulations.

The proposed amendment to subsection (b)(1) would change the phrase “licensed manufacturer or licensed cultivator” to simply “licensee.” This change is necessary because it clarifies that a cannabis and cannabis products batch could come from a licensed cultivator, a licensed manufacturer, or a licensed microbusiness.

The proposed amendment to subsection (b)(3) would add the phrase “if any” after the term “unique identifiers and batch number,” because cultivators are currently not required to provide distributors with a batch number; thus there may not be a batch number to include on the label. The proposed change clarifies that a batch number is only required if such a number exists.

Section 15303. Packaging, Labeling, and Rolling.

Section 15303 allows a distributor to package and label cannabis and create pre-rolls with certain exceptions. The proposed amendment to subsection (a) would add the phrase “in the form of dried flower” after the term “cannabis.” This is necessary for consistency in the use of the terms throughout this division. The proposed amendment to subsection (a) would also add a cross-reference to chapter 11 of the Department’s regulations. This is

necessary because packaging and labeling requirements for all Department licensees have been consolidated and placed in chapter 11. This ensures that all Department licensees will be referencing the same section of the regulations and engaging in consistent packaging and labeling practices. The cross-reference informs readers where the packaging and labeling requirements are currently located within the regulations.

Subsection (a)(1) has been eliminated, as the requirements therein expired on January 1, 2020.

Subsections (a)(2) and (a)(3) were eliminated by the Department as packaging requirements for all Department licensees have been consolidated and placed in chapter 11 of the Department's regulations. This is necessary for clarity and will ensure that all prospective Department licensees are utilizing packaging and labeling requirements in the same chapter.

Section 15303.1. Net Weight of Dried Flower.

This section contains clarification regarding the net weight of dried flower on cannabis packaging. This section has been amended to clarify that the section only applies to the final packaged dried flower, and not bulk flower in bulk packaging, to reflect the intent of the Department and is not a substantive change in the Department's regulatory requirements.

Section 15304. Testing Arrangements.

This section contains a proposed amendment to change the term "cannabis goods" to "cannabis and cannabis products." This change is necessary for consistency in use of terms throughout this division related to cannabis, cannabis products, and cannabis goods.

Section 15305. Testing Sample.

This section contains proposed amendments to change the term "cannabis goods" to "cannabis and cannabis products." These changes are necessary for consistency in use of terms throughout this division related to cannabis, cannabis products, and cannabis goods.

Section 15306. Laboratory Testing Results.

This section provides an overview of a licensed distributor's responsibilities once compliance testing is complete and has been reorganized for clarity purposes. This section also contains proposed amendments, which change the term "cannabis goods" to "cannabis and cannabis products". Such changes are necessary for consistency of terms throughout this division.

Proposed subsection (a) has been added and outlines a licensed distributor's storage responsibilities post-compliance testing. BPC section 26110(c) requires licensed distributors to store cannabis batches on the distribution premises before testing and continuously until either of the following occurs: (1) the cannabis batch passes testing; or (2) the cannabis batch fails testing and is destroyed or transported for remediation as allowed by the Department. The proposed subsection provides necessary restatements of

the Act for convenience and clarity, as they ensure that distributor licensees are aware that they are prohibited from transporting cannabis goods from their license until certain conditions are met. Cross-references to the appropriate remediation provisions are provided for convenience and clarity, and subsequent subsections have been re-lettered accordingly.

Proposed subsection (b), original subsection (a), provides that, once a batch has passed regulatory testing, the batch shall not be repackaged into a new production batch in the track and trace system, nor shall it be assigned a new batch number. The Department must be able to rely on the data in the track and trace system, and determine where the batches have been distributed. This is particularly important with regards to contacting licensees in the event of a voluntary or involuntary recall. By limiting distribution licensees ability to repackage batches and assign new batch numbers, the Department will be able to efficiently track batches through the supply chain, and refer to the batch certificate of analyses, as needed.

Proposed subsection (c), original subsection (b), provides further clarity regarding a licensed distributor's ability to transport cannabis goods upon a batch's "passing" of compliance testing. This subsection, which restates provisions of BPC section 26110(c)(1) for clarity, enables licensed distributors to transport cannabis goods that have passed testing to another licensee that is authorized to engage in distribution for further distribution, or a licensee authorized to engage in retail. Proposed subsection (c) further requires a distributor licensee to transmit a copy of the corresponding certificate of analysis to the receiving licensee, and enables the distributor licensee to provide such certificates of analyses electronically. Recipient retailers and distributors are responsible for reviewing commercial cannabis they receive to ensure that such cannabis goods are compliant with the Act and its implementing regulations before they can be sold at retail; part of this review necessitates a copy of the certificate of analysis. The Department has determined that electronic transmittal of the certificate of analysis would aid licensees in reducing the amount of paper used, while still enabling recipient retail and distributor licensees to cross-reference relevant certificates of analysis during their review of batches.

Proposed subsection (d), original subsection (c), includes minor grammatical edits for clarity, which do not result in substantive changes.

Proposed subsection (e), original subsection (d), updates cross-references for clarity and provides that licensed distributors may transport or arrange for the transportation of cannabis batches to the licensed manufacturer or licensed microbusiness authorized to engage in manufacturing that has received approval from the Department to conduct such remediation. This is necessary to ensure that cannabis goods are only transported to a manufacturing licensee that is authorized to complete the remediation activity, rather than just transporting to any manufacturer. Subsection (e) further provides that once a batch has been approved for remediation by the Department, the licensed distributor shall transport the batch to the authorized manufacturer within 30 calendar days of the approval. Given the variability in manufacturing practices and schedules, the Department determined it was not reasonable to require a licensed manufacturer to remediate within a particular period of time. However, the Department determined that 30 calendar days was an appropriate period of time for a licensed distributor to transport the batch to a licensed

manufacturer upon approval of remediation.

Proposed subsection (f), original subsection (e), updates cross-references for clarity and provides that a licensed distributor shall notify the licensee that produced the batch of the destruction of cannabis batches that cannot be remediated and the reasons why remediation cannot occur. The Department recognizes that some batches may not be easily remedied and may thus need to be destroyed. The Department has determined that this notification is necessary to reduce the potential for diversion by avoiding scenarios where the licensed distributor records the destruction of a batch and transfers the batch without notifying the original owner. The subsection further provides clarity regarding evidence of destruction, which may include video or pictures of the destruction. The Department determined it would be helpful to provide the types of evidence distributor licensees must provide to demonstrate their destruction activities. This requirement also helps ensure that Department staff have access to visual records of destruction if reported by distributor licensees, further limiting the potential for diversion opportunities.

Section 15307. Quality-Assurance Review.

Section 15307 contains the requirements for distributors conducting quality assurance review of cannabis and cannabis products that have completed regulatory compliance testing. The proposed amendment to subsection (f) would replace BPC with “this division” to clarify that licensed distributors must use scales as required by the Department’s regulations. This change is necessary because the Department’s consolidated regulations contain requirements for the use of scales under the section titled “Weights and Measures.” The section has also been amended to strike the phrase, “packaged as they will be sold at retail”. This is necessary for consistency and use of phrases throughout this division.

Proposed subsection (h) has been added to inform licensees about the parties that are responsible for submitting a corrective action plan to address cannabis goods that are not fit for retail sale to customers. Currently as written, the regulation establishes procedures that a licensed distributor must follow if cannabis goods must be labeled or relabeled to reflect accurate cannabinoid or terpene content, but is silent as to other quality assurance review failures, such as failure to meet other packaging and labeling requirements. Accordingly, this subsection has been added for clarity and consistency with existing regulatory requirements. Specifically, the new subsection cross-references applicable regulations that establish the scenarios in which a licensed distributor must submit a corrective action plan to the Department for review, and when a licensed manufacturer must submit a corrective action plan to the Department for review before further remediation is conducted.

Section 15307.1. Quality Assurance Review for Labeling Cannabinoids and Terpenoids.

Subsection 15307.1 establishes the quality-assurance review requirements for the labeling of cannabinoids and terpenoids. The Department has observed that licensees regularly get confused between THC and Total THC, and CBD and Total CBD. Accordingly, subsection (a) has been amended to list the following, distinct cannabinoids: THC, Total THC, CBD, and/or Total CBD. The addition of this enumerated list of cannabinoids is necessary for

clarity, and ensures that licensees are aware that each value is distinct. To further ensure that licensees are aware of the distinction between THC, Total THC, CBD, and total CBD, and the distinct labeling responsibilities related to the different cannabinoids, the last sentence of subsection (c) has been moved into its own subsection, (d).

Proposed subsection (e) has been added to clarify that cannabis goods shall be labeled with accurate concentration limits in accordance with sections 17304 and 17407 of the Department's regulations. The Department has added this subsection for clarity, to ensure that licensed distributors know where the appropriate cannabis labeling requirements may be found.

Section 15307.2. Licensed Distributor to Licensed Distributor Transfers.

Section 15307.2 establishes the minimum requirements related to licensed distributor to licensed distributor transfers of cannabis goods post-compliance testing and includes minor grammatical edits for clarity purposes.

Subsection (a) has been amended to remove the term "packaged as they will be sold at retail" to ensure consistency of terms within this division, and to avoid redundancy as the term "cannabis goods" includes cannabis and cannabis products that are in final form, packaged as they will be sold at retail.

Subsection (b) adds language that clarifies that retesting pursuant to the subsection shall only be conducted if the cannabis goods have not been modified in any way.

Subsection (c) has been added and provides further information regarding what licensees are responsible for submitting the relevant corrective action plan if additional repackaging, relabeling, or reformulating is warranted. The Department has determined that, in the event additional repackaging, relabeling, or reformulating required, it is more appropriate for such cannabis goods to follow the already existing corrective plan processes enumerated in sections 15305 and 15306, to ensure that the Department is apprised of changes to existing cannabis goods batches before remediation activities occur.

Section 15308. Insurance Requirements.

Section 15308 establishes the minimum level of insurance that a distributor must maintain as required by BPC section 26070, subdivision (a)(2).

Original subsection (a) was eliminated by the Department as application requirements for all Department licensees have been consolidated and placed in chapter 1 of the Department's regulations. This is necessary for clarity and will ensure that all prospective Department licensees are utilizing application requirements in the same chapter. The remaining provisions in this section have been re-lettered accordingly.

Original subsection (e) is proposed to be repealed as the Department has determination that insurance information may be provided upon request; therefore, this provision is no longer needed. This is necessary for consistency amongst requirements related to insurance information.

Section 15309. Inventory Accounting.

Section 15309 establishes the minimum requirements for inventory accounting by licensed distributors. Subsection (b) contains a proposed amendment to modify the term “cannabis goods” to “cannabis and cannabis products.” This amendment is necessary for consistency with terms used throughout this division to distinguish cannabis and cannabis products, and cannabis goods which are final form products.

Section 15310. Records.

The Department has determined that this section should be repealed from this chapter, as record keeping requirements for all Department licenses have been consolidated in chapter 1 of the Department’s regulations. This is necessary for clarity, to ensure that all Department licensees may refer to recordkeeping requirements in the same chapter, and to apply the same requirements to all licensees for consistency.

Section 15311. Requirements for the Transportation of Cannabis and Cannabis Products.

Section 15311 establishes the minimum requirements for the transportation of cannabis and cannabis products between licensed premises. This section contains proposed amendments to change the term cannabis goods to cannabis and cannabis products. This is necessary for consistency in the use of the terms throughout this division.

Subsection (a) contains a proposed amendment to clarify that a licensee is not required to be the sole owner or lessor of the vehicle or trailer used for transport and that all owners and lessors listed on the vehicle may use the vehicle for non-commercial cannabis activity. This is necessary to provide clarity to licensees by specifying that including multiple owners on a vehicle and allowing such owners to use the vehicle for non-commercial cannabis activity is permitted under this section.

Subsection (d) contains a proposed amendment to clarify that the motor carrier permit that the licensee must have is one that has been issued to the licensed distributor. The edit is necessary to provide clarity to licensees, however it does not change the substance of this subsection.

Subsection (g) has modified the former requirement that cannabis goods be locked in a fully enclosed box, container or cage that is secured to the inside of the vehicle. The proposed section now provides that cannabis and cannabis products shall be transported in a fully enclosed, windowless locked trailer or trunk which cannot be accessed from the inside of the vehicle, or in a secured area within the inside body or compartment of a vehicle. It also provides clarification regarding what is considered a secured area. The Department received input from a number of licensees regarding the cost of vehicle improvements necessary to meet the previous requirements and believes that the added burden does not provide sufficient added security to warrant the requirement’s continuation. The Department has determined that these amended measures, such as solid or locking metal partitions, cages, or high strength shatterproof acrylic compartments, are necessary to prevent theft, while minimizing costs to Department licensees by providing a wide array of security options.

Section 15312. Required Transport Vehicle Information.

Section 15312 specifies the information the Department requires about every transport vehicle. This section contains proposed amendments to change the term cannabis goods to cannabis and cannabis products. This is necessary for consistency in the use of the terms throughout this division.

Original subsection (a) was eliminated by the Department as application requirements for all Department licensees have been consolidated and placed in chapter 1 of the Department's regulations. This is necessary for clarity and will ensure that all prospective Department licensees are utilizing application requirements in the same chapter. The remaining provisions in this section have been re-lettered accordingly.

Proposed subsection (a), original subsection (b), has been revised to clarify that licensees must provide the Department with updated information, such as year, make, and model, about each vehicle and trailer used to transport cannabis and cannabis products. Additionally, this subsection specifies that distributors must provide the Department with a copy of the certificate of ownership or registration card issued by the California Department of Motor Vehicles for each transport vehicle. This is necessary because vehicles must be owned by the distributor. Original subsection (a) required proof that the distributor was the registered owner under the Vehicle Code for each vehicle and trailer used to conduct transportation. However, the Department has received a number of questions regarding transport vehicle ownership and has determined that such revisions are necessary here and in the application requirements to further clarify vehicle ownership requirements for licensed distributors. Specifically identifying the certificate of ownership or registration card provides applicants and licensees with clear, explicit instruction on what they need to provide to demonstrate ownership of transport vehicles. Additionally, the Department proposes to amend this section to require the licensee to provide the applicable information to the Department upon request. This is necessary because the Department has determined that having the information available on request, rather than requiring it be provided in all cases, is sufficient for the Department's regulatory activities. To that end, proposed subsection (c) has been repealed.

Section 15313. Transport Personnel Requirements.

Section 15313 specifies the requirements for personnel engaged in the transport of cannabis or cannabis products. This section contains proposed amendments to change the term "cannabis goods" to "cannabis and cannabis products". This is necessary for consistency in the use of the terms throughout this division.

Section 15314. Shipping Manifest.

Section 15314 describes the shipping manifest that must be generated by a licensed distributor prior to the transport of cannabis or cannabis products. This section contains proposed amendments to change the term "cannabis goods" to "cannabis and cannabis products". This is necessary for consistency in the use of the terms throughout this division.

Moreover, the proposed amendments to this section eliminate subsections (e) and (f),

which applied to temporary licensees who did not have access to the track and trace system. As the Department no longer has the statutory authority to issue temporary licenses and all provisional and annual license holders must have obtained access to the track and trace system to engage in commercial cannabis activities, these subsections are no longer necessary.

Section 15315. Distributor Transport Only License.

Section 15315 provides the requirements for a distributor transport only licensee. This section contains proposed amendments to change the term cannabis goods to cannabis and cannabis products. This is necessary for consistency in the use of the terms throughout this division.

The Department has also proposed to amend subsection (g), which originally provided an exemption to complying with security requirements. Licensees engaged in self- distribution who have their transport premises on the same property as their cultivation or manufacturing premises were required to comply with security applicable to cultivation or manufacturing operations. Due to the consolidation of the licensing authorities and the regulations, this section needed to be amended to clarify that licensees engaged in self distribution are still only required to comply with the applicable security requirements for their main cannabis activity whether it be cultivation or manufacturing.

Chapter 3. Retailers

Section 15402. Customer Access to the Retail Area.

Subsections (a) and (c) have been amended to remove “of this division.” This proposed amendment is necessary for clarity as it is not necessary to indicate that the section being cited is within the division. The deletion of this phrase does not change the meaning of the provisions.

Subsection (c) is being amended to specify that the sale of cannabis and cannabis products can be conducted via curbside delivery as described in the proposed subsection (d). This amendment is necessary to provide retailers with additional flexibility in conducting sales in a safe manner. Given the ongoing pandemic and the need for social distancing to limit the spread of disease, the Department has determined that allowing for retailers to conduct curbside delivery is a safe option so long as certain requirements are met.

Proposed subsection (d) has been added. The proposed subsection provides the requirements for engaging in sales through curbside delivery. The proposed subsection requires that the cannabis and cannabis products be purchased by the customer prior to the curbside delivery and that the vehicle be parked immediately outside the licensed retail premises. This requirement is necessary to ensure that retailers who are not authorized to conduct delivery are not using curbside delivery as a way to engage in delivery without receiving prior authorization. Additionally, curbside delivery must occur under video surveillance. This requirement is necessary to ensure that curbside delivery sales are conducted in a safe manner in compliance with all requirements. The proposed subsection also requires that employees verify the age of customers when conducting curbside

delivery. This requirement is necessary to prevent the sale of cannabis or cannabis products to minors, which is prohibited in the Act. The proposed subsection also clarifies that licensees who are not authorized to engage in storefront sales may not engage in curbside delivery. This provision is necessary to ensure that retail licensees who are not authorized for storefront sales are not circumventing the requirements by conducting storefront sales through curbside delivery.

Section 15405. Cannabis Goods Display.

Section 15405 provides the requirements for displaying cannabis goods for inspection within the retail area. Subsection (c) contains a proposed amendment to remove the requirement that the cannabis goods be destroyed pursuant to section 15054 once the cannabis goods are no longer used for display. The Department has determined it is necessary to delete this section because section 15054 is proposed to be repealed. Additionally, the Department has determined that additional requirements for the disposal of cannabis goods used for display purposes are an unnecessary burden on licensees. The Department has determined that licensees may dispose of display samples in their waste receptacle and do not need to take the extra step of destruction prior to disposal.

This section has also been amended to change some instances of the term “Cannabis goods” to “Cannabis and cannabis products.” This amendment is necessary due to the specific definition of the term cannabis goods. Given the definition, the term would not apply to cannabis and cannabis products removed from their packaging.

Section 15406. Cannabis Goods for Sale.

Section 15406 provides the requirements for the cannabis goods that are sold by licensed retailers.

The term “retail licensee” is replaced with “licensed retailer,” in the proposed amendment to subsection (a). This is necessary to ensure consistency of terms throughout the Department’s regulations.

Subsection (d) has been amended to replace “laboratory” with “regulatory compliance.” This amendment is necessary to specify the type of testing that must be conducted prior to sale by a licensee. License laboratories may perform quality assurance testing which is different from regulatory compliance testing. This clarification is necessary to ensure that cannabis goods sold to consumers is safe for consumption.

Subsection (e) has been amended to add the phrase “if any,” when referring to the batch number. Currently, nonmanufactured cannabis goods are not required to have a batch number on the label. This amendment is necessary to allow certain cannabis goods which do not contain a batch number on the package to comply with the regulations.

Subsections (f) and (g) have proposed grammatical amendments. The proposed amendments are purely grammatical and do not change the meaning of the subsections.

Section 15407. Sale of Non-Cannabis Goods.

Proposed subsection (a) contains the original language of the section. Since additional subsections are being added to the section, it is necessary to create subsections.

Proposed subsection (a) has been amended to allow retailers to sell the branded merchandise of any licensed commercial cannabis business. Under the original section, licensed retailers were only authorized to sell their own branded merchandise. This amendment is necessary to provide licensees with additional flexibility in creating and distributing branded merchandise to potential customers. The Department has determined that providing licensees with additional flexibility with regards to selling the branded merchandise of other licensees would not lead to increased violations of advertising and marketing restrictions as these restrictions will continue to apply to all branded merchandise.

Proposed subsection (b) has been added. The proposed subsection allows licensed retailers who have been authorized to operate a consumption area to sell prepackaged non-cannabis infused, non-alcoholic food and beverages in accordance with local rules. This would provide an exception to the rule stated in proposed subsection (a) to allow certain retailers to sell specific non-cannabis goods. This proposed subsection is necessary to provide flexibility to retailers who have obtained authorization to operate a consumption area. The proposed subsection would allow customers to obtain non-cannabis infused food and non-alcoholic beverages while visiting an authorized consumption area.

Proposed subsection (c) clarifies that licensed retailers who are authorized to operate a consumption area may allow customers to bring non-cannabis infused, non-alcoholic beverages to an authorized consumption area, if this activity is allowed by the local jurisdiction. The proposed subsection further clarifies that food may be delivered to customers in these areas as well. This proposed subsection is necessary to provide clarification as to whether outside food and beverages may be consumed in a consumption area of a retail premises. As consumption lounges must be allowed by the local jurisdiction, it is necessary to include that provision in the text of the regulation for clarity.

Section 15408. Sale of Live Plants and Seeds.

Section 15408 provides the requirements for engaging in the sale of live plants. The section ensures that live plants sold by retailers were obtained from proper sources and do not contain consumable cannabis that has not undergone laboratory testing and may pose a risk to consumers.

Proposed subsection (a)(1) has been amended to specify the requirement that the immature plant sold at retail be shorter and narrower than 18 inches. This is necessary to distinguish between the immature plants that retailers are authorized to sell from mature or flowering plants as well as the immature plants that cultivators may have on their premises. This amendment is necessary to align with amendments made to the definition of immature plant in section 15000 (bb).

In subsection (a)(2) the term “nursery” is replaced with “licensed nursery.” This is necessary to ensure consistency of terms throughout the Department’s regulations.

Original subsection (a)(3) was eliminated as packaging and labeling requirements for all Department licensees have been consolidated and placed in chapter 14 of the

Department's regulations. This is necessary for clarity and will ensure that all prospective Department licensees are utilizing packaging and labeling requirements in the same chapter.

Original subsection (b) which prohibited retailers from selling any other live plants has been deleted. The Department determined that this section is duplicative of other sections which limit retail licensees to selling cannabis goods, including immature plants, only, thus other live plants are already prohibited.

Original subsection (c) has been renumbered to adjust for the deleted subsections. The text has been amended for clarity, without changing the meaning, to make it more easily understood by licensees.

Section 15410. Customer Return of Cannabis Goods.

Section 15410 addresses customer returns of cannabis goods.

Subsection (a) has been amended for grammar. This amendment is necessary for clarity.

The Department proposes to remove the reference to regulatory sections 15054 and 15053. This is necessary because these references are no longer accurate.

Section 15411. Requirements for Providing Free Cannabis Goods to Medicinal Consumers.

Section 15411 provides the requirements for the donation of free cannabis goods to medicinal consumers. The title of the section has been amended to clarify the contents of the section. This amendment is necessary for clarity.

Subsection (b)(1) has been amended to allow retailers to provide free cannabis goods to medicinal patients who have either a physician's recommendation or a Medical Marijuana Identification Card Issued by the State Department of Public Health. This amendment is necessary to match the requirement found in Business and Professions Code section 26071, subsection (a)(1).

Original subsection (b)(2) has been removed. This amendment is necessary for clarity. Retailers are only allowed to take possession of cannabis goods that have been properly tested by a licensed testing laboratory. Therefore, all the cannabis goods provided by retailers must comply with laboratory testing requirements. Additionally, this requirement is covered in proposed section (b)(6).

Proposed subsection (b)(2) has been added. Proposed subsection (b)(2) contains the requirements that a retailer must comply with before providing free cannabis goods to medicinal consumers if the medicinal consumer does not have a state issued Medical Marijuana Identification Card.

Proposed subsection (b)(2)(A) is a restatement of the requirement found in Business and Professions Code section 26071, subsection (a)(2)(B)(i) and is restated here for clarity.

Proposed subsection (b)(2)(B) is a restatement of the requirement found in Business and Professions Code section 26071, subsection (a)(2)(B)(ii) and is restated here for clarity.

Proposed subsection (b)(2)(C) requires documentation of the verification performed under

proposed subsections (b)(2)(A)-(B). This proposed subsection is necessary to ensure that the verification required under the act is completed and documented in a manner that will allow the Department to verify that it was completed correctly.

Proposed subsection (b)(3) has been added. The proposed subsection requires that a retailer verify a patient's physician recommendation at least annually. This proposed subsection is necessary to ensure that retailers are only providing free medicinal cannabis goods to patients who have valid recommendations are required under the Act.

Proposed subsection (b)(4) has been added. This proposed subsection prohibits a retailer from providing free cannabis goods to a patient whose physician's recommendation has expired. This proposed subsection is necessary to ensure that retailers are only providing free medicinal cannabis goods to patients who have valid recommendations are required under the Act.

Original subsection (b)(3) has been renumbered to subsection (b)(5) to accommodate the addition of the new subsections. Additionally, subsection (b)(5) has been amended to specify a patient's primary caregiver and that cannabis goods provided for free must be designated for donation in the track and trace system. These amendments are necessary for clarity and do not substantially change the meaning of the subsection.

Original subsection (b)(4) has been renumbered to subsection (b)(6) to accommodate the addition of the new subsections. Additionally, the subsection has been deleted and replaced with a requirement that all donated cannabis goods comply with all statutory and regulatory requirements for cannabis goods for sale. This requirement captures the requirement in original subsection (b)(4) as well as all other requirements that must be applied to cannabis goods for donation. This subsection is necessary to ensure that retailers who are providing donations of cannabis goods do so in a manner that provides an equal amount of information and protection as if the consumers were purchasing the cannabis goods. This requirement is a restatement of a requirement in Business and Professions Code section 26071, subsection (a)(3) and is restated her for clarity.

Original subsection (b)(5) has been renumbered to subsection (b)(7) to accommodate the addition of the new subsections. Additionally, the subsection is amended for clarity. These amendments are necessary for clarity and do not substantially change the meaning of the subsection.

Original subsection (b)(6) has been removed as the requirements are covered in subsection (b)(6) and do not need to be restated.

Proposed subsection (b)(8) has been added. This proposed subsection requires that donated cannabis good be identified as donated on the sales invoice or receipt. This proposed subsection is necessary to ensure that all licensees who take possession of the cannabis goods for donation, and the Department be able to easily identify cannabis goods that are for donation.

Proposed subsection (b)(9) has been added. This proposed subsection requires that the provision of free cannabis goods be recorded in the track and trace system and that the retailer maintain a record that includes a copy of the physician's recommendation or the patient's Medicinal Marijuana Identification Card number. This proposed section is

necessary to ensure that retailers are only providing free cannabis goods to those authorized to receive them as well as creating documentation that will allow the Department to effectively track the movement of cannabis goods.

Subsection (c) has been amended for clarity and to correct citations to subsections that have been changed due to the addition of new subsections.

Proposed subsection (d) has been added. The proposed subsection is a restatement of a requirement found in Business and Professions Code section 26071, subsection (c). Additionally, the proposed subsection clarifies that all cannabis goods donated under the proposed subsection comply with all requirements in the section and that licensees may be disciplined by violations committed by an individual or organization with whom the licensee has contracted. This amendment is necessary to ensure that the requirements are followed even when a licensee is working with an unlicensed entity.

Proposed subsection (e) has been added. The proposed subsection is a restatement of a requirement found in Business and Professions Code section 26071, subsection (c). Additionally, the proposed subsection clarifies that all cannabis goods donated under the proposed subsection comply with all requirements in the section.

Section 15413. Cannabis Goods Packaging and Exit Packaging.

This section provides the packaging and exit packaging requirements applicable to cannabis goods sold by licensed retailers.

Subsection (a) has been amended to reference chapter 11 of this division.

Subsection (b) is proposed to be amended to clarify that the packaging for cannabis goods must be resealable only if the package contains more than one serving. BPC section 26120(a) only requires cannabis goods that contain more than one serving to be resealable. This proposed amendment is necessary to comply with the requirements in the Act and to clarify that resealable packaging is only required for products containing more than one serving, not all cannabis goods. The reference to beginning January 1, 2020, has been removed because the date has passed, and it is no longer needed.

Subsection (d) is amended to repeal “Notwithstanding subsection (a)-(c) of this section” as it is not needed.

Section 15414. Non-Storefront Retailer.

This section provides requirements for retailers who conduct sales exclusively by delivery.

Subsection (a) contains a proposed amendment to modify the reference to the definition of delivery in the Act due to recent legislation that changed the citation.

Section 15415. Delivery Employees.

Subsection (d) has been amended and divided into two subsections. The first requirement in original subsection (d) which indicates when a delivery begins and ends has been replaced with language that specifies that a consumer can only receive cannabis or cannabis products by delivery during hours of operation and that delivery employees must return to the licensed premises after making their last delivery. This allows delivery

employees to perform delivery during the same hours that a storefront premises can perform sales, without including travel time back to the licensed premises within the hours of operation. This is necessary for consistent requirements amongst licensees. The requirement to return to the premises has been clarified but remains substantially the same.

The additional requirement in original subsection (d) requiring that only necessary activities occur while delivery employees are engaging in delivery is now proposed subsection (e).

Original subsections (e), (f), and (g) are renumbered to subsections (f), (g), and (h), respectively to accommodate the new subsection (e).

Subsections (f) and (g) have been amended to remove the phrase “of this division.” This amendment is necessary for clarity and does not change the meaning of the test.

Section 15417. Delivery Vehicle Requirements.

Subsection (b) has modified the former requirement that cannabis goods be locked in a fully enclosed box, container or cage that is secured to the inside of the vehicle. The amendment mirrors the same requirements applicable to vehicles used for transportation. The proposed section now provides that cannabis and cannabis products shall be transported in a fully enclosed, windowless locked trailer or trunk which cannot be accessed from the inside of the vehicle, or in a secured area within the inside body or compartment of a vehicle. It also provides clarification regarding what is considered a secured area. The Department received input from a number of licensees regarding the cost of vehicle improvements necessary to meet the previous requirements and believes that the added burden does not provide sufficient added security to warrant the requirement’s continuation. The Department has determined that these amended measures, such as solid or locking metal partitions, cages, or high strength shatterproof acrylic compartments, are necessary to prevent theft, while minimizing costs to Department licensees by providing a wide array of security options.

Subsection (c) has also been amended to delete the phrase, “of this section.” This amendment is necessary for clarity and does not change the meaning of the text.

Section 15418. Cannabis Goods Carried During Delivery.

Subsection (a) has been amended to change the rules regarding the amount of cannabis goods a delivery employee may carry. The subsection has been amended to allow a delivery employee to carry up to \$10,000 of cannabis goods. This a proposed amendment is necessary to provide retailers with additional flexibility in conducting deliveries. The Department has determined that this increase in carrying limit is not likely to result in a substantial increase in risk of theft or other loss.

Subsection (a) has also been amended to remove the provision which limited the separate \$3,000 limit that applied only to cannabis goods that was not received and processed by the retailer prior to the delivery employee departing from the retail premises. Based on experience, the Department has determined that it is not necessary to require a specific amount be pre-ordered. By only applying one carrying limit for delivery employees, rather

than 2 separate limits, it is less likely that retailers and delivery employees will be confused regarding the requirements regarding the amount of cannabis goods that may be carried. The value of cannabis goods that can be carried in the delivery vehicle has been increased from \$5,000 to \$10,000. This is necessary as the Department has determined that this change to the regulations is not likely to result in a substantial increase in risk of theft or other loss. Additionally, this will allow retailers more flexibility in delivery operations and require fewer trips between delivery customers and the licensed premises, which will benefit the environment.

Subsection (c) has been amended to clarify that in addition to cannabis goods, a delivery employee may also carry cannabis accessories, branded merchandise of any licensee, or promotional materials. All these items are items that a licensed retailer is specifically allowed to sell under the Department's regulations. The clarification is necessary to avoid any confusion from the original language that may have been interpreted to mean that delivery employees are only allowed to carry cannabis goods and not the other items that a licensed retailer is authorized to sell.

Subsection (g) has been amended to remove the phrase "of this division." This amendment is necessary for clarity and does not change the meaning of the test.

Subsection (j) has been amended to remove the hyphens from the term track and trace. This amendment is necessary for consistency and clarity.

Section 15419. Cannabis Consumption During Delivery.

This section has been amended to change the term "cannabis goods" to "cannabis and cannabis products." This amendment is necessary for clarity. Given the new proposed definition for the term "cannabis goods," the term no longer applies as used in the section's original wording.

Section 15420. Delivery Request Receipt.

This section provides the requirements for information that must be included on the delivery request receipt.

Subsection (a)(1) proposes an amendment to remove the requirement that the delivery receipt include the address of the retailer. This amendment is necessary to help protect retail licensees who may be subject to robbery at their physical locations. In place of the address, the requirement has been changed to require the receipt to include the legal business name of the licensed retailer as well as their license number. This information will provide licensees with the information necessary to identify and contact the licensee if the need should arise.

Section 15426. Records.

Proposed section 15037 consolidates the Department's recordkeeping provisions by further defining what must be stored and maintained as a record; clarifying how and how long records must be stored; clarifying what manner records must be kept; and clarifying that all records related to commercial cannabis activity are subject to inspection by the Department. Section 15426 is being deleted because it is no longer necessary and is

considered duplicative of the requirements in section 150387 and the Department's inspection provisions in section 17800.

Section 15427. Retailer Premises to Retailer Premises Transfer.

This section provides the requirements for the transfer of cannabis goods from one licensed retailer to another licensed retailer.

Subsection (a) proposes an amendment to clarify that to effectuate a transfer of cannabis goods between two licensed retailers, the retail licenses must be held by the same sole proprietor or business entity. The amendment does not change the requirement, it simply clarifies a point of common confusion. This change is necessary to provide additional clarification as the previous language led to confusion among licensees, who believed that having some of the same owners between two retail licenses was enough to satisfy the requirements.

Subsection (b) has been amended to remove the phrase “of this section.” This amendment is necessary for clarity and does not change the meaning of the test.

Subsection (d) has been amended to remove the “state” before the phrase track and trace system. This amendment is necessary for clarity and does not change the meaning of the test.

Chapter 4. Microbusiness

Section 15500. Microbusiness.

This section contains the requirements for operating a microbusiness. Subsection (a) contains a proposed amendment to specify that the distributor-transport only license is a qualifying activity for obtaining a microbusiness license. Prior to consolidating the regulations, the section referred to, and exempted, license types created by the other licensing authorities except for the Type N, manufacturing license. However, with consolidation of the regulations, the Department determined it was necessary to amend this section to continue allowing distributor-transport only to be a qualifying activity.

Original subsection (c) was eliminated by the Department as application requirements for all Department licensees have been consolidated and placed in chapter 1 of the Department's regulations. This is necessary for clarity and will ensure that all prospective Department licensees are utilizing application requirements in the same chapter. The remaining provisions in this section have been re-lettered accordingly.

In addition to being renumbered to (j), original subsection (h) contains the requirement that the cultivation and manufacturing areas of a microbusiness be separated from the distribution and retail areas by a wall and doors must remain closed. The Department proposes removing the requirement that the distribution area be separated from the cultivation and/or manufacturing areas and would instead require that distribution, along with cultivation and manufacturing, be separated from the retail area by a wall and closed doors. The Department determined that the retail area which may be open to the public should be separated from the rest of the operation so that customers are not granted access to areas of the premises where cannabis and cannabis products are being

produced. This is necessary to prevent diversion and contamination of cannabis and cannabis products by unauthorized persons.

Section 15501. Microbusiness Applications Including Cultivation Activities.

Original section 15501 was eliminated by the Department as application requirements for all Department licensees have been consolidated and placed in chapter 1 of the Department's regulations. This is necessary for clarity and will ensure that all prospective Department licensees are utilizing application requirements in the same chapter.

Section 15502. Cultivation Plan Requirements.

Original section 15502 was eliminated by the Department as application requirements for all Department licensees have been consolidated and placed in chapter 1 of the Department's regulations. This is necessary for clarity and will ensure that all prospective Department licensees are utilizing application requirements in the same chapter.

Section 15503. Supplemental Water Source Information.

Original section 15503 was eliminated by the Department as application requirements for all Department licensees have been consolidated and placed in chapter 1 of the Department's regulations. This is necessary for clarity and will ensure that all prospective Department licensees are utilizing application requirements in the same chapter.

Section 15504. License Issuance in an Impacted Watershed.

Original section 15504 was eliminated by the Department as application requirements for all Department licensees have been consolidated and placed in chapter 1 of the Department's regulations. This is necessary for clarity and will ensure that all prospective Department licensees are utilizing application requirements in the same chapter.

Section 15505. Cultivation Records for Licensees Engaging in Cultivation Activities.

The Department has determined that this section should be repealed from this chapter, as recordkeeping requirements for all Department licenses have been consolidated in chapter 1 of the Department's regulations. This is necessary for clarity to ensure that all Department licensees are utilizing recordkeeping requirements in the same chapter, and to apply the same requirements to all licensees for consistency.

Section 15506. Microbusiness Applications Including Manufacturing Activities.

Original section 15506 was eliminated by the Department as application requirements for all Department licensees have been consolidated and placed in chapter 1 of the Department's regulations. This is necessary for clarity and will ensure that all prospective Department licensees are utilizing application requirements in the same chapter.

Section 15506.1. Microbusiness Failed Manufactured Cannabis Product Batches.

The Department has determined that this section should be repealed from this chapter, as requirements for remediating failed manufactured cannabis product batches for licensees authorized to engage in manufacturing have been consolidated in Section 17305 of the

Department's regulations. This is necessary for clarity to ensure that all licensees authorized to engage in manufacturing and remediation are utilizing the same requirements in the same section, and to apply the same requirements to all licensees authorized to engage in manufacturing for consistency.

Section 15507. Microbusiness Records for Licensees Engaging in Manufacturing Activities.

The Department has determined that this section should be repealed from this chapter, as recordkeeping requirements for all Department licenses have been consolidated in chapter 1 of the Department's regulations. This is necessary for clarity to ensure that all Department licensees are utilizing recordkeeping requirements in the same chapter, and to apply the same requirements to all licensees for consistency.

Chapter 5. Cannabis Events

Section 15600. Cannabis Event Organizer License.

BPC Section 26200, subsection (e) allows for the issuance of a state temporary event license authorizing onsite cannabis sales to, and consumption by, persons 21 years of age or older at a venue expressly authorized by a local jurisdiction. The statute provides a number of requirements that apply to these licensed events.

Original subsection (b) contains a list of provisions that event organizers do not have to comply with. These provisions were related to the application and provisions specific to a premises, which do not apply to event organizers as they do not have a licensed premises. Proposed amendments would remove the application references as application requirements have been consolidated into chapter 1. Additionally, sections 15007, 15027, and 15052.1 were added as sections that do not apply to cannabis event organizers activities, who are not required to have a premises and are not allowed to possess cannabis under this license.

The Department has determined that subsection (d) should be repealed from this chapter, as recordkeeping requirements for all Department licenses have been consolidated in Chapter 1 of the Department's regulations. This is necessary for clarity to ensure that all Department licensees are utilizing recordkeeping requirements in the same chapter, and to apply the same requirements to all licensees for consistency.

Original subsections (e)-(g) were eliminated by the Department as application requirements for all Department licensees have been consolidated and placed in chapter 1. This is necessary for clarity and will ensure that all prospective Department licensees are utilizing application requirements in the same chapter. The remaining provisions in this section have been re-lettered accordingly.

The authority and reference sections have been updated to delete BPC sections 115.4 and 144, which are applicable to licensing entities within the Department of Consumer Affairs. As the Department is not housed within the Department of Consumer Affairs, these sections are not applicable.

Section 15601. Temporary Cannabis Event Requirements.

BPC 26200, subsection (e) allows for the issuance of a state temporary event license authorizing onsite cannabis sales to, and consumption by, persons 21 years of age or older at a venue explicitly authorized by a local jurisdiction. The statute provides a number of requirements that apply to these licensed events.

The Department proposes to change this section's title from Temporary Cannabis Event License to Temporary Cannabis Event Requirements, to more efficiently capture the intent and purpose of this section in providing the requirements for holding a temporary cannabis event and engaging in any activities authorized under a temporary cannabis event license.

Original subsection (b) was moved to proposed section 15002.1, subsection (a) and removed from this section. The following sections were renumbered accordingly.

Subsection (g) has been renumbered from original subsection (i) and amended to clarify that all employees of licensees participating in the event must comply with the employee badge requirement in section 15043. This clarification is necessary to ensure licensees participating in an event are aware of the requirements and to ensure Department staff can readily identify employees of licensees at an event. Additionally, the subsection has been amended to require the event organizer to notify the Department in the event of a change in the list of licensees and vendors who are participating in the event. This amendment is necessary to allow the Department to effectively regulate the event by having accurate information regarding the entities participating in the licensed event. The subsection was also amended to include an updated citation to the Licensee Notification and Request Form, including the name of the new form, the new amended date, and an updated citation to the section which contains diagram requirements.

Original subsection (h) was eliminated here in this section and moved by the Department, to proposed section 15002.1, subsection (b), of chapter 1, as application requirements for all Department licensees have been consolidated and placed in chapter 1 of the Department's regulations. This is necessary for clarity and will ensure that all prospective Department licensees are utilizing application requirements in the same chapter. The requirements for a temporary cannabis event license application remain the same, except for the form that licensees use to notify the Department of changes, which has been amended and is discussed in the forms section. The remaining provisions in this section have been renumbered accordingly. .

Subsection (h) has been amended to correct capitalization errors. This amendment does not change the meaning of the text. The subsection has also been amended to specify that the provision applies to cannabis goods as opposed to just cannabis. This amendment is necessary for clarity.

Subsection (i) is amended to include the word inches instead of using symbols. This amendment is necessary for clarification.

Subsection (j) amends the citation to section 17223 for accuracy.

Subsections (j) and (k) have been amended to remove the phrase "of this division." This amendment is necessary for clarity and does not change the meaning of the text.

Proposed subsection (n) has been added to specify that the event organizer shall designate a limited-access area that can only be accessed by the licensee and the

Department and that the event organizer shall make the area available to the Department. This subsection is necessary to ensure that cannabis events have a designated area that only the licensee and authorized personnel can access, similarly to retail premises that are open to the public. This ensures a designated space away from the public is available for any activities that need to occur within a limited-access area.

Section 15602. Temporary Cannabis Event Sales.

The Department proposes to update the cross reference in proposed section 15602. This is necessary to accurately identify the applicable section due to the changes in section 15601. In proposed subsection (g), “cannabis products” is added following “All shipments of cannabis”. This edit is necessary to ensure consistency of terms throughout the Department’s regulations.

The phrase “in this division” has been removed throughout the section. This amendment is necessary for clarity and does not change the meaning of the text.

Section 15603.1. Participation in Temporary Cannabis Events by Non-Retail Licensees.

Proposed section 15603.1 has been added. The proposed section provides the requirements for participation by non-retail licensees at licensed temporary cannabis event. This proposed section is necessary to provide guidance for licensees regarding how to participate in a temporary cannabis events in a manner that does not potentially cause confusion to event attendees and minimizes the risk of violations of the Act and regulations.

Proposed subsection (a) indicates that non-retail licensees may participate in a licensed temporary cannabis event if certain requirements are met. This proposed subsection is required to clarify the requirements for non-retail licensees who participate in licensed temporary cannabis events.

Proposed subsection (a)(1) provides the maximum amounts of cannabis and cannabis products that may be displayed by a non-retail licensee at a licensed temporary cannabis event. This proposed subsection is necessary to ensure that displays do not have an excessive amount of cannabis or cannabis products, which could increase the likelihood of unauthorized sales or diversion. The Department has determined that limiting the quantity of the display to the amounts described in proposed subsection (a)(1)(A)-(D) are appropriate to allow for licensees to provide a meaningful display for potential customers while also ensuring that displays do not contain an excessive amount of cannabis or cannabis products. The Department used the legal possession limits found in the Health and Safety Code as the basis for developing the limits provided in the proposed section. As it is likely that licensees will have more than one employee present at the licensee’s display at a temporary cannabis event. It is appropriate to allow for licensees to possess amounts of cannabis and cannabis products that would exceed the possession amount for one individual. The Department determined that allowing licensees to display an amount of cannabis and cannabis goods that does not exceed the legal possession limits for up to 3 individuals would be appropriate given the circumstances of providing an educational display at a licensed temporary cannabis event. The maximum limits provided in proposed subsections (a)(1)(A) - (C) are equal to the amount that 3 individuals may legally possess.

The maximum limit proposed subsection (a)(1)(D) which applies to seeds was determined by the Department based on what would be a reasonable number of seeds to allow the licensees to provide an effective display, as the Health and safety Code legal possession limits do not provide a specific quantity of seeds that an individual may possess. The maximum limits provided by this proposed subsection would allow licensees to provide an effective display while limiting the quantities of cannabis and cannabis products displayed to an amount that would not create an unreasonable risk of theft, loss, or unauthorized sales.

Proposed subsection (a)(2) clarifies that cannabis or cannabis products may only be provided to event attendees for inspection and that the displays must comply with the display requirements applicable to displays on a licensed retail premises. Additionally, as these licensees are not authorized to sell to consumers, their cannabis and cannabis products on display may not have passed all necessary testing. This proposed subsection is necessary to ensure that attendees are not able to remove or consume the display items and that there are consistent standards for display across license types.

Proposed subsection (a)(3) clarifies that employees of a licensee may transport cannabis and cannabis products to be used as a display under the proposed section so long as the quantity does not exceed the personal possession limits found in the Health and Safety Code. This proposed subsection clarifies that use of a licensed distributor may not be required to bring small amounts of cannabis or cannabis products for display to a licensed temporary cannabis event. This proposed subsection is necessary to provide licensees with some flexibility in participating in licensed temporary cannabis events by not requiring the use of distributors for potentially small amounts of cannabis and cannabis products to be used only as display.

Proposed subsection (b) has been added indicating that non-retail licensees participating in a licensed temporary cannabis event may display non-cannabis items. This proposed subsection is necessary for clarity and to avoid potential confusion regarding the rules for displaying non-cannabis items at a licensed temporary cannabis event.

Proposed subsection (c) has been added to indicate that non-retail licensees participating in a licensed temporary cannabis event may sell cannabis accessories and branded merchandise in compliance with other laws. This proposed subsection is necessary for clarity and to avoid potential confusion regarding the rules for the sale non-cannabis items at a licensed temporary cannabis event.

Section 15604. Informational or Educational Events.

This section contains proposed amendments to change the term “cannabis goods” to “cannabis or cannabis products”. This is necessary for consistency in the use of the terms throughout this division.

Chapter 6. Testing Laboratories

Throughout this chapter the term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

Section 15700. Definitions.

Section 15700 contains the definitions applicable to licensed laboratories. This section contains proposed amendments to change the term “cannabis goods” to “cannabis and cannabis products”. This is necessary for consistency in the use of the terms throughout this division.

This section has been amended by removing definitions for: cannabis concentrate, CBD, certificate of analysis (COA), orally consumed product containing alcohol, orally dissolving product, pre-roll, THC, and topical cannabis goods. These definitions were removed because they are duplicative or conflict with definitions found elsewhere in this division. Cannabis concentrate is defined in section 15000(h) of this division so the definition here would be partially duplicative. Additionally, the requirements for manufacturing concentrates have been amended in section 17303 therefore, the original definition for cannabis concentrate in this section is no longer applicable.

CBD is also defined under section 15000(n) therefore it has been removed from this section as duplicative. The requirements for the certificate of analysis are defined under section 15726 thus the Department determined that repeating the definition here is duplicative and unnecessary.

The definition of certified reference material under subsection (o) contains proposed clarifying edits. The edits will clarify that reference material in cannabis or similar non-cannabis matrix prepared at a known concentration by a certifying body or party independent of the laboratory with ISO/IEC 17034 accreditation. This is necessary to ensure that licensees have accurate parameters regarding what qualifies as certified reference material. The definition also contains a proposed amendment to specify that the percent recovery of the certified reference materials must be calculated based on measured concentration relative to the known concentration. This is necessary to ensure that licensees are aware of how the percent recovery of the certified reference material is defined.

Orally consumed product containing alcohol and orally dissolving product are captured under the definition for orally-consumed concentrate under section 15000(ww) and therefore do not need to be repeated here. Additionally, as with the definition for cannabis concentrate, requirements for concentrates, including orally consumed concentrates are contained in section 17303 and thus do not need to be redefined here.

Pre-roll is defined under section 15000(bbb) therefore it has been removed from this section as duplicative. THC is defined under section 15000(ppp) and therefore it too has been removed as duplicative.

The definition for topical cannabis goods is captured under the definition for topical cannabis products in section 15000(rrr) and under the requirements for topical cannabis products in section 17302, thus the Department determined that it was not necessary to duplicate the definition here.

Lastly, the definition for inhalable has been amended to remove gaseous or vapor form because the Department has determined that inhalable products may be found in other forms besides gaseous or vapor.

The section has also been renumbered to adjust for the deleted definitions.

Section 15701. General Laboratory License Requirements.

This section specifies the general requirements to obtain a laboratory license including ISO/IEC 17025 accreditation.

Proposed subsection (d) has been added to clarify that in addition to testing cannabis and cannabis products, a licensed testing laboratory is also permitted to test items that are not regulated by the Department provided the laboratory complies with laws and regulations governing the testing of such items. The subsection also specifies that the laboratory shall maintain separate and distinct records of their activities. This subsection is necessary to provide clarity to licensees regarding what activities they can conduct on their premises. The regulations currently in place do not ban licensees from testing other items, however because the regulations did not specifically state that licensees could do these activities the Department found that there was confusion amongst licensees and stakeholders regarding permitted activities.

Section 15702. Laboratory License Application.

This section contains proposed amendments to change the term “cannabis goods” to “cannabis and cannabis products”. This is necessary for consistency in the use of the terms throughout this division.

Section 15703. Interim Testing Laboratory License.

Section 15703 specifies that a cannabis testing laboratory may apply for an interim license prior to receiving ISO/IEC 17025 accreditation status, provided that the laboratory meets all other requirements for licensure. This section contains proposed amendments to change the term “applicant” to “commercial cannabis business”. This is necessary for consistency in the use of the terms throughout this division. This section also contains proposed amendments to change the term “cannabis goods” to “cannabis and cannabis products”. This is necessary for consistency in the use of the terms throughout this division.

Subsection (f)(4) is proposed to be amended to include section 15024 as reference to the subsequent notifications required for not only business modifications under section 15023, but death, incapacity, or insolvency of a licensee under section 15024, as these changes significantly impact the license and fitness for licensure.

Subsection (i) is proposed to be amended to include the proposed amended form that licensees use to notify the Department of changes to their ISO/IEC 17025 accreditation status.

Section 15704. Sampling Standard Operating Procedures.

Section 15704 requires a licensed testing laboratory to develop and implement a sampling standard operating procedure and submit it to the Department. This section contains proposed amendments to change the term “cannabis goods” to “cannabis and cannabis products”. This is necessary for consistency in the use of the terms throughout this

division.

Subsection (a) has been amended to include the proposed amended form that licensees must use and submit to the Department related to their standard operating procedures.

Section 15705. General Sampling Requirements.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

This section also contains proposed amendments to change the term “cannabis goods” to “cannabis or cannabis products”. This is necessary for consistency in the use of the terms throughout this division. Proposed subsection (b) also adds batch to cannabis products for clarity as the laboratory is analyzing samples from a batch.

The Department has also updated the email address for which requests to re-sample can be sent, as the previous email address was associated with the Bureau of Cannabis Control and Department of Consumer Affairs.

Section 15706. Chain of Custody (COC).

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

Section 15709. Laboratory Transportation of Cannabis and Cannabis Products Samples.

Section 15709 contains the requirements for the transportation of cannabis and cannabis products samples to a licensed laboratory. This section also contains proposed amendments to change the term “cannabis goods” to “cannabis and cannabis products”. This is necessary for consistency in the use of the terms throughout this division.

Proposed section 15709 (a)(1) has modified the former requirement that cannabis goods be locked in a fully enclosed box, container or cage that is secured to the inside of the vehicle. The amendment mirrors the same requirements applicable to vehicles used for transportation and delivery. The proposed section now provides that cannabis and cannabis products shall be transported in a fully enclosed, windowless locked trailer or trunk which cannot be accessed from the inside of the vehicle, or in a secured area within the inside body or compartment of a vehicle. It also provides clarification regarding what is considered a secured area. The Department received input from a number of licensees regarding the cost of vehicle improvements necessary to meet the previous requirements and believes that the added burden does not provide sufficient added security to warrant the requirement’s continuation. The Department has determined that these amended measures, such as solid or locking metal partitions, cages, or high strength shatterproof acrylic compartments, are necessary to prevent theft, while minimizing costs to Department licensees by providing a wide array of security options.

The proposed change to subsection (b) provides that the licensee only need to provide transportation vehicle information upon request of the Department. The Department has determined that receiving this information upon request is sufficient for its regulatory activities. This is necessary to clarify for licensees this information must only be provide when requested and to make the requirements for licensed laboratories consistent with

those for distributors and delivery vehicles, related to insurance and vehicle information.

The proposed amendment to subsection (b)(1) clarifies what must be provided to the Department regarding a vehicle used to carry cannabis samples. This subsection specifies that distributors must provide the Department with a copy of the certificate of ownership or registration card issued by the California Department of Motor Vehicles for each vehicle used to carry cannabis and cannabis products samples. This is necessary because vehicles must be owned by the licensed laboratory. Original subsection (a) required proof that the licensed laboratory was the registered owner under the Vehicle Code for each vehicle and trailer used to conduct transportation. However, the Department has received a number of questions regarding transport vehicle ownership and has determined that such revisions are necessary here and in the application requirements to further clarify vehicle ownership requirements for licensed laboratory.

Specifically identifying the certificate of ownership or registration card provides applicants and licensees with clear, explicit instruction on what they need to provide to demonstrate ownership of vehicles.

Subsection (c) previously required the laboratory to receive approval from the Department prior to using a new vehicle or trailer. However, this is no longer needed as the Department has specified that vehicle information is now only needed upon request. This section contains proposed amendments which clarify that all vehicles must be owned or leased by the licensee in accordance with the vehicle code which is a current requirement, but that they need not be the sole owner and that all owners and lessors may use the vehicle for non-commercial cannabis activity. This is necessary to provide clarity to licensees by specifying that including multiple owners on a vehicle and allowing such owners to use the vehicle for non-commercial cannabis activity is permitted under this section.

Subsection (d) has been repealed.

Section 15710. Laboratory Receipt of Samples Obtained from a Distributor or Microbusiness.

The term “laboratory” has been replaced with the term “licensed laboratory.” This is necessary to ensure consistency of terms throughout the Department’s regulations. The Notification and Request Form, Notifications and Requests Regarding Testing Laboratories, DCC-LIC-029, incorporated by reference is new as the Department proposes to amend and divide form DCC-LIC-027.

Section 15711. Laboratory Analyses Standard Operating Procedures.

Section 15711 addresses standard operating procedures for licensed laboratories related to laboratory analyses. The Notification and Request Form, Notifications and Requests Regarding Testing Laboratories, DCC-LIC-029, incorporated by reference in subsection (a) is new as the Department proposes to amend and divide form DCC-LIC- 027.

Section 15713. Validation of Test Methods.

Section 15713 contains the requirements for a licensed laboratory to validate the methods for analyses of samples.

Subsection (d)(8) has been amended to include the proposed amended forms to be submitted to the Department when new or altered test methods are used in the licensed laboratory.

Section 15714. Required Testing.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

Section 15715. Phase-In of Required Laboratory Testing.

Section 15715 contained the requirements for the phase-in of laboratory testing when the state initially began commercial cannabis licensing. Phase-in testing requirements allowed the industry to test cannabis and cannabis products in phases to transition the industry to the new testing requirements. Each phase of required testing included additional analytes to be tested, so that in the last phase of testing, for all cannabis and cannabis products harvested or manufactured after December 31, 2018, licensed laboratories were testing for all analytes required by MAUCRSA and regulations. The Department is repealing this section as the requirements for phase-in testing have become obsolete as the end date has passed.

Section 15717. Moisture Content and Water Activity Testing.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

Section 15718. Residual Solvents and Processing Chemicals Testing.

Section 15718 provides the pass or fail action levels for the presence of residual solvents and processing chemicals in cannabis and cannabis products.

This section contains proposed amendments to change the term “cannabis goods” to “cannabis and cannabis products” and “goods” to “products.” This is necessary for consistency in the use of the terms throughout this division.

Subsection (c)(1) clarifies that the limit of ethanol does not apply to cannabis or cannabis products that are tinctures. This has been amended from previous text that provided the limit of ethanol does not apply to orally consumed products containing alcohol as defined by the regulations. This change is necessary to clarify that orally consumed products containing alcohol are considered tinctures. This is also necessary to align with the Department’s product terms and provide clarification to the licensed laboratories for process efficiency.

Subsection (c)(2) has been amended to remove the reference to the definition of topical cannabis goods in this chapter, as the definition in this chapter was removed for being duplicative or in conflict with definitions found elsewhere in this division.

Section 15719. Residual Pesticides Testing.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

This section also contains proposed amendments to change the term “cannabis goods” to “cannabis and cannabis products”. This is necessary for consistency in the use of the terms throughout this division.

Lastly, this section contains a proposed amendment in the table to modify “Action Level (µg/g) for Other Cannabis Goods” to “Action Level (µg/g) for Non-Inhalable Cannabis and Cannabis Products.” This is necessary to maintain the intent of the original language that the action levels in one column apply to inhalable cannabis and cannabis products and the action levels in the other column apply to non-inhalable cannabis and cannabis products.

Section 15720. Microbial Impurities Testing.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

This section also contains proposed amendments to change the term “cannabis goods” to “cannabis and cannabis products”. This is necessary for consistency in the use of the terms throughout this division.

Section 15721. Mycotoxin Testing.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

This section also contains proposed amendments to change the term “cannabis goods” to “cannabis and cannabis products”. This is necessary for consistency in the use of the terms throughout this division.

Section 15722. Foreign Material Testing.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

This section also contains proposed amendments to change the term “cannabis goods” to “cannabis and cannabis products”. This is necessary for consistency in the use of the terms throughout this division.

Section 15723. Heavy Metals Testing.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

This section also contains proposed amendments to change the term “cannabis goods” to “cannabis and cannabis products”. This is necessary for consistency in the use of the terms throughout this division.

Lastly, this section contains a proposed amendment in the table to modify “Action Level (µg/g) for Other Cannabis Goods” to “Action Level (µg/g) for Non-Inhalable Cannabis and

Cannabis Products.” This is necessary to maintain the intent of the original language that the action levels in one column apply to inhalable cannabis and cannabis products and the action levels in the other column apply to non-inhalable cannabis and cannabis products.

Section 15724. Cannabinoid Testing.

The Department is eliminating language in this section that is redundant for the requirements in meeting conditions for a sample to have passed cannabinoid testing. This section contains proposed amendments to change the term “cannabis goods” to “cannabis and cannabis products”. This is necessary for consistency in the use of the terms throughout this division.

Proposed (d) has been amended to provide a cross-reference to the THC limits established in section 17304 and removes subsection (d)(1)-(5) as they repeat the requirements in section 17304.

Proposed subsection (h) is added to provide clarity regarding the applicability of the 10% variance for cannabinoids claimed on the label of a cannabis good. This provision is currently contained in section 15307.1 however, for clarity, it is being added here as well so that testing laboratories have clear requirements regarding cannabinoid claims on a label.

Proposed subsection (i) is added to provide for a 10% deviation in Total THC claimed to be present on a label, from the percentage of Total THC on the Certificate of Analysis, for edible cannabis products to align with statutory requirements, under Business and Professions Code section 26100.

Section 15725. Terpenoid Testing.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

Section 15726. Certificate of Analysis (COA).

Section 15726 contains the requirements for the COA, which is the document that contains testing results for cannabis and cannabis products. Business and Professions Code section 26100, subdivision (e), clarifies that a testing laboratory may amend a certificate of analysis to correct minor errors, as defined by the Department. The Department is amending this section to align with this statutory requirement, enacted by Assembly Bill 404 (Stone, 2019), to allow for minor errors to be corrected on certificates of analysis. The Department has determined that minor errors are those that do not involve or impact testing results, which the Department clarifies as that information required under subsection (f) of this section. The Department is also providing that corrections to minor errors must be made in writing to the Department so that there is consistency in what errors are being corrected, and the testing process maintains a level of integrity necessary for the protection of public safety and health.

The Department has also updated the email address, in subsection (c), for which COAs can be sent, as the previous email address was associated with the Bureau of Cannabis Control and Department of Consumer Affairs.

This section also contains proposed amendments to change the term “cannabis goods” to “cannabis and cannabis products”. This is necessary for consistency in the use of the terms throughout this division.

Proposed subsection (h) has been added to state that the laboratory supervisory or management employee may request to amend a COA to correct minor errors. Requests must be emailed to the Department at testinglabs@cannabis.ca.gov for approval prior to making any corrections. Errors in results required to be reported pursuant to subsection (f) are not minor errors. This is necessary to conform with the Act with allows for licensees to request to have a COA amended for minor errors.

Section 15727. Remediation and Retesting.

This section contains proposed amendments to change the term “cannabis goods” to “cannabis and cannabis products”. This is necessary for consistency in the use of the terms throughout this division.

Section 15728. Post Testing Sample Retention.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations. The Department is also making another non-substantive change in replacing Bureau with Department.

Section 15729. Laboratory Quality Assurance (LQA) Program.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

Section 15730. Laboratory Quality Control (LQC) Samples.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

This section contains proposed amendments to change the term “cannabis goods” to “cannabis and cannabis products”. This is necessary for consistency in the use of the terms throughout this division.

Section 15731. Limits of Detection (LOD) and Limits of Quantitation (LOQ) for Quantitative Analyses.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

Section 15732. Data Package.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

Section 15733. Required Proficiency Testing.

Section 15733 requires licensed laboratories to participate in a proficiency testing program. This section contains proposed amendments to change the term “cannabis goods” to “cannabis and cannabis products”. This is necessary for consistency in the use of the terms throughout this division.

Subsection (h) has been amended to include the proposed amended form that licensees use to report proficiency testing program results.

Section 15734. Satisfactory and Unsatisfactory Proficiency Test Performance.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

Section 15735. Laboratory Audits.

Section 15735 requires licensed laboratories to conduct an internal audit within a specific timeframe.

Subsection (e) has been amended to include the proposed amended form that licensees use to submit audit results.

Section 15736. General Laboratory Employee Qualifications.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

Section 15737. Supervisor or Management Responsibilities and Qualifications.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

Section 15738. Analyst and Sampler Qualifications.

The term “laboratory” has been replaced with the term “licensed laboratory” This is necessary to ensure consistency of terms throughout the Department’s regulations.

Section 15739. Records.

This section has been repealed as records are addressed for all licensees in chapter 1.

Chapter 7. Cultivators

Article 1. General Cultivation Requirements.

Section 16201. Cultivation License Types

Chapter 9 previously contained other provisions that are now found in chapter 7 of this division. Section 16201 contains provisions relevant to cannabis cultivators that have been moved from original section 16201 in chapter 9, Article 3 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating cultivation regulations in one chapter.

Section 16202. General Cultivation Requirements

Chapter 9 previously contained other provisions that are now found in chapter 7 of this division. Section 16202 contains provisions relevant to cannabis cultivators that have been moved from original section 16202 in chapter 9, Article 3 of this division. Subsections (a), (b), (c), (e), and (f) of original section 16202 have been removed from this section and moved to chapter 1 of this division as these requirements apply to all license types and are not unique to cultivation licenses. Original subsections (d) and (g) have been renamed to subsections (a) and (b) respectively to account for the removal of subsections (a), (b), (c), (e), and (f). The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating cultivation regulations in one chapter.

Section 16209. Medium Cultivation License Limits

Chapter 9 previously contained other provisions that are now found in chapter 7 of this division. Section 16209 contains provisions relevant to cannabis cultivators that have been moved from original section 16209 in chapter 9, Article 3 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating cultivation regulations in one chapter.

Article 2. Cultivation Site Requirements

Section 16300. Cultivation Requirements for Specialty Cottage, Specialty, Small, and Medium.

Chapter 9 previously contained other provisions that are now found in chapter 7 of this division. Section 16300 contains provisions relevant to cannabis cultivators that have been moved from original section 16300 in chapter 9, Article 4 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating cultivation regulations in one chapter.

Proposed subsection (a) has been moved from original section 16300, subsection (a) in chapter 9, Article 4 of this division. No changes to the requirements have been made. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating cultivation regulations in one chapter.

Subsection (b) replaces a reference to “section 16403 of this chapter” to “section 15048.4,” as track and trace requirements for all Department licensees have been consolidated and placed in chapter 1 of the Department’s regulations. This necessary for clarity and will ensure that all Department licensees are utilizing the appropriate track and trace requirements in the same chapter.

Subsection (c) would amend “licensees” to “a licensee” for greater clarity in the subsection. The substance has not been amended. Proposed subsection (d) eliminates the phrase “plan provided they are compliant with packaging and labeling requirements pursuant to section 16212”. The Department determined a cross-reference to the generally applicable

packaging and labeling requirements was not necessary in this subsection. All licensees are already required to comply with the applicable commercial cannabis packaging and labeling requirements. This textual change would provide additional clarity to the cultivation requirements enumerated in this section. Lastly, the term “UID” has been replaced with plant tag for accuracy and consistency with terminology used throughout this division. Proposed subsections (c) and (d) have been moved from original section 16300, subsections (c) and (d) in chapter 9, Article 4 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating cultivation regulations in one chapter.

Section 16301. Seed Production Requirements for Nursery Licensees.

Chapter 9 previously contained other provisions that are now found in chapter 7 of this division. Section 16301 contains provisions relevant to cannabis cultivators that have been moved from original section 16301 in chapter 9, Article 4 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating cultivation regulations in one chapter.

The section has been amended to replace a reference to “section 16403(b)(4) of this chapter” with “section 15048.4”, as track and trace requirements for all Department licensees have been consolidated and placed in chapter 1 of the Department’s regulations. This is necessary for clarity and will ensure that all Department licensees are utilizing the appropriate track and trace requirements in the same chapter. Lastly, the term “UID” has been replaced with plant tag for accuracy and consistency with terminology used throughout this division.

Section 16302. Research and Development Requirements for Nursery Licensees.

Chapter 9 previously contained other provisions that are now found in chapter 7 of this division. Section 16302 contains provisions relevant to cannabis cultivators that have been moved from original section 16302 in chapter 9, Article 4 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating cultivation regulations in one chapter.

This section is amended to replace a reference to “section 16403 of this chapter” with “section 15048.4”, as track and trace requirements for all Department licensees have been consolidated and placed in chapter 1 of the Department’s regulations. This is necessary for clarity and will ensure that all Department licensees are utilizing the appropriate track and trace requirements in the same chapter. The last sentence of this section has also been amended to include a prohibition on cannabis and cannabis products derived from plants in the research and development area from being transferred off the licensed premises. The Department received inquiries regarding what was meant by the existing regulation’s prohibition on cannabis and cannabis products from entering the distribution chain. This amendment is necessary to provide added clarification that cannabis and cannabis products from plants identified for research and development cannot be moved off the licensed premises. It is also necessary for public health and safety to ensure that

cannabis and cannabis products that do not satisfy testing, quality assurance, or track and trace requirements are not diverted into the commercial cannabis retail market. Lastly, the term “UID” has been replaced with plant tag for accuracy and consistency with terminology used throughout this division.

Section 16303. Cultivation Requirements for Processor Licensees.

Chapter 9 previously contained other provisions that are now found in chapter 7 of this division. Section 16303 contains provisions relevant to cannabis cultivators that have been moved from original section 16303 in chapter 9, Article 4 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating cultivation regulations in one chapter.

Section 16304. General Environmental Protection Measures.

Chapter 9 previously contained other provisions that are now found in chapter 7 of this division. Section 16304 contains provisions relevant to cannabis cultivators that have been moved from original section 16304 in chapter 9, Article 4 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating cultivation regulations in one chapter.

Section 16305. Renewable Energy Requirements.

Chapter 9 previously contained other provisions that are now found in chapter 7 of this division. Section 16305 contains provisions relevant to cannabis cultivators that have been moved from original section 16305 in chapter 9, Article 4 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating cultivation regulations in one chapter.

Section 16306. Generator Requirements.

Chapter 9 previously contained other provisions that are now found in chapter 7 of this division. Section 16306 contains provisions relevant to cannabis cultivators that have been moved from original section 16306 in chapter 9, Article 4 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating cultivation regulations in one chapter.

Section 16307. Pesticide use Requirements.

Chapter 9 previously contained other provisions that are now found in chapter 7 of this division. Section 16307 contains provisions relevant to cannabis cultivators that have been moved from original section 16307 in chapter 9, Article 4 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating cultivation regulations in one chapter.

Section 16308 Canopy Requirements

The Department proposes to replace original section 16308 with a new Canopy Requirements section. This section applies to all licensed cultivators and would enumerate certain requirements regarding what constitutes the “canopy area”, where mature cannabis plants are grown, for the purposes of cultivation. This section is necessary for clarity and to ensure that licensees are aware that the requirements in this section only apply to cultivation licensees; the only licensees authorized to grow mature plants.

Subsection (a) would require that a licensee clearly demarcate and identify its canopy, that would contain mature cannabis plants, with physical boundaries. This subsection also provides examples of physical boundaries that may be used by cultivation licensees. Based on the Department’s experience, it is not uncommon to discover that the canopy areas identified in the cultivation plan were inconsistent with what was observed during inspections. Because cultivation license types are based on canopy size, requiring physical boundaries such as interior walls, shelves, greenhouse walls, hoop house walls, garden benches, hedgerows, fencing, garden beds, garden plots, or stakes is integral in ensuring that the Department is able to accurately determine the size of a licensee’s canopy area. Requiring physical boundaries is also necessary to ensure that licensees are accurately able to calculate their boundaries as they apply for the appropriate cultivation license type.

Subsection (a)(2) would clarify that the canopy must be sufficient to include the entire mature plant at any point in time without the plant hanging over the physical boundary. This subsection is necessary to provide clarity to licensees that the canopy includes the entirety of the plant; thus, any canopy boundaries delineated by the licensee would need to include the entirety of the plant. Based on the Department’s experience, it is not uncommon to discover that the canopy areas identified in the cultivation plan were inconsistent with what was observed during inspections. Because cultivation license types are based on canopy size, clarifying that mature plants cannot exceed the physical boundaries is integral in ensuring that the Department is able to accurately determine the size of a licensee’s canopy area. Clarifying that mature plants may not exceed the established physical boundaries is also necessary to ensure that licensees are accurately able to calculate their boundaries as they apply for the appropriate cultivation license type.

Subsection (b) is proposed to specify that seeds, immature plants, and propagated material received as trade samples from a licensed nursery must be cultivated in a separate canopy area that is designated in the cultivation plan. The subsection also specifies that the canopy area for cultivating items received as trade samples must be included in the licensee’s aggregate canopy square footage. This is necessary to ensure that cultivators do not exceed the cultivation limits established in the Act and to ensure that the plants maintained on a cultivation site are clearly identifiable.

Section 16309 Cultivation Plan Requirements

The Department proposes to add this section to ensure that licensed cultivators establish and maintain an accurate cultivation plan throughout licensure. The addition of this section is necessary because the existing regulations require that an applicant for cultivation licensure provide a cultivation plan at the time of application. However,

licensees do not currently have to provide the Department an updated cultivation plan.

Proposed subsection (a)(1) would require the licensed cultivator to establish or maintain a premises diagram as described in section 15006. This is necessary to ensure that after the license is issued, the licensee continues to maintain the premises as described to the Department. It also ensures that Department staff have all the information required to effectively apply and enforce the Act and its implementing regulations.

Proposed subsection (a)(2) would require the licensed cultivator to establish or maintain a cannabis waste management plan as described in section 17223. This is necessary to ensure that after the license is issued the licensee will either establish or maintain their existing waste management plan. It also ensures that Department staff have all the information required to effectively apply and enforce the Act and its implementing regulations.

Proposed subsection (a)(3) would require the licensed cultivator to establish or maintain a pest management plan in accordance with section 16310 of this division. This is necessary to ensure that after the license is issued the licensee will either establish or maintain their existing pest management plan. It also ensures that Department staff have all the information required to effectively apply and enforce the Act and its implementing regulations.

Proposed subsection (a) requires the cultivation plan to be written and provided upon request to the Department. The Department requires the ability to request the cultivation plan that includes the items in subdivisions (a)(1) through (a)(3). This is necessary to ensure that Department staff have all the information required to effectively apply and enforce the Act and its implementing regulations, particularly when conducting onsite inspections.

Section 16310 Pest Management Plan

This proposed section would require a cultivator to adopt a pest management plan that includes all pesticides that would be applied to cannabis and any other pest management protocols including chemical, biological, and cultural methods. This section is necessary as part of the Department's compliance review and would be used to determine whether licensees are in fact complying with the pesticide use requirements in sections 16304 and 16307. This is also necessary to ensure that Department staff have all the information required to effectively apply and enforce the Act and its implementing regulations

Section 16311. Supplemental Water Source Information

The Department proposes moving the text of former section 16107 regarding supplemental water source information for cultivators to this section. The substance of this section has not been amended; however, movement of the section is necessary for clarity and conformity with the rest of the division.

Chapter 8. Manufacturers

Article 1. Manufacturing Licenses

Article 1 contains the requirements related to manufacturing licenses. Article 1 was previously titled “Research Funding.” The provisions concerning Research Funding have been moved to Chapter 13. The title of this article has been changed to “Manufacturing Licenses” to better correspond with the amended contents following the reorganization of this division.

The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Section 17006. Manufacturing License Types.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17006 contains provisions relevant to cannabis manufacturers that have been moved from chapter 10 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter

Proposed section 17006 contains the available manufacturing license types and the specific parameters of allowable activities for each type. Proposed amendments to this section add the word “manufacturing” to clarify that the license types listed and described are manufacturing licenses. This is necessary because the regulations in this division address multiple license types.

Proposed amendments throughout this section update citations for provisions that have been moved or amended. This is necessary to ensure that references are made to the correct provisions.

Section 17009. Additional Activities.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17009 contains provisions relevant to cannabis manufacturers that were previously contained in chapter 10 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17009 provides that licensed manufacturers may also roll and package pre-rolls and package dried cannabis flower. Proposed amendments to this section replace the term “licensee” with “licensed manufacturer.” This is necessary to ensure consistency of terms throughout the Department’s regulations.

Proposed amendments throughout this section update citations for provisions that have been moved or amended. This is necessary to ensure that references are made to the correct provisions.

Section 17117. License Constraints

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17117 contains provisions relevant to cannabis manufacturers that were previously contained in chapter 11 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter

Proposed section 17117 provides constraints for manufacturing licensees. Language has been added authorizing a manufacturer licensee to manufacture, prepare, package, and label non-cannabis infused product samples. This amendment was necessary to avoid imposing a restriction intended for cannabis infused products from being indicated for samples that do not contain cannabis, thereby affording manufacturers greater ability to inform other licensees about their products.

Article 2. Shared-Use Facilities

Article 2 contains the requirements for share-use facilities. These requirements were previously found in Article 6 of Chapter 11.

The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Section 17124. Definitions.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17124 contains provisions relevant to cannabis manufacturers that were previously contained in chapter 11 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter

Proposed section 17124 provides the definitions applicable to shared-use facilities. Subsection (a) of this section contains the definition for common-use area. Proposed amendments to subsection (a) replace the term “licensee” with “licensed manufacturer.” This is necessary to ensure consistency of terms throughout the Department’s regulations.

Section 17125. Type S License.

Proposed section 17125 contains the requirements for a Type S manufacturing license. This section is proposed to be repealed due to the consolidation of application requirements in chapter 1.

Section 17126. Registration to Operate a Shared-Use Facility.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17126 contains provisions relevant to cannabis manufacturers that were previously contained in chapter 11 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to

licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17126 provides the requirements for how a licensee may register to operate a shared-use facility. Proposed amendments to subsection (a) replace the term “licensee” with “licensed manufacturer.” This is necessary to ensure consistency of terms throughout the Department’s regulations.

Section 17127. Shared-Use Facility Conditions for Operation.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17127 contains provisions relevant to cannabis manufacturers that were previously contained in chapter 11 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17127 specifies the conditions for operation of a shared use facility. The substance of the section has not changed.

Section 17128. Shared-Use Facility Compliance Requirements.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17128 contains provisions relevant to cannabis manufacturers that were previously contained in chapter 11 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Section 17128 specifies the compliance requirements for shared-use facilities. The substance of the section has not changed.

Article 3. Solvent Use and Safety

Article 3 contains the requirements for extractions, particularly the requirements for extractions using solvents. These requirements were previously found in Article 2 of Chapter 12, which was originally titled “extractions”. The Department determined that “Solvent Use and Safety” was a more accurate description for this article.

The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Section 17202.1. General Requirements for Extraction and Post-Extraction Processing.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17202.1 is a new section that contains provisions relevant to cannabis manufacturers. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17202.1 establishes safety requirements for licensees that use a volatile solvent, flammable liquid or a solvent that creates an asphyxiant gas in their manufacturing

operations. It also describes areas in which extraction and post-extraction processing can be performed.

Proposed subsection (a) highlights existing laws that manufacturers who use volatile solvents, flammable liquids or solvents that create an asphyxiant gas must follow. These provisions are necessary for licensees to understand that there are other sections of California law that govern use of these chemicals and use of these chemicals must be done in accordance with all applicable laws. It is necessary to specifically identify these sections in Department regulations because the improper use of solvents can cause serious harm or even death. The safety concerns associated with solvent use are significant enough that the Department finds it necessary to make every effort to have licensees understand the various requirements they need to follow.

Proposed subsections (a)(1) and (a)(2) reiterate existing laws applicable to licensees in chapter 39 of the California Fire Code and section 5416 to 5420 of Title 8 of the California Code of Regulations. These laws contain requirements for ventilation, gas monitoring alarms, and control of ignition sources where flammable materials are used, among other provisions, and are important to reiterate because they reduce the risk of fire or explosion, which could cause serious bodily harm to workers or damage to surrounding property. These provisions are necessary to protect workers and Department compliance staff from potential accumulation of gas in the air that may cause bodily injury or increase risk of explosion.

Proposed subsections (a)(3) and (a)(4) have been moved from subsection 17205(b) into this section to group similar requirements for solvent use together. This is intended to make it easier for licensees to find provisions applicable to their operations.

The requirements in proposed subsection (b) have been moved from sections 17204 and 17206 and amended to include post-extraction processing using volatile solvents. The relocation of requirements in the subsection is intended to make it easier for licensees to find provisions applicable to their operations. The amendment is necessary to ensure that manufacturing operations that pose the highest risks of fire or explosion do not occur in areas zoned as residential.

Section 17203. Permissible Extractions.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17203 contains provisions relevant to cannabis manufacturers that were previously contained in Chapter 12 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17203 specifies the permitted methods of conducting cannabis extraction. A proposed amendment to subsection (a)(2) would remove the requirement that nonhydrocarbon-based solvents shall be food grade and move that requirement to section 17204. Proposed amendments to subsection (a)(3) would remove the requirement that CO₂ gas used for extraction be food grade and move that requirement to section 17204. All requirements regarding solvent purity are proposed to be moved to section

17204. These amendments are necessary to provide licensees greater clarity and ease of understanding of solvent purity requirements by licensees by moving all requirements into a single section.

Section 17204. Solvent Requirements.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17204 contains provisions relevant to cannabis manufacturers that were previously contained in chapter 12 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed Section 17204 addresses requirements for extractions using solvents and has been amended so that all solvents used in extraction and post-extraction processing are contained in one section. This amendment is necessary to provide greater clarity and ease of understanding of solvent requirements by licensees by moving all solvent purity requirements into a single section.

The title of this section has been amended from “Volatile Solvent Extractions” to “Solvent Requirements” to better reflect the proposed content of the section and the requirements that have been moved into the section.

The original introductory sentence of this section which established that the requirements in the section are related to volatile solvents is proposed to be deleted. This is necessary because the contents of the section will now include both volatile and non-volatile solvent requirements.

Proposed subsection (a) contains the requirement that hydrocarbon-based solvents shall be at least 99 percent purity. This subsection is proposed to be amended to include all other solvent purity requirements. The proposed amendment to subsection (a) includes an introductory sentence to establish that the content of the subsection includes purity requirements for all solvents used in extraction and post-processing. This is necessary to provide clarity for the reader and establish the content of the subsection. The existing requirement in subsection (a) that hydrocarbon-based solvents shall be at least 99 percent purity has been renumbered as paragraph (a)(1).

Proposed subsection (a)(2) contains the requirement that nonhydrocarbon-based solvents be food grade. This requirement was previously set forth in section 17203(a)(2). Proposed subsection (a)(3) contains the requirement that CO₂ gas used for extraction be food grade. This requirement was previously set forth in section 17203(a)(3). Proposed subsection (a)(4) contains the requirement that ethanol used for extraction and post-extraction processing be food grade. This requirement was previously set forth in section 17205(a). These proposed amendments are necessary to provide greater clarity and ease of understanding of solvent requirements by licensees by consolidating all solvent purity requirements into a single section.

Proposed subsection (a)(4) has been amended to clarify the requirement that ethanol be food grade by referring to the specifications established in 21 CFR, Part 184, Subpart B, Section 184.1293 which references the specifications in the Food Chemicals Codex. This

proposed amendment is necessary to establish a clear standard for ethanol and to alleviate confusion for licensees as to the standard for food grade ethanol. Proposed subsection (a)(4) has also been amended to replace the requirement for pre-approval of ethanol mixtures by the Department with a clear standard for ethanol solutions. This amendment was necessary to provide greater program efficiency by removing an unnecessarily burdensome process that did not result in a benefit to consumers. The requirements in proposed subsection (a)(4) have also been restructured into paragraphs (A) and (B) for ease of understanding.

Proposed subsection (a)(5) contains the purity standard for water and ice when they are used as a solvent and requires that water and ice must be potable. Water is considered a non-volatile solvent under section 15000(uu). Existing manufacturing requirements provide that all water used in the manufacturing process be potable, including section 17209(b)(3) and 17212(b)(3). The proposed subsection does not establish a new requirement, but rather clarifies that when water and ice are used as a solvent in the extraction process, they must be potable. This amendment clarifies the standard for water and ice and is necessary because non-potable water can contain chemical or biological contaminants that make the product unsafe for human consumption.

Proposed subsection (a)(6) contains the purity standard for dry ice when used as a solvent and requires that dry ice be food grade. Dry ice is the solid form of carbon dioxide (CO₂) which is required to be food grade as stated above in subsection (a)(3). The proposed subsection does not establish a new requirement, but rather clarifies that CO₂, when used in its solid form, must meet the existing purity requirement that it be food grade. This amendment is necessary to clarify that the purity standard for CO₂ applies in all its forms.

Original subsection (b) referred to the requirement that volatile solvent extractions be conducted in a closed loop system. This provision is proposed to be deleted because this section now includes both volatile and non-volatile solvent requirements and because subsection (b) is redundant of the requirement in 17206.

Proposed subsection (b) contains the requirement that licensees maintain copies of the Safety Data Sheet for any chemical solvent and make the information available to employees and to the department on request. This requirement is not new but reiterates the existing requirements in section 17219(a)(2) regarding emergency response procedures which must contain the safety data sheets and be easily accessible to employees, and 17221(a)(1)(B), training procedures, which require the licensee to train its employees on the hazards presented by all solvents as described in the safety data sheet. The Safety Data Sheets contain critical information on exposure limits, how to address spills, and what to do if the chemical comes into contact with human skin or eyes. This information is necessary to keep employees and department staff safe. Reiterating this requirement in this section in addition to the other solvent requirements is necessary for licensees to more easily find and understand all the requirements pertaining to solvent use.

Original subsection (c) contained the requirement that no volatile solvent extraction operations shall occur in an area zoned as residential. This provision is proposed to be moved to section 17202.1(b), general solvent and extraction requirements, and is proposed to be deleted from this section.

Proposed subsection (c) requires the licensee to maintain documentation evidencing the purity of any chemical solvents used and make these records readily available to employees and to the Department upon request. This is necessary so that the Department can verify that licensees are using appropriate solvents and are in compliance with solvent purity requirements. This requirement is consistent with the record keeping requirements at BPC section 26160 that licensees keep records related to commercial cannabis activity and make them available to the department upon request.

Section 17205. Additional Requirements for Ethanol Operators.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17205 contains provisions relevant to cannabis manufacturers that were previously contained in chapter 12 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17205 contains the requirements for manufacturers using ethanol for extractions or post-extraction processing. The title of this section is proposed to be renamed from “Ethanol Extraction” to “Additional Requirements for Ethanol Operations” to better reflect the contents of the section.

Original subsection (a) contained the purity requirement for ethanol. The requirements of subsection (a) are proposed to be moved to section 17204 which now contains the purity requirements for all solvents. The Department determined that movement and consolidation of all solvent purity requirements into a single section is necessary to provide greater clarity and ease of understanding of solvent requirements by licensees.

Original subsection (b) contained the requirement that ethanol extraction operations be approved by the local fire code official and be conducted in accordance with any other state and local requirement. Proposed amendments to subsection (b) include the deletion of the subsection designation. This is necessary to clarify that former subsection (b) has become the only provision in the section. This provision has been amended to clarify that local fire code official approval be obtained prior to commencing operations only if required to do so by local ordinance. This amendment is necessary because not all local jurisdictions require fire official review of ethanol operations. Local fire code officials have the expertise necessary to know if an operation needs to be reviewed and approved under the local fire code. The Department has determined that it will defer to local requirements on fire code official approval of ethanol operations. The existing requirement that the operations be done in accordance with Cal/OSHA regulations has been moved to Section 17202.1 and is proposed to be deleted from this section. This provision has also been amended to add language clarifying that approval from a local fire code official as required under this section must only be obtained prior to operations using ethanol, as opposed to prior to all manufacturing operations conducted by licensed manufacturers who engage in the use of ethanol.

Section 17206. Additional Requirements for Closed-Loop Extraction System Operations.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17206 contains provisions relevant to cannabis manufacturers that were previously contained in chapter 12 of this division. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17206 contains the requirements for chemical extractions conducted in a closed-loop extraction system.

The title of this section has been amended to add the words “additional requirements for.” This amendment was necessary for clarity as a section entitled “Certification of Closed Loop Systems” has been added at 17206.1.

Proposed section 17206 has been amended to replace “licensee” with “licensed manufacturer” throughout. This amendment was necessary to specify the license type to which this provision applies as the regulations for all cannabis licensees have been consolidated in this text.

A portion of the language formerly found at subsection (a)(1)-(4) has been deleted as it was duplicative of provisions contained in the new Section 17206.1. Subsection (a) has been amended to reference section 17206.1.

Proposed subsection (b) contains provisions that were previously found in subsection (d). These provisions require the licensee to establish and implement procedures to ensure the closed-loop system is properly maintained and that routine verification is being conducted to ensure the system is operating in accordance with specifications and continues to comply with fire, safety, and building code requirements. The provisions have been amended to require the licensee to maintain a written log documenting the date of the maintenance or verification, including the description of methods used, and the initials of the employee conducting either process. A failure of a closed-loop system could cause serious bodily injury or have possibly fatal consequences, and it could also cause severe property damage. Equipment that is not operating properly could cause explosions, fires, or asphyxiation. It is of utmost importance that licensees routinely verify that the machinery is operating properly. Because of the variety of equipment in use, the Department expects licensees to determine the frequency required to verify their specific equipment and provide evidence to the Department that the actions were performed. These provisions are necessary to protect workers and the public. The provisions formerly contained within subsection (b) have been moved to section 17202.1. Proposed subsection (c) contains provisions which were previously found in subsection (d). These provisions require that licensees conduct equipment manufacturer-recommended routine verifications and verify that the equipment is functioning properly. These provisions have been amended to require the licensee to maintain a written log documenting specific information about the verification conducted. Closed-loop system equipment that is malfunctioning increases the risk for fires, explosion or other dangers to workers and the environment. This amendment ensures that appropriate verification procedures are being as necessary to ensure public safety. Original subsection (c) has been deleted, as the language therein was duplicative of provisions contained in Section 17206.1 Certification of Closed-Loop Systems, which has been added below.

Proposed subsection (d) contains provisions previously found in subsection (e). These provisions have been amended to provide clarification on the training documentation that must be developed by a manufacturer prior to the use of a closed-loop system.. Proposed subsection (d) is consistent with requirements formerly contained in section 17221 which are now found in section 17211.1, requiring personnel to be trained on applicable duties prior to engaging in that work and require licensees to maintain a record of training provided to employees, and has been amended to reference section 17211.1. This subsection has been amended to clarify that the procedures referenced must be implemented prior to the use of a closed-loop system. This subsection has also been amended to add the word “written.” This amendment was necessary to enable the Department to inspect the standard operating procedures, manufacturing practices, and training plans utilized by licensed manufacturers. Additional stylistic amendments have been made to this subsection. The provisions formerly found in subsection (d) have been moved to subsection (c).

Proposed subsection (e) contains provisions previously found at subsection (b). This subsection requires licensed manufacturers to obtain approval of closed-loop systems and extraction equipment, operations, and facilities from a local fire code official. This subsection has been amended to clarify that approval must be obtained prior to commencing operation of a closed-loop system. This subsection has also been amended to specify that licensed manufacturers must provide the referenced documentation to the Department upon request. The previous provision addressing this documentation required that it be submitted as part of the application process, but the Department has found that this documentation was not always available at the time of application. This requirement was changed in order to allow the Department to obtain the documentation without unnecessary delay to the application process. The provisions formerly contained in subsection (e) have been moved to proposed subsection (d).

Proposed subsection (f) requires facilities to have a gas detection system that meets the requirements of Sections 3905.1-3905.2 of Chapter 39 of Part 9 of Title 24, California Code of Regulations. This amendment was necessary to ensure facilities are equipped with a proper gas detection system as necessary to ensure public safety. The provisions formerly contained in subsection (f) have been moved to section 17202.1.

Proposed subsection (g) requires that all procedures and logs described in this section must be in writing and made available to the Department upon request. This provision is necessary as the Department must be able to verify that the procedures intended to ensure the safety of a closed-loop system are sufficient to protect worker safety and the public. The provisions formerly contained within subsection (g) have been moved to section 17202.1.

Section 17206.1 Certification of Closed Loop Systems.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17206.1 is a new section that contains provisions relevant to cannabis manufacturers. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17206.1 provides the requirements regarding the certification of closed-loop systems and contains the provisions previously located in section 17206. This section is necessary to ensure that the Department's expectations are clear to licensees and thereby create greater efficiency in the certification process.

Proposed subsection (a) specifies that closed-loop systems must be commercially manufactured and bear a permanently affixed and visible serial number. This provision was previously located in section 17206 and is necessary to ensure that licensees are only utilizing closed-loop systems that were properly manufactured according to commercial safety standards.

Proposed subsection (b) specifies that the closed-loop system must be certified by a California-licensed engineer that it was commercially manufactured, safe for use with the solvent the licensee will use, built and installed to code and good engineering practices. This is necessary to ensure that the closed-loop system can be safely operated without harm to the licensee or others. The proposed subsection also indicates what information must be included on the certification document, which include identifying information of the engineer, the serial number of the unit the solvent that is safe to use with the unit, and the address where the certification was conducted. This addition was necessary to ensure the Department's expectations related to the certification document are clear to licensees and that the Department can properly determine compliance with this requirement.

Proposed subsection (c) provides that licensed manufacturers must obtain a technical report on the closed-loop system that conforms to the requirements of section 3904.3.1 of Chapter 39 of the California Fire Code. This addition was necessary to ensure that closed-loop systems are operated in conformity with all applicable law and regulations, including those of other departments and government entities.

Proposed subsection (d) provides that licensed manufacturers shall maintain the current certification document and technical report required under this section and make the records available to the Department upon request. This addition was necessary to ensure that the documentation needed to verify compliance with the certification requirements is available to the Department.

Proposed subsection (e) clarifies the circumstances that would require recertification of closed-loop equipment. This addition is necessary to ensure that licensees only utilize closed-loop systems in the same condition as when they were certified, thereby reducing risk of harm to the public from equipment that may have been moved, reassembled, or altered in an unsafe manner.

Article 4. Good Manufacturing Practices

Article 4 contains the requirements related to good manufacturing practices. These requirements were previously found in Article 3 of Chapter 12.

The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Section 17207. Manufacturing Practices Definitions.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17207 contains provisions relevant to cannabis manufacturers that were previously found in chapter 12. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17207 contains the definitions applicable to manufacturing practices.

Proposed amendments throughout this section have also been made to ensure consistency when listing items (cannabis, cannabis products, components, contact surfaces and packaging material) to be protected from contamination. This list is used throughout the chapter to specify the items that must be kept free of contamination or otherwise protected to maintain the integrity of the manufacturing process. Prior regulations did not consistently include all the elements of this list in some subsections; the proposed amendments are necessary to address these omissions.

Proposed subsection (b) containing the definition for “component” has been amended to replace “final form” with “finished cannabis product.” This is a non-substantive change to reflect updated definitions and better incorporate manufacturers of bulk cannabis products.

Former subsection (k) containing a definition for “pest” has been deleted. This amendment was necessary, as the definition in this section was duplicating of a definition that is applicable to all licensees, which has been incorporated in section 15000. The remaining subsections in proposed section 17207 have been renumbered accordingly.

Section 17208. Quality Control Program.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17208 contains provisions relevant to cannabis manufacturers that were previously found in chapter 12. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17208 provides that licensed manufacturers must establish a quality control program to ensure that cannabis products are not adulterated or misbranded. This section also contains the parameters of the required quality control program.

Amendments to proposed subsections (a) and (b) are stylistic and do not change the substance of the requirements.

Section 17209. Grounds, Building, and Manufacturing Premises.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17209 contains provisions relevant to cannabis manufacturers that were previously found in chapter 12. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17209 contains the minimum standards for the exterior and interior facility and the grounds of a manufacturing premises.

Proposed amendments throughout this section change the term “processing” to “manufacturing.” This amendment is necessary for clarity, as the term “processing” is now used in this division to refer to cultivation activities.

Proposed amendments throughout this section replace the term “licensee” with “licensed manufacturer.” This is necessary to ensure consistency of terms throughout the Department’s regulations, and to distinguish the license type these provisions apply to, as the regulations for all license types are now consolidated in this division.

Proposed amendments throughout this section have also been made to ensure a consistent accounting of items (cannabis, cannabis products, components, contact surfaces and packaging material) is used. This list is used throughout the chapter to specify the items that must be kept free of contamination or otherwise protected to maintain the integrity of the manufacturing process. Prior regulations did not include all the elements of this list in some subsections; the proposed amendments are necessary to address these omissions.

Proposed subsection (b)(3)(E) has been amended to add the requirement that handwashing facilities additionally meet the requirements of Health and Safety Code section 113953.2, which requires employee handwashing facilities to have cleanser and sanitary drying capabilities available nearby. To properly sanitize their hands, employees need to have access to cleanser and the ability to dry their hands. This requirement is necessary to prevent adulteration of cannabis products through unclean hands.

Section 17210. Equipment and Utensils.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17210 contains provisions relevant to cannabis manufacturers that were previously found in chapter 12. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17210 contains the minimum requirements for the equipment and utensils that are utilized by licensed manufacturers and the minimum requirements for the quality control program related to equipment and utensils to be implemented by licensed manufacturers.

Proposed amendments throughout this section replace the term “licensee” with “licensed manufacturer.” This is necessary to ensure consistency of terms throughout the Department’s regulations, and to distinguish the license type these provisions apply to, as the regulations for all license types are now consolidated in this division.

Introductory language has been clarified that these provisions apply to licensed manufacturers. This was necessary for clarity as the regulations for all license types have been consolidated.

Proposed subsection (a) has been amended to add the word “construction” to clarify that the content of this subsection includes requirements for both the design and construction of equipment and utensils. There is no change to the substance of the regulation. The proposed amendment is necessary to provide clarity to licensees about the contents of the section as well as to make the contents and purpose of the subsection easier for licensees

to understand. The sections of the Health and Safety Code that are referenced in this subsection are requirements related to both the design and construction of equipment and utensils. The proposed amendment is necessary to better reflect that the contents of the subsection addresses both the design and construction of equipment and utensils.

Proposed subsection (c) has been amended to clarify that equipment and utensils must be maintained in a clean and sanitary condition and kept in good repair and ensure that licensees understand the purpose for this requirement. These amendments are necessary to clarify that the licensee must utilize equipment and utensils that meet the requirements specified for the cleaning, sanitizing and maintenance of equipment and utensils.

Subsection (c) has also been amended to delete the reference to the quality control program. Specifying that cleaning and maintenance of equipment and utensils is part of the quality control program required by section 17208 is unnecessary and repetitive. The introductory paragraph of this section requires a licensee to utilize equipment and utensils that meet the minimum requirements of the section and subsection (c) sets forth the minimum requirements for the cleaning, sanitizing, and maintenance of the equipment and utensils. The proposed amendment is consistent with the requirement at section 17208(a)(2) that the licensee implement the quality control program for equipment and utensils. The amendments do not change the substance of the regulation. The proposed amendments are necessary to make clear to the licensee that equipment and utensils used must meet the cleaning, sanitizing, and maintenance requirements specified in the section and to make the regulation easier to understand.

Proposed subsection (c)(3) has been amended to clarify that cleaning, sanitizing and maintenance of equipment and utensils must be documented. Proposed subsection (c)(3) has also been amended to allow greater flexibility in the type of documentation that licensees must maintain to meet the requirements for record retention as applicable to this provision. The proposed amendments are necessary to make clear to the licensee that documentation such as logs must be maintained so they are able to demonstrate compliance with the cleaning, sanitizing, and maintenance requirements for equipment and utensils.

Proposed subsection (c)(4) has been amended to clarify that licensees must store cleaned and sanitized equipment and utensils appropriately, rather than only referring to the written process to do so. The proposed amendment clarifies that implementation of cleaning, sanitizing and maintenance requirements includes storing cleaned and sanitized equipment and utensils in a manner that protects the equipment and utensils from contamination. The proposed amendment is necessary to make clear to the licensee that the quality control program for equipment and utensils includes appropriate storage of cleaned and sanitized equipment and utensils.

Section 17211. Manufacturing Personnel.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17211 contains provisions relevant to cannabis manufacturers that were previously found in chapter 12. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17211 contains the requirements for written procedures that must be established and implemented for personnel of a licensed manufacturer. The title of this section is proposed to be amended from “Personnel” to “Manufacturing Personnel” to clarify that the requirements apply specifically to manufacturing personnel, rather than to the personnel of other licensees

Proposed amendments throughout this section replace the term “licensee” with “licensed manufacturer.” This is necessary to ensure consistency of terms throughout the Department’s regulations, and to distinguish the license type these provisions apply to, as the regulations for all license types are now consolidated in this division.

Proposed amendments throughout this section have also been made to ensure a consistent accounting of items (cannabis, cannabis products, components, contact surfaces and packaging material) is used. This list is used throughout the chapter to specify the items that must be kept free of contamination or otherwise protected to maintain the integrity of the manufacturing process. Prior regulations did not include all the elements of this list in some subsections; the proposed amendments are necessary to address these omissions.

Amendments have been made to renumber this subsection for clarity.

Proposed subsection (a) has been amended to add the word written.” This amendment was necessary to aid the Department in ensuring that licensees are applying appropriate and consistent procedures.

Proposed subsection (a)(2)(B), which was formerly found at subsection (b)(2), has been amended to add the requirement that personnel wash their hands at any time specified in Health and Safety Code section 113953.3, which provides specific requirements for when employees are required to wash their hands. This requirement is necessary to provide further clarity to licensees and employees as to when handwashing is required to prevent contamination of cannabis products. Compliance staff have discovered there is a wide variety in the level of understanding among licensees about the specific circumstances in which handwashing is required. The addition of this requirement provides a clear standard to hold licensees accountable to and is necessary for the Department to meet its mandate to protect the public from contaminated cannabis products.

Proposed subsection (c) has been added to require that personnel procedures must be in writing and available to the Department upon request. This requirement reiterates the requirement that the procedure must be in writing and is necessary so that personnel know the proper hygienic practices required to prevent microbiological contamination to cannabis products, contact surfaces, or packaging materials, and provides the Department the ability to verify the procedures are in place.

Section 17211.1. Training Program.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17211.1 contains provisions relevant to cannabis manufacturers that were previously found in chapter 12. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees,

stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17211.1 requires a licensed manufacturer to implement a training program for personnel that covers specified information. The text of original section 17221 is proposed to be moved to section 17211.1 to maintain provisions applicable to manufacturing licensees together in the regulations.

Proposed amendments throughout this section change the term “processing” to “manufacturing.” This amendment is necessary for clarity, as the term “processing” is now used in this division to refer to cultivation activities.

Proposed amendments throughout this section replace the term “licensee” with “manufacturing licensee” This is necessary to ensure consistency of terms throughout the Department’s regulations, and to distinguish the license type these provisions apply to, as the regulations for all license types are now consolidated in this division.

Proposed subsection (a) has been amended to add the word “written.” This amendment was necessary to aid the Department in ensuring that licensees are providing appropriate and consistent training to personnel.

Section 17212. Cannabis Product Components.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17212 contains provisions relevant to cannabis manufacturers that were previously found in chapter 12. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17212 contains the minimum requirements for components of cannabis products.

Proposed amendments throughout this section change the term “processing” to “manufacturing.” This amendment is necessary for clarity, as the term “processing” is now used in this division to refer to cultivation activities.

Proposed amendments throughout this section replace the term “licensee” with “licensed manufacturer.” This is necessary to ensure consistency of terms throughout the Department’s regulations, and to distinguish the license type these provisions apply to, as the regulations for all license types are now consolidated in this division.

Proposed subsection (b)(1) is added to require components that are food to be obtained from a source that complies with federal and state food laws. Food components produced outside of federal and state oversight of production cannot be relied upon to be free of contaminants and safe for human consumption. This requirement is necessary to provide clarity to the regulated industry that product components that are not manufactured on the licensed premises need to be compliant with food manufacturing laws to protect public health. The subsequent subsections have been renumbered accordingly.

Proposed subsection (b)(5) has been amended to correct a grammatical error by deleting the reference to “finished” cannabis products. Raw materials and ingredients are not incorporated into finished product, but rather are incorporated throughout the manufacturing process. This amendment is necessary to remove any possible confusion.

Proposed subsection (c) has been amended to make stylistic changes to the way statutes are cited. These changes are made for consistency throughout the regulation text.

Proposed subsection (d) is added to require that procedures for cannabis components be in writing and available to the Department upon request. This requirement reiterates the requirement that the procedures be in writing and is necessary so that personnel know the proper practices required to prevent contamination to cannabis products, contact surfaces, or packaging materials through components, and provides the Department the ability to verify the procedures are in place and available to personnel.

Section 17213. Manufacturing Procedures.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17213 contains provisions relevant to cannabis manufacturers that were previously found in chapter 12. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17213 requires licensed manufacturers to implement and maintain certain manufacturing procedures to ensure cannabis product quality.

Proposed amendments throughout this section remove the term manufacturing “processes” and the section now only refers to manufacturing “procedures”. This amendment is necessary for clarity and ease of understanding, as the term “process” as used in this section is similar in meaning to, and thus repetitive of, the term “procedures”. In addition, the term “processing” is now used in this division to refer to cultivation activities.

Proposed amendments throughout this section replace the term “licensee” with “licensed manufacturer.” This is necessary to ensure consistency of terms throughout the Department’s regulations, and to distinguish the license type these provisions apply to, as the regulations for all license types are now consolidated in this division.

Proposed subsection (a) has been amended to divide some of the contents of former subsection (a) into proposed subsection (a)(1). The rest of the section has been renumbered accordingly. These amendments were necessary for clarity and did not change the substance of the requirements.

Section 17214. Product Quality Plan.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17214 contains provisions relevant to cannabis manufacturers that were previously found in chapter 12. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17214 requires licensed manufacturers to implement a written product quality plan containing specified information for each type of product the manufacturer produces.

Proposed amendments throughout this section change the term “processing” to “manufacturing.” This amendment is necessary for clarity, as the term “processing” is now used in this division to refer to cultivation activities.

Proposed amendments throughout this section replace the term “licensee” with “licensed manufacturer.” This is necessary to ensure consistency of terms throughout the Department’s regulations, and to distinguish the license type these provisions apply to, as the regulations for all license types are now consolidated in this division.

Proposed amendments to this section make grammatical edits or add clarifying phrases to make the section clearer and easier to understand.

Proposed subsection (b) has been broken into (b)(1)-(5) for clarity. The substance of this subsection has not changed.

Proposed subsection (c) has been amended to clarify which risks to product quality must be evaluated and controlled by the manufacturer.

Proposed subsection (d) has been amended to require the manufacturer to implement any preventative measures identified as necessary to protect product quality; this is necessary to make clear that that not only must measures be identified but they must also be incorporated into the manufacturing process.

Proposed subsection (e) has been amended to require the manufacturer to implement methods to evaluate and monitor the effectiveness of any preventative measures identified; this is necessary to make clear that that not only must monitoring methods be identified but they must also be incorporated into the manufacturing process.

Proposed subsection (f)(1) has been amended to replace the term “finished product” with “finished cannabis product” to reflect that the reference is to the finished cannabis good. This is necessary to ensure consistency of terms throughout the Department’s regulations.

Section 17215. Master Manufacturing Protocol.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17215 contains provisions relevant to cannabis manufacturers that were previously found in chapter 12. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17215 requires a licensed manufacturer to establish a written master manufacturing protocol containing specified information.

Proposed amendments throughout this section replace the term “licensee” with “licensed manufacturer.” This is necessary to ensure consistency of terms throughout the Department’s regulations, and to distinguish the license type these provisions apply to, as the regulations for all license types are now consolidated in this division.

Proposed amendments to subsection (b)(5) would replace the term “finished product” with “finished cannabis product” to reflect that the reference is to the finished cannabis good. This is necessary to ensure consistency of terms throughout the Department’s regulations.

Proposed subsection (b)(7) is added to require the master manufacturing protocol to include the expected number of packages and labels used if the cannabis product will leave the manufacturing premises packaged in final form. Similar to theoretical yield, capturing the expected number of packages and labels to be used if the cannabis product will leave the premises fully packaged and labeled provides another avenue of oversight for ensuring that no diversion or other failure in the manufacturing process occurred. The remaining paragraphs in subsection (b) have been renumbered accordingly.

Proposed subsection (b)(9) has been amended to make minor grammatical edits for clarification and to make the requirement easier to understand.

Proposed subsection (c) is added to require master manufacturing protocols to be in writing and made available to the Department. This requirement reiterates the requirement in subsection (a) that the protocols be in writing and is necessary so that personnel know the protocols to follow in order to mitigate the potential for adulteration and misbranding and to ensure uniformity. It also provides the Department the ability to verify the procedures are in place and available to personnel. Original subsection (c) is proposed to be re-lettered accordingly.

Section 17216. Batch Production Record.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17216 contains provisions relevant to cannabis manufacturers that were previously found in chapter 12. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17216 requires licensed manufacturers to prepare a written batch production record containing specified information for each batch of cannabis or cannabis product that is manufactured or remediated.

Proposed section 17216 has been amended to reorganize the provisions so the information is presented in the order that it is most likely to be encountered during the manufacturing process.

Proposed amendments throughout this section change the term “processing” to “manufacturing.” This amendment is necessary for clarity, as the term “processing” is now used in this division to refer to cultivation activities.

Proposed amendments throughout this section replace the term “licensee” with “licensed manufacturer.” This is necessary to ensure consistency of terms throughout the Department’s regulations, and to distinguish the license type these provisions apply to, as the regulations for all license types are now consolidated in this division.

Proposed subsection (a) has been amended to add the requirement that a batch production record be created whenever a batch of cannabis or cannabis product is remediated. Although the Department has considered remediation to be a manufacturing

activity that requires a batch production record, this requirement is not explicit in the existing regulation. Batch production records play a vital role in ensuring that manufacturing operations are conducted in a manner that minimizes the opportunity for error and could be crucial in identifying affected components and batches if contamination does occur. Therefore, batch production records must be kept for remediation batches as well. This requirement is necessary so the Department can fulfill its mandate to protect public health. This requirement reiterates the requirement in section 17305 that remediation of harvest batches and products batches that failed regulatory testing be documented in the batch production records. It is necessary to reiterate the requirement here for clarity.

Proposed subsection (b) has been amended to streamline the regulatory text and create a more readable standard. The phrase “complete information relating to the production and control of each batch” has been replaced with “all of the following information about each batch.” The Department has determined “complete information” has the potential for subjective interpretation and that the replacement language is necessary to provide a more specific standard. The requirement that the information must be recorded at the time the batch is produced or remediated has been reiterated from subsection (c) and is not a new regulatory requirement. This reiteration is necessary because the Department inspectors have found that this requirement is frequently overlooked by manufacturing licensees and employees.

Proposed subsection (b)(1) has been renumbered from original subsection (c)(4)(A). Original subsection (b)(1) has been renumbered to proposed subsection (b)(11).

Proposed subsection (b)(2) has been renumbered from original subsections (b)(9)(A) and (B). Original subsection (b)(2) has been renumbered to proposed subsection (b)(4).

Proposed subsection (b)(3) has been renumbered from original subsection (b)(5). This subsection has been amended to add the phrase “in the production of the batch.” This amendment was necessary for clarity. Original subsection (b)(3) is proposed to be deleted. Section 17210 requires the licensee to have a log documenting when equipment and processing lines were cleaned or maintained. It is not necessary to have the information duplicated in the batch production record. The remaining subsections have been renumbered accordingly.

Proposed subsection (b)(4) has been renumbered from original subsection (b)(2). Original subsection (b)(4) is proposed to be deleted. There is no requirement in the regulations to assign identification numbers to each component. Proposed subsection (b)(3) requires the identity of each component to be included in the record, so it is not necessary to require licensees to assign identification numbers to each component.

Proposed subsection (b)(5) has been renumbered from original subsection (b)(6). This subsection has been amended for clarity. Rather than requiring “a statement of the percentage of expected yield,” the provision has been edited to require “the percentage difference from expected yield.” Though the two calculations are very similar, the percentage difference from expected yield better captures the deviance from the expectation and, therefore, is a clearer indication of whether the batch is within expected parameters established in the master manufacturing protocol pursuant to section 17215.

Proposed subsection (b)(6) has been renumbered from original subsection (b)(7). This subsection has been amended to clarify its meaning and to better address manufacturing processes for which no needed monitoring action has been identified in the product quality plan. Specific monitoring operations may not be necessary during the manufacturing process for every product produced; each licensee needs to make this determination through a product quality plan. The proposed amendments clarify that any monitoring done pursuant to that determination be noted in the batch production record.

Proposed subsection (b)(7) has been renumbered from original (b)(10)(A) for clarity. This subsection has been amended to provide the licensee more flexibility in how the product label is captured in the batch production record. Licensees may have labels saved electronically and the Department does not have a reason to disallow this practice by only requiring an archive of physical labels to be stored on the premises.

Proposed subsection (b)(8) has been renumbered from original subsection (b)(10)(B). This subsection has been amended to clarify that the count of packages and labels used and the calculation of difference is only required when the manufacturer is producing a batch of products that will be packaged for retail sale. As currently written, the provision applies to all cannabis products, regardless of whether they are final form or bulk products such as oil or distillate. The provisions are not meaningful or necessary for bulk products and the proposed amendments would narrow the requirement to only products packaged for retail sale. Further, proposed amendments delete the requirement for label reconciliation. The necessity of label reconciliation is required to be evaluated in the product quality plan, required by section 17214, and procedures for performing this reconciliation are likewise established in section 17214. Duplication of these provisions and documentation within the batch production records is not necessary. Original subsection (b)(8) is proposed to be deleted. The information captured in this subsection was duplicative of proposed subsection (b)(6) of this section and is not necessary.

Proposed subsection (b)(9) has been renumbered from original subsection (b)(11). Original paragraph (C) has been deleted to be consistent with the deletion of original subsection (b)(8). Proposed paragraphs (D) and (E) of this subsection are combined for ease of reading into a single paragraph (C). The combined paragraph (C) of this subsection is also proposed to be amended to include “remediated” cannabis product as an example to ensure licensees understand the applicability of the subsection. Original subsection (b)(9) has been renumbered to subsection (b)(10).

Proposed subsection (b)(10) has been renumbered from original subsection (b)(9). This section has been amended to contain the regulatory requirements previously found in (b)(12). These requirements have not changed, but a specific description of what must be documented has been added for clarity and ease of understanding. The subsection now includes references to the product quality plan and master manufacturing protocol, where the licensees establish conditions under which the review described within this subsection must be performed. Original Subsection (b)(10) is proposed to be deleted except for the provisions in paragraphs (A) and (B), which are proposed to be renumbered to subsections (b)(7) and (b)(8). This amendment was necessary to avoid duplication.

Proposed subsection (b)(11) has been renumbered from original subsection (b)(1). Original subsection (b)(11) has been renumbered to subsection (b)(9).

Original subsection (b)(12) is proposed to be deleted, as it was duplicative of the amended provisions in proposed subsection (b)(10).

Original subsection (b)(13) is proposed to be deleted. The Certificates of Analysis created to document regulatory compliance testing are not available to manufacturing licensees in the track and trace system after testing has taken place unless the manufacturer also holds a distribution license and has arranged for testing through that license. However, the Certificates of Analysis are available to the Department through the track and trace system, which provides the Department with access to the information needed for verification and oversight purposes. The rest of the section has been renumbered accordingly.

Section 17217. Standard Operating Procedures

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17217 contains provisions relevant to cannabis manufacturers that were previously found in chapter 12. This section has been renumbered from 17219 to 17217. The provisions formerly found in 17217 have been renumbered to 17219. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17217 contains the requirements for establishing and maintaining specified standard operating procedures for manufacturing licensees.

Proposed amendments throughout this section replace the term “licensee” with “licensed manufacturer.” This is necessary to ensure consistency of terms throughout the Department’s regulations, and to distinguish the license type these provisions apply to, as the regulations for all license types are now consolidated in this division.

Proposed subsection (a) has been amended to add the phrase “as related to their job duties.” This is necessary to clarify that onsite personnel shall have the standard operating procedures that are related to their job duties easily accessible to them.

Section 17218. Inventory Control – Cannabis and Cannabis Products.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17218 contains provisions relevant to cannabis manufacturers that were previously found in chapter 12. This section has been renumbered from 17222 to 17218. The provisions formerly found in 17218 have been renumbered to 17220. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17218 contains the requirements for establishment and implementation of an inventory control plan for manufacturing licensees.

Proposed amendments throughout this section replace the term “licensee” with “licensed manufacturer.” This is necessary to ensure consistency of terms throughout the

Department's regulations, and to distinguish the license type these provisions apply to, as the regulations for all license types are now consolidated in this division.

Proposed subsection (d) has been amended to create consistency between license types in what constitutes a significant discrepancy by referencing section 15034. The proposed section also indicates that the result of the reconciliation and any audit must be retained and available to the Department upon request. This requirement is consistent with other sections of this division and is necessary to allow the Department to determine compliance and follow-up on discrepancies in inventory and to track cannabis and cannabis products.

Proposed subsection (e) has been added to ensure consistency with other sections of this division and with the BPC by requiring the preparation of sales invoices and receipts for all cannabis or cannabis products received at or transferred from the licensed premises.

Article 5. Special Requirements

Article 5 contains the requirements related to special manufacturing practices. These requirements were previously found in Article 5 of Chapter 12, which was titled "Special Processing Requirements." The title of this article has been amended for consistency in the use of terminology throughout this division.

The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Section 17219. Juice Manufacturing.

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17219 contains provisions relevant to cannabis manufacturers that were previously found in chapter 12. This section has been renumbered from 17217 to 17219. The provisions formerly found in 17219 have been renumbered to 17217. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17219 contains the requirements for establishment and implementation of a written juice hazard analysis and critical control plan for manufacturing licensees.

Original subsection (a) is proposed to be deleted. The information included therein specifies the manufacturers for which this section is applicable and is duplicative of subsection (b) of this section which restate this information. The redundancy is unnecessary. With this deletion, subsection (b) is no longer a subsection and now constitutes the entirety of section 17219. This section has been amended to replace "prepare" with "establish." This is necessary to ensure consistency of terms throughout the Department's regulations, which convey an expectation that licensees will both create and implement the required plan. The section is further amended to specify that the plan must be made available to the Department upon request. The Department expects licensees to have written documents for any plans or procedures required by regulation readily available for Department review, and this requirement has been explicitly stated here for clarity.

Section 17220. Dried Meat Manufacturing

Chapter 8 previously contained other provisions that are now found in chapter 13 of this division. Proposed section 17220 contains provisions relevant to cannabis manufacturers that were previously found in chapter 12. This section has been renumbered from 17218 to 17220. The provisions formerly found in 17220 have been moved to 17221. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public by consolidating manufacturer regulations in one chapter.

Proposed section 17220 contains the requirements for establishment and implementation of an inventory control plan for manufacturing licensees. There are no substantive edits to the provisions of this section.

Chapter 9. Other Responsibilities

Section 17221. Weighing Devices and Weighmasters

Chapter 9 previously contained provisions relating to cannabis cultivation program requirements. These requirements are now contained within chapters 1, 7, 10, and 12 of this division. Proposed section 17221 contains other responsibilities applicable to all licensees under the Department that were formerly found in section 17220. The provisions formerly found in 17221 have been moved to 17211.1. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17221 contains requirements for the how and when cannabis and cannabis products must be weighed, measured, or counted.

The title of this section has been amended from “Weights and Measures” to “Weighing Devices and Weighmasters” for accuracy and clarity.

Proposed section 17221 has been amended to incorporate requirements contained in existing section 16213. Existing sections 17220 and 16213 apply to manufacturers and cultivators. The regulations applicable to distributors do not specifically contain this requirement, however, the legal obligations included in these sections are statutory requirements applicable to all businesses conducting commercial transactions based on the weight, measure, or count of goods; thus, already applicable to former Bureau licensees although not specifically included in current regulation. These existing state laws are not included in the Act, but are contained within BPC division 5, chapter 5 and its implementing regulations. This section is necessary to inform all licensees that are engaging in weighing, measuring, and counting activities of their obligations under existing law.

Proposed amendments throughout this section make stylistic changes to the way statutes are cited. These changes are made for consistency throughout the regulation text.

Original subsection (b) is proposed to be deleted. This subsection defined “count” for purposes of this section. The word “count” is commonly understood, and this section does not define or use the word in a novel way. Therefore, it is not necessary to include the

definition. Original subsection (c) has been renumbered to proposed subsection (b) accordingly.

Proposed subsection (c) is moved from subsection 16213(a)(4). Subsections (c)(1) and (c)(2) are proposed to be added to explicitly state the situations under which the licensee must obtain a weighmaster certificate, rather than reference a separate section of law. This highlights key moments in a licensee's operation where they have responsibilities under BPC division 5, chapter 5 so they are aware of their obligation.

Proposed subsection (d) has been added for clarity to ensure licensees understand that the weighmaster certificate is not required for weights and counts entered into track and trace. This is necessary so that licenses do not unnecessarily expend resources on obtaining a weighmaster certificate for this purpose.

Proposed subsection (e) has been relocated from section 16213(b) to provide a single location for all requirements regarding weighing devices and weighmasters. Proposed amendments to the text instruct licensees how to fulfill requirements if they are unable to obtain services from a county sealer. California cannabis laws allows local governments to ban commercial cannabis activities within their jurisdictions. County government decisions are applicable only to unincorporated areas of the county, which creates situations in which a city may allow commercial cannabis activities but the county in which it is located does not. In some of these areas, county sealers have refused to provide services for lawfully-operating cannabis businesses located within the incorporated city. The proposed amendments are necessary to ensure cannabis businesses understand the options for complying with the law when a county sealer refuses to provide services.

Section 17223. Waste Management

Chapter 9 previously contained provisions relating to cannabis cultivation program requirements. These requirements are now contained in chapters 1, 7, 10, and 12 of this division. Proposed section 17223 contains other responsibilities applicable to all licensees under the Department that were formerly found in chapter 12. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17223 contains the requirements for handling cannabis and cannabis products as waste.

Proposed amendments throughout this section ensure consistency of terms throughout the Department's regulations and to make stylistic changes to the way statutes are cited. These changes are made for consistency throughout the regulation text.

Proposed subsection (a) has been amended to move the provisions requiring the licensee to create a cannabis waste management plan to subsection (b) for clarity. The phrase "including laws regulating 'organic waste' as defined in the Public Resources Code section 42649.8(c)" is proposed to be deleted. The subsection requires licensees to act in accordance with all laws in the Public Resources Code related to waste, not just those pertaining to organic waste, which they are already required to do under statute. Therefore, it is unnecessary to include this specific provision.

Proposed subsection (b) has been amended to require licensees to establish and implement a cannabis waste management plan. This is necessary to ensure consistency of terms throughout the Department's regulations, which clarify that licensees will both create and implement the required plan. Section 16108 currently require cultivators to have a waste management plan, so this requirement is not new for cultivator licensees. Although other licensees are not currently required to have a waste management plan, the Department has determined that all licensees should be subject to this requirement to ensure waste is handled properly to protect the environment and public safety.

The remaining part of the subsection incorporates provisions formerly contained within section 16108, which list the methods by which a licensee can dispose of cannabis waste. The Department has determined that it is necessary to have this more specific list of ways waste can be disposed of, rather than the more general provisions found in sections 15054 and 17223, applicable to all licensees to clarify the specific ways waste must be handled. Moving these provisions also place requirements regarding waste in a single section so they are clearly communicated and understood by licensees. Original subsection (b) has been moved to proposed subsection (c).

Proposed subsection (c) contains provisions previously found in subsection (b). This subsection has been amended to clarify the language without adding additional requirements. Proposed amendments clarify that licensees can share waste receptacles, a common business practice for those operating in business parks and other subdivided buildings. This is necessary to ensure licensees understand that this practice is allowed and the specific parameters under which it can be done.

Original subsection (c) is proposed to be deleted. This requirement has created confusion for licensees and Department compliance staff about whether this applies to goods returned to retailers by customers and how to adhere to the prohibition of disposing of products in their packaging when the packaging is not easily removed. In addition, rendering cannabis or cannabis products unrecognizable and unusable is commonly accomplished by adding additional substances to the mixture, which may require the waste to be disposed of in a landfill, rather than as green waste. This increases the waste generated by the facility and creates a larger impact to the environment. The requirement to render waste and dispose of products outside of their packaging is intended to prevent cannabis and cannabis products from being diverted from the legal market. In accordance with this intention and after several years of experience, the Department has identified a more narrow and targeted scope of situations in which it is important for licensees to render waste unrecognizable and unusable., which will allow for increased waste reduction and recycling. These requirements are in proposed subsection (f).

Original subsection (d) is proposed to be deleted. The requirements for entry of information into the track and trace system is addressed in another chapter, so the requirement is not necessary. The remainder of the section is renumbered accordingly.

Proposed subsection (d), originally subsection (e), removes language related to who can collect cannabis waste and replaces it with a cross reference to subsection(b)(2), which contains that information, to simplify the language. This section currently applies to manufacturers but is proposed to apply to all licensees. Similar requirements to maintain identification information and documentation related to the use of a waste hauler is

currently applicable to cultivators pursuant to section 16308 and to other licensees pursuant to section 15037. This section is necessary to consolidate requirements into one section and to have the same standards for all licensees.

Proposed subsection (e), originally subsection (f), provides requirements for self-hauling cannabis waste. Subsection (e)(2) removes the specific list of allowable places to which the waste can be hauled and replaces it with a cross reference to subsection (b)(3), where this information is contained.

Proposed subsection (f) provides the requirements for disposing of a batch of cannabis or cannabis products that have failed quality standards. This includes making them unusable. Disposing of a batch of cannabis or cannabis products has the potential for diversion of legal cannabis into the illegal market. Additionally, these batches have failed quality determinations or testing; thus, may not be safe for consumption. This provision is necessary to ensure batches of cannabis and cannabis products that are disposed of are not diverted or consumed.

Proposed subsection (f)(2) requires the disposal to be captured by video surveillance, except for those engaging in cultivation activities as they are not required to have video surveillance systems. As disposal provides an opportunity for diversion, the Department has determined that it is necessary for the Department to be able to verify the cannabis or cannabis products have been disposed of as required. This proposed subsection also requires the reason for disposal to be noted in the track and trace system. Licensees are currently required to enter information about the disposal of cannabis or cannabis products in the tracking system. This provision is necessary for the Department to effectively conduct investigations and audits of the movement of the cannabis and cannabis products.

Section 17224. Consent to Sample Collection.

Original section 17224 provided that a manufacturer licensee that transfers possession of cannabis products to a licensed distributor must allow the Department to collect samples. This section is proposed to be repealed, as specific authority to collect samples from a licensee licensed by another licensing authority is no longer needed in regulation. The Department has authority to collect samples from its licensees. As all licensees are licensed by the Department, there is no need to maintain this section.

Section 17225. Product Complaints.

Chapter 9 previously contained provisions relating to cannabis cultivation program requirements. These requirements are now contained within chapters 1, 7, 10, and 12 of this division. Proposed section 17225 contains other responsibilities applicable to all licensees under the Department that were previously contained in chapter 12. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17225 establishes responsibilities for a manufacturer to respond and maintain records in the event they receive a complaint about product quality issues or adverse effects experienced from the cannabis product.

Proposed amendments throughout this section expand its provisions to other license types, including cultivators, distributors, and retailers, who produce cannabis and cannabis products and may receive a consumer complaint. Complaints may be an indicator of problems in the production process, including chemical or physical contaminants or equipment malfunction. Complaints may also be an indicator of an active threat to the public health. Adverse effects, such as illness, may reflect the presence of mold, bacteria, or microscopic parasites that render the cannabis good unsafe for consumption. If such a product quality issue exists in the unit they purchased, it is likely that same issue exists in the entire batch of cannabis and cannabis products. It is necessary for all licensees to be aware of their responsibility to ensure the safety of their cannabis and cannabis products and for any licensee receiving consumer complaints to investigate the nature and cause of the complaint to prevent illness and protect public health.

Proposed amendments throughout this section would replace the term “cannabis product” with “cannabis goods” to reflect that the reference is to any finished cannabis good, whether manufactured or nonmanufactured. This is necessary to ensure consistency of terms throughout the Department’s regulations and applicability to all types of cannabis and cannabis products.

Proposed subsection (a) has been amended to remove the requirement for the licensee to establish written procedures. The provisions of this section clearly outline the steps that a licensee must take when they receive a complaint. The Department has determined that it is not necessary for a licensee to compile these steps into a separate document prior to the receipt of a complaint. Instead, the critical element is that they execute the steps in the event a complaint is received. Proposed amendments to this subsection specify what failure of the cannabis good – adulteration and misbranding – is of utmost importance for the investigation. Consumer complaints about preference, such as dislike of the style of a label or preference for a different taste may be of business interest but not of regulatory interest. The interest of the Department is to prevent and remove adulterated or misbranded product from the market. Proposed amendments to this subsection also remove the requirement for quality control personnel to review and approved decisions to investigate. The Department has found that many small businesses do not have personnel on staff whose only role is quality control. This amendment is necessary to ensure the requirements imposed by this section are inclusive of and achievable by all licensed business, regardless of size. Original subsection (a)(4) has been renumbered to proposed subsection (c) for clarity.

Proposed subsection (b) has been amended to delete the phrase “that could be related to the manufacturing practices.” This amendment is necessary to clarify that a product complaint can include any concern with product quality and to limit confusion since the section no longer applies exclusively to manufacturers.

Proposed subsection (c) has been renumbered from original subsection (a)(4) to separate the actions that must be taken, which are described in subsection (a), from the records that must be kept. This is necessary for clarity and ease of reading. Subsequent subsections have been renumbered accordingly. Proposed subsection (c)(8) is added to ensure licensees that receive a complaint but are not the makers of the product, such as retailers, inform the licensee that did make the product. This is necessary to ensure the

licensee that makes the product is aware of the concerns about the product and can respond to any potential product quality issue as required.

Proposed subsection (d) requires the licensee to conduct a recall if the complaint investigation shows that the cannabis good is adulterated or misbranded. This subsection does not impose a new requirement but rather, it makes a clear connection to obligations established in section 17226, which require the licensee to conduct a recall when they have determined cannabis and cannabis products are adulterated or misbranded. This is necessary to ensure licensees understand their responsibilities after investigation to protect public health.

Section 17226. Voluntary Recalls.

Chapter 9 previously contained provisions relating to cannabis cultivation program requirements. These requirements are now contained within chapters 1, 7, 10, and 12 of this division. Proposed section 17226 contains other responsibilities applicable to all licensees under the Department that were previously contained in chapter 12. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17226 provides the requirements related to voluntary recalls as established under BPC section 26039.1(a).

The title of this section is proposed to be amended from “Recalls” to “Voluntary Recalls.” This amendment is to reflect that this section establishes expected parameters that licensees must use when they initiate the recall of cannabis or cannabis product voluntarily. This is necessary to differentiate from provisions related to mandatory recalls ordered by the Department which are proposed to be contained within section 17227.

As BPC section 26039.1 has been expanded to apply to cannabis, the proposed amendments to this section clarify its applicability to both cannabis and cannabis products, as well as all licensees for consistency. Proposed amendments throughout this section would replace the term “cannabis product” with “cannabis goods” to reflect that the reference is to any finished cannabis good, whether manufactured or nonmanufactured. Proposed amendments throughout this section make stylistic changes to the way statutes are cited. These changes are made for consistency throughout the regulation text.

Proposed subsection (a) has been amended to provide greater clarity on the requirement for licensees to implement written procedures for recalling cannabis goods that are adulterated or misbranded. This amendment is necessary to provide clarity on the requirement but does not change the substance of the requirement.

Proposed amendments to subsection (a)(4)(A) specify that the Department may request a longer holding time for recalled cannabis goods to be quarantined and, if requested, the licensee must continue to quarantine the goods during that period of time. This is necessary to account for scenarios where the Department needs additional time to perform required oversight, including times when the batch is held at different licensed premises.

Proposed subsection (d) has been added to reiterate the allowance established in BPC 26039.1(a) for a licensee to remediate recalled cannabis and cannabis products, if approved by the Department. Existing text requires the manufacturer to submit a remediation plan but does not specify the mechanism by which a licensee may do so. The proposed subsection describes the method by which a licensee may submit a remediation plan and the actions that must be taken if the remediation plan is not approved. This maintains consistency with the handling of other adulterated or misbranded cannabis and cannabis products. It is necessary for licensees to understand that they may remediate recalled cannabis and cannabis products and what they are obligated to do when a request to remediate is denied.

Section 17227. Mandatory Recalls.

Chapter 9 previously contained provisions relating to cannabis cultivation program requirements. These requirements are now contained within chapters 1, 7, 10, and 12 of this division. Proposed section 17227 is a new section that contains other responsibilities applicable to all licensees under the Department. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17227 provides the requirements related to mandatory recalls as established under BPC section 26039.1(b). This section has been added to ensure licensees understand the Department's authority to issue a mandatory recall letter and the expectations for how a licensee must respond.

Proposed subsection (a) is added to clearly state that the Department may require a mandatory recall for reasons specified in the statute.

Proposed subsection (b) is added to specify that a mandatory recall issued by the Department shall be conducted in the same manner as a voluntary recall. Section 17226 outlines clear steps that a licensee must take when conducting a voluntary recall, including notification to any licensees who may have received the product and quarantine periods for product that will be destroyed. These provisions provide robust consumer awareness and protection measures, regardless of whether the recall is initiated voluntarily by the licensee or mandated by the Department. This provision is necessary to require licensees to follow the same process for voluntary recalls to ensure the same level of consumer protection and to make licensees aware of how to conduct a recall if mandated to do so by the Department.

Chapter 10. Cannabis and Cannabis Products

Chapter 10 previously contained provision related to manufacturing and was entitled "Manufactured Cannabis Safety". Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. The proposed provisions of this chapter were previously contained in chapter 13. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

The title of this chapter is proposed to be amended from “Products” to “Cannabis and Cannabis Products” to better reflect the contents of the chapter. The chapter previously only contained requirements for manufactured cannabis products, but it now also contains requirements for nonmanufactured cannabis goods. The revised title is more inclusive of all types of goods referenced.

Article 1. Standards for Manufactured Cannabis Products

The title of this article is proposed to be amended from “Definitions” to “Standards for Manufactured Cannabis Products” to better reflect the requirements contained within the article. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Section 17300. Prohibited Products.

Chapter 10 previously contained provisions relating to manufactured cannabis safety. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17300 contains other responsibilities applicable to all licensees under the Department that were previously found in chapter 13. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17300 contains the requirements for prohibited products.

The language throughout this section was amended to replace the word “product” with the word “goods” to reflect that the reference is to cannabis products in final form. Additional non-substantive grammatical and stylistic edits have been made to this section.

Proposed subsection (a) has been amended to change the way references to other laws are cited. This is necessary to ensure consistency of citations throughout the Department’s regulations. The change is stylistic and there are no changes to the regulatory requirements.

Proposed subsection (b) was amended to remove the prohibition on the use of caffeine as an additive. This amendment was necessary, as the prohibition was created prior to the emergence of research on health effects. Scientific evidence now indicates minimal negative health effects from combining cannabis and caffeine. Further, the “naturally-occurring” distinction does not serve a clear purpose, because energy drinks are composed of herbs and botanicals that are naturally occurring.

Proposed subsection (g) has been amended to replace “Business and Professions Code” with “The Act.” This subsection has also been amended to delete the phrase “may be sold as a cannabis product.” These changes are stylistic and there are no changes to the regulatory requirements.

Proposed subsection (n) has been added. This subsection provides that the sale of any inhalable cannabis good that is delivered into the lungs through a metered-dose inhaler or dry-powder inhaler is prohibited. This addition is necessary to protect consumers from purchasing potentially harmful products. As the cannabis market grows and develops, the Department has become aware of new cannabis intake methods that were unknown at the time the original regulations were promulgated. Some of these intake methods have the

potential for serious harm to public health and safety, and consequently, the Department is proposing to prohibit the sale of products utilizing these intake methods. In the conventional (non-cannabis infused) market for drugs and medical devices, the manufacture of inhalers, nasal sprays, eye drops, and injection needles is highly regulated. The lungs, eyes, and nose are very sensitive areas of the human body that are highly susceptible to microbial infection. Similarly, piercing the skin provides an opportunity for microbes to enter the bloodstream. Accordingly, the manufacturing of these products for the conventional market is extremely controlled, requiring specialized production facilities, staff with specialized knowledge, and tightly controlled processes in order to minimize the potential for microbial contamination through the use of such products. The addition of these products to the prohibited product section is necessary to protect cannabis consumers from purchasing potentially harmful products.

Proposed subsection (o) has been added. This subsection provides that the sale of any cannabis good that is administered through the eye or the nasal passages is prohibited. This addition is necessary to protect consumers from purchasing potentially harmful products. As the cannabis market grows and develops, the Department has become aware of new cannabis intake methods that were unknown at the time the original regulations were promulgated. Some of these intake methods have the potential for serious harm to public health and safety, and consequently, the Department is proposing to prohibit the sale of products utilizing these intake methods. In the conventional (non-cannabis infused) market for drugs and medical devices, the manufacture of inhalers, nasal sprays, eye drops, and injection needles is highly regulated. The lungs, eyes, and nose are very sensitive areas of the human body that are highly susceptible to microbial infection. Similarly, piercing the skin provides an opportunity for microbes to enter the bloodstream. Accordingly, the manufacturing of these products for the conventional market is extremely controlled, requiring specialized production facilities, staff with specialized knowledge, and tightly controlled processes in order to minimize the potential for microbial contamination through the use of such products. The addition of these products to the prohibited product section is necessary to protect cannabis consumers from purchasing potentially harmful products.

Proposed subsection (p) has been added. This subsection provides that the sale of any cannabis good that is injected into the body by piercing the skin is prohibited. This addition was necessary to protect consumers from purchasing potentially harmful products. As the cannabis market grows and develops, the Department has become aware of new cannabis intake methods that were unknown at the time the original regulations were promulgated. Some of these intake methods have the potential for serious harm to public health and safety, and consequently, the Department is proposing to prohibit the sale of products utilizing these intake methods. In the conventional (non-cannabis infused) market for drugs and medical devices, the manufacture of inhalers, nasal sprays, eye drops, and injection needles is highly regulated. The lungs, eyes, and nose are very sensitive areas of the human body that are highly susceptible to microbial infection. Similarly, piercing the skin provides an opportunity for microbes to enter the bloodstream. Accordingly, the manufacturing of these products for the conventional market is extremely controlled, requiring specialized production facilities, staff with specialized knowledge, and tightly controlled processes in order to minimize the potential for microbial contamination through

the use of such products. The addition of these products to the prohibited product section is necessary to protect cannabis consumers from purchasing potentially harmful products.

Section 17301. Additional Requirements for Edible Cannabis Products

Chapter 10 previously contained provisions relating to manufactured cannabis safety. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17301 contains other responsibilities applicable to all manufacturing licensees under the Department that were previously found in chapter 13. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17301 contains requirements for edible cannabis products.

The title of this section is proposed to be amended to include the word “Additional” to provide clarity that the requirements for edible cannabis products imposed within this section are in addition to other requirements for manufactured cannabis products found throughout this division.

Proposed subsection (a) has been amended to update the website address at which the FDA Substances Added to Food database can be found. Since the implementation of this regulation, the FDA has changed the website address. This amendment is necessary to conform with that change.

Proposed subsection (b) has been amended to clarify and streamline the provisions that require edible cannabis products to be marked or packaged in a manner that a single serving is readily identifiable by a consumer. The existing regulations describe various methods of fulfilling this requirement based on whether the edible cannabis product is in solid form or not. This has caused confusion for licensees because edible cannabis products can be in semi-solid forms, and it can be difficult to identify whether the methods described for solids or non-solids are most applicable. The proposed amendments would establish a single consistent standard for all edible cannabis products, regardless of their state of matter.

Section 17302. Additional Requirements for Topical Cannabis Products.

Chapter 10 previously contained provisions relating to manufactured cannabis safety. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17302 contains other responsibilities applicable to all manufacturing licensees under the Department that were previously found in chapter 13. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17302 contains the requirements for topical cannabis products.

The title of this section is proposed to be amended to include the word “Additional” to provide clarity that the requirements for topical cannabis products imposed within this section are in addition to other requirements for manufactured cannabis products found throughout this division. The title is also proposed to be amended to remove references to “Concentrates, and Other Cannabis Products” to reflect that this section only contains provisions related to topical cannabis products.

Section 17302.1 Additional Requirements for Tinctures.

Chapter 10 previously contained provisions relating to manufactured cannabis safety. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17302.1 is a new section that contains other responsibilities applicable to all manufacturing licensees under the Department. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17302.1 expands on the definition of “tincture” and contains the volume limitations for tinctures. This addition was necessary to clarify that other ingredients may be included in a tincture, provided that the primary ingredient by weight is alcohol, vegetable oil or glycerin. This addition was also necessary to provide clear parameters for volume limitations. The volume limitation for tinctures is necessary in order to align with the existing requirement for orally consumed products containing alcohol which may also be tinctures. Section 17303 requires that orally consumed products containing alcohol shall be packaged in a container no larger than two fluid ounces and shall include a calibrated dropper or other similar device capable of accurately measuring servings. The volume limitation for tinctures is necessary to ensure that all regulations pertaining to tinctures are consistent.

Section 17303. Orally Consumed Products Containing Alcohol.

Chapter 10 previously contained provisions relating to manufactured cannabis safety. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17303 contains provisions related to orally consumed products containing alcohol that were previously found in chapter 13. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17303 provides the requirements related to orally consumed products that contain more than 0.5% alcohol by volume as an ingredient. There are no changes to the regulatory requirements.

Section 17303.1. Additional Requirements for Inhaled Products

Chapter 10 previously contained provisions relating to manufactured cannabis safety. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17303.1 is a new section that contains other responsibilities applicable to all manufacturing licensees under the Department. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17303.1 provides additional requirements for cannabis products intended for inhalation. There have been concerns raised about the use of unsafe inactive ingredients in cannabis products intended for inhalation. For example, MCT oil, propylene glycol, and polyethylene glycol are known to be added as cutting agents in vape cartridges, as well vitamin e oil. There is limited understanding of how these oils behave when heated and inhaled, and at what levels they may be harmful. Over the last few years,

there have been several cases of consumers becoming ill, and even dying, after using illicit products cut with unsafe ingredients. This section prohibits the use of inactive ingredients that have not been permitted for inhalation by the Food and Drug Administration. This addition is necessary to protect consumers from purchasing potentially harmful products.

Article 2. Cannabinoid Concentration Limits

This article contains the requirements related to cannabinoid concentration limits. These provisions were previously found in Article 2 of Chapter 13, which was titled “Special Processing Requirements.” The title of this article has been changed from “General Provisions” to better align with the content of the article.

The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Section 17304. THC Concentration Limits.

Chapter 10 previously contained provisions relating to manufactured cannabis safety. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17304 contains other responsibilities applicable to all manufacturing licensees under the Department that were previously found in chapter 13. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17304 provides the THC concentration limits for cannabis products.

Proposed subsection (b)(1) has been amended to change “piece” to “serving.” This amendment was necessary for clarity.

Article 3. Failed Product Batches.

This article contains the requirements related to failed product batches. These provisions were previously found in Article 3 of Chapter 13.

The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Section 17305. Failed Product Batches.

Chapter 10 previously contained provisions relating to manufactured cannabis safety. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17305 contains other responsibilities applicable to all licensees under the Department that were previously found in chapter 13. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17305 provides the requirements for remediation of cannabis goods that have failed regulatory compliance testing.

The title of this section has been amended to include both cannabis product batches and harvest batches. This amendment was necessary because this section is proposed to be expanded to be applicable to all license types. Expanding the applicability of this section

will help ensure licensees understand how goods that fail regulatory compliance testing must be handled and to prevent failed batches, which do need meet consumer safety standards, from reaching consumers.

Proposed section 17305 has been amended throughout to delete the word “laboratory.” This amendment was necessary for consistency of the use of terminology throughout the division.

Proposed subsections (a) and (a)(1) have also been amended to clarify applicability and ensure consistency of the use of terminology throughout this section.

Proposed subsection (a)(2) was amended to add language specifying that the licensed manufacturer or microbusiness submitting the corrective action plan must be the same licensee that remediates the associated batch, and must receive approval of the corrective action plan from the Department prior to receiving the batch from the licensed distributor. These amendments were necessary for clarity.

Proposed subsection (b) has been amended to replace the citation to 15727 with “15306.” This amendment was necessary to ensure the accuracy of the source referenced.

Paragraphs (1) and (2) under subsection (d) are proposed to be repealed. These paragraphs require manufacturers to notify the Department if the results of regulatory compliance testing showed that manufactured cannabis products were labeled with incorrect cannabinoid amounts, and the products must be relabeled. In practice, this notification requirement has not been meaningful for the Department’s performance of regulatory oversight.

Proposed subsection (e) has been amended to add language that includes microbusinesses authorized to engage in manufacturing. This amendment was necessary as the provisions for all license types have been consolidated and the language must encompass additional licensees for consistency. Additional non-substantive organizational amendments were made to this subsection and additional requirements for the corrective action plan have been proposed. These additional requirements include the brand name of the product being remediated; the name, license number, DBA, premises address and contact person for the manufacturing or microbusiness licensee that will be remediating the batch; and any additional information the Department may request regarding the remediation. This additional information is necessary so the Department has complete information about the batch and the licensee that will be remediating the batch as well as any additional information specific to the remediation that the Department may require in order to assess the remediation plan.

Proposed subsection (g) has been amended to replace citations to prior regulations with the relevant provisions of the proposed regulations in order to clarify that once a cannabis product or harvest batch has been remediated, it must undergo laboratory testing in accordance with chapters 2 and 6, and quality assurance review pursuant to sections 15307 and 15307.1. This amendment was necessary because once a batch has been remediated, it becomes a new product that requires testing and review to ensure consumer safety.

Chapter 11. Labeling and Packaging Requirements

Chapter 11 previously contained provisions related to manufacturing and was entitled “Manufacturing Licenses.” Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. The proposed provisions of this chapter were previously contained in chapter 14. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Article 1. Bulk Cannabis and Cannabis Products, Immature Plants, and Seeds

Article 1 contains the requirements related to bulk cannabis and cannabis products, immature plants, and seeds. Article 1 was previously titled “Application for Licensure.” The title of this article has been changed to “Bulk Cannabis and Cannabis Products, Immature Plants, and Seeds” to better correspond with the amended contents following the reorganization of this division.

The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

The title of the article is proposed to be changed from “General Provisions” to “Bulk Cannabis and Cannabis Products, Immature Plants, and Seeds” to accurately reflect the contents of the article.

Section 17398. Bulk Cannabis and Cannabis Products.

Chapter 11 previously contained provisions relating to manufacturing licenses. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17398 is a new section that contains labeling and packaging requirements. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17398 contains provisions related to the packaging and labeling of bulk cannabis and cannabis products.

Proposed subsection (a) defines “bulk cannabis and cannabis products” as it is used in this section. This requirement is necessary to ensure it is clear to the regulated industry what requirements are applicable to these types of products.

Proposed subsection (b) incorporates the existing requirement that the packaging used to transport bulk cannabis or cannabis products protects the cannabis and cannabis products from contamination and does not expose them to any toxic or harmful substances. This provision is necessary to protect cannabis or cannabis products from becoming contaminated, and thus harmful to human health, during transportation and storage.

Proposed subsection (c) clarifies the information that needs to be labeled on a container of bulk cannabis or cannabis products.

Proposed subsection (c)(1) requires the type or common name of the cannabis and cannabis products within the package. This provision is necessary to ensure other licensees and the Department can confirm that the contents match the transfer records.

Proposed subsection (c)(2) requires the UID number. The UID is the primary way that cannabis and cannabis products are tracked through the supply chain. This provision is necessary to ensure the Department can fulfill its mandate to protect public safety by tracking the movement of cannabis.

Proposed subsection (c)(3) requires the identification of ingredients of the cannabis product, including a warning if allergens are present. The manufacturer that creates the final cannabis product is required to list all ingredients and allergens on the product label. For the final manufacturer to be able to fulfill this requirement, the manufacturer sending the bulk cannabis product must inform the receiving manufacturer of the ingredients.

Proposed subsection (c)(4) requires the net weight or count of the cannabis or cannabis product. This provision is reasonably necessary to ensure receiving licensees, the Department, and other enforcement agencies can determine whether the amount in the transfer records matches the amount in the bulk package.

Section 17399. Immature Plants.

Chapter 11 previously contained provisions relating to manufacturing licenses. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17398 contains labeling and packaging requirements that were previously contained in chapters 2 and 3. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17399 contains the packaging and labeling requirements for immature plants to be sold at retail. Proposed section 17399 maintains existing regulatory requirements, previously contained in section 15303, subsection (a)(2)(B)(3), that live plants sold at retail do not need to be placed in tamper-evident, child-resistant packaging. The provision has been located here to include all the relevant labeling and packaging requirements for live plants in a single location where other packaging and labeling provisions are located.

Proposed subsection (b) includes the requirements for labeling of immature plants that will be sold at retail. These subsections are necessary to ensure licensees understand the requirements including the applicability of statutory provisions contained within BPC division 10, chapter 12.

Proposed subsection (b)(1) requires the name of the cultivator that produced the plant and the cultivator's website or contact number. This requirement is necessary to allow licensed retailers, consumers, and the Department to confirm the plant was obtained from a licensee and to ensure consumers can contact the licensee if needed.

Proposed subsection (b)(2) requires the strain name of the plant. This requirement is a reasonable consumer information measure to make sure consumers know what they are purchasing.

Proposed subsection (b)(3) requires the statement "this plant has not been tested in accordance with the Medicinal and Adult-Use Regulation and Safety Act." This is an existing regulatory requirement in section 15408 that has been moved to this section to combine all labeling requirements for live plants are contained within a single section. The

requirement has been maintained because it provides valuable information to the consumer, alerting them that, unlike other cannabis goods for sale, the plant has not undergone regulatory compliance testing.

Section 17400. Seeds

Chapter 11 previously contained provisions relating to manufacturing licenses. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17400 contains labeling and packaging requirements that were previously contained in chapter 2. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

The original contents of section 17400, which provided the applicability for chapter 14, have been repealed. This amendment was necessary as the original contents were no longer relevant following the reorganization of the division.

Proposed section 17400 contains the packaging and labeling requirements for cannabis seeds.

The title of this section is proposed to be changed from “Applicability” to “Seeds” to accurately reflect the amended contents of the section.

Proposed subsection (a) has been amended to incorporate the existing regulatory requirement from former section 15303(a)(3) that packages of seeds sold at retail do not need to be placed in child-resistant packaging. The provision is included here to provide a single location where the packaging and labeling requirements for seeds can be found within the Department’s regulations.

Proposed subsection (b) is proposed to be added to specify the information that needs to be included on a package of seeds sold at retail.

Proposed subsection (b)(1) requires the name of the cultivator that produced the seeds. This requirement is necessary to ensure licensed retailers, consumers, and the Department can ensure the seeds were obtained from a licensee and to ensure consumers can contact the licensee if needed.

Proposed subsection (b)(2) requires the strain name(s) of the seeds in the package. This requirement is a reasonable consumer information measure to ensure consumers know what they are purchasing.

Proposed subsection (b)(3) requires either the weight or count of seeds in the package. This requirement is a reasonable consumer information measure to ensure consumers know what they are purchasing. It also reiterates existing laws contained within the Fair Packaging and Labeling Act, which establish statewide labeling requirements for consumer-packaged goods.

Proposed subsection (b)(4) requires the universal symbol. This requirement is necessary to alert the public that the package contains cannabis.

Proposed subsection (b)(5) requires the statement “these seeds have not been tested in accordance with the Medicinal and Adult-Use Regulation and Safety Act.” This is an

existing regulatory requirement in section 15408 that has been moved to this section to ensure all labeling requirements for seeds are in a single section. The requirement has been maintained because it provides valuable information to the consumer, so they know the seeds have not undergone regulatory testing.

Article 2. Cannabis Products Released from Manufacturing.

The title of Article 2 has been added for organizational purposes and to make requirements easy to find. Subsequent articles have been renumbered accordingly.

Section 17401. Release to Distributor as Finished Product.

Chapter 11 previously contained provisions relating to manufacturing licenses. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17401 contains labeling and packaging requirements that were previously contained in chapter 14. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17401 contains the requirements for final form manufactured products.

Proposed subsection (a) has been amended to make grammatical edits to remove redundant language. Additionally, the term “sale” has been amended to “retail sale” to clarify that the products must be packaged and labeled as they will be sold at retail. The subsection has also been amended to add language to clarify that the requirement applies to cannabis products being released to a distributor for purposes of compliance testing and retail sale. This is necessary to distinguish from releases to a distributor for other distribution purposes.

Proposed subsection (b) has been amended to include the content of former subsection (b)(1) for clarity.

Original subsection (b)(2) has been repealed as the provision contained therein expired on December 13, 2019 and is no longer necessary.

Article 3. Labeling Requirements

Article 3 contains the requirements related to labeling previously contained in Article 2 of Chapter 14. Article 3 was previously titled “Fees.” The title of this article has been changed to “Labeling Requirements” to better correspond with the amended contents following the reorganization of this division.

The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Section 17402. General Provisions.

Chapter 11 previously contained provisions relating to manufacturing licenses. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17402 contains labeling and packaging requirements that were previously contained in chapter 14. The amendments to reorganize

the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17402 contains the general requirements for labeling of cannabis goods.

Proposed subsection (c) has been amended to clarify existing regulatory requirements for labeling on the outermost container or wrapper of the finished product. The existing requirement could be interpreted to mean that a package wrapped in clear cellophane would need to have the cellophane labeled, not the package, which is an unnecessary and challenging restriction. The intent of the requirement is that the required information be visible without the need to open the package; therefore, it is reasonable for the Department to clarify that the information needs to either be printed on the outermost container or wrapped to be easily legible through the outermost container or wrapper. Stylistic edits are also proposed to remove the parenthetical for ease of reading. This subsection is also proposed to be amended to clarify the information that is required to be on an inner container. The primary information that a consumer needs to have if a product container is separable from outer packaging is that the product contains cannabis. The prior requirements have been streamlined to only require the universal symbol – the indication that a product contains cannabis – on the inner container.

Subsections (c)(1)-(2) are proposed to be deleted to accommodate the streamlined requirement.

Section 17403. Panel Labeling Requirements: Non-Manufactured Cannabis Goods.

Chapter 11 previously contained provisions relating to manufacturing licenses. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17403 contains labeling and packaging requirements that were previously contained in chapter 14. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17403 contains the requirements for labeling non-manufactured cannabis goods.

Proposed amendments to the title and text of the section would replace the term “pre-rolls or packaged flower” with “nonmanufactured cannabis goods” to reflect that the reference is to products that are not manufactured products. This is necessary to ensure consistency of terms throughout the Department’s regulations. Proposed amendments to subsection (b)(2) removes the term “registered” and now just refers to the name listed on the licensed certificate. This amendment is necessary for clarity and ease of understanding as to what name may appear on the label and no changes to regulatory requirements have been made.

Section 17404. Primary Panel Labeling Requirements: Manufactured Cannabis Products.

Chapter 11 previously contained provisions relating to manufacturing licenses. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17404 contains labeling and packaging requirements that were previously contained in chapter 14. The amendments to reorganize

the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17404 contains the requirements for the primary panel label on manufactured products.

Original subsection (b) is proposed to be deleted because it was a duplicative of requirements contained within section 17407. The rest of the section has been renumbered accordingly.

Section 17405. Additional Primary Panel Labeling Requirements: Edible Products.

Chapter 11 previously contained provisions relating to manufacturing licenses. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17404 contains labeling and packaging requirements that were previously contained in chapter 14. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17405 contains additional requirements for the primary panel label on edible products.

Proposed amendments to this section clarify the additional labeling requirement for edible cannabis products. The existing regulation could be interpreted to require a dash to be printed between “cannabis” and “infused.” The Department has determined that this is an unnecessary restriction that does not provide a regulatory benefit. The requirement has therefore been amended this section to allow the words “cannabis infused,” with or without the dash.

Section 17406. Informational Panel Labeling Requirements Manufactured Cannabis Products.

Chapter 11 previously contained provisions relating to manufacturing licenses. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17404 contains labeling and packaging requirements that were previously contained in chapter 14. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17406 contains the requirements for the informational panel label of manufactured cannabis products.

The amendments to proposed subsection (a)(1) are stylistic and intended to clarify the regulatory requirement and make the language easier to read and understand. . Proposed amendments to subsection (a)(1) removes the term “registered” and now just refers to the name listed on the licensed certificate. This amendment is necessary for clarity and ease of understanding as to what name may appear on the label and no changes to regulatory requirements have been made.

Proposed subsection (a)(2) has been amended to clarify which date must be labeled on a manufactured cannabis product. The existing regulations require products to be labeled

with the date of manufacturing and packaging. The Department has found that manufacturing processes can happen over several days and are not necessarily all done by the same licensee. This has led to some confusion as to which manufacturing milestone corresponds to the date of “manufacturing and packaging” and should be printed on the label. To make the information meaningful to a consumer, the Department has determined that the date of packaging for retail sale is sufficient information for the consumer to make an assessment as to the freshness of the product. The detailed information on the dates of all manufacturing steps can be traced by the Department for oversight purposes through the UID number and the track and trace system.

Proposed subsection (a)(4) has been amended streamline the language used to describe which products must be labeled “FOR MEDICAL USE ONLY” for clarity and ease of understanding. Existing language lists the product classifications and restates the THC limits for adult-use products. Rather than restate these limits, subsections (a)(4)(B)-(C) are proposed to be deleted and instead, a reference to section 17304, where THC limits are contained, has been incorporated. Subsection (a)(4)(A) is proposed to be deleted because no differentiation is required to be made between medicinal and adult-use products, unless the THC limit for adult-use products are exceeded. The proposed changes do not change the regulatory requirement.

Proposed subsection (a)(6) has been amended to require ingredient listings on products that contain a major food allergen to comply with the food allergen labeling requirements in federal regulation. Consumers with food allergens are accustomed to reading food labels and having information presented in a specific manner. For individuals with severe allergies, having allergen information displayed in a clear, standardized manner can be a matter of life and death. To protect the health of consumers, it is necessary to require critical information on allergens be presented in a specific format.

Original subsection (a)(10) is proposed to be deleted. Licensees are not required to determine an expiration or best by date for their products. Consequently, the inclusion of this paragraph has been confusing and licensees are unsure how to determine if they need to include a date. To provide clarity to the regulated public, the Department is proposing to delete this provision. Original subsection (a)(11) has been renumbered accordingly and has been split into two subsections – (a)(10) and (a)(11) – for ease of reading.

Proposed amendments to subsection (c) account for the splitting of subsection (a)(11) into two paragraphs. It has also been amended to state that the name of the manufacturer cannot be printed solely on a supplemental label, by adding the reference to subsection (a)(1). It is necessary that the manufacturer’s name be easily accessible on the cannabis package for verification that the products were made by a licensed manufacturer, without requiring opening of the package.

Section 17407. Cannabinoid Content Labeling.

Chapter 11 previously contained provisions relating to manufacturing licenses. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17407 contains labeling and packaging requirements that were previously contained in chapter 14. The amendments to reorganize

the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17407 contains the requirements for cannabinoid content labeling.

Proposed subsection (a) has been amended to reflect updated terminology and to remove the specific reference to manufacturing premises to accommodate the consolidation of regulations. This is necessary to ensure consistency of terms throughout the Department's regulations. The provisions have been split into subsections (a) and (b) for clarity. The remaining subsections have been renumbered accordingly.

Original subsection (b) has been renumbered to proposed subsection (c) for clarity.

Proposed subsection (b)(3) has been amended to clarify the type of cannabinoid content that is mandated to be labeled on nonmanufactured cannabis products. This clarification is necessary to ensure labels include the information needed to inform consumers about the psychoactive effect of the nonmanufactured cannabis goods they may purchase or use. Cannabis flower contains several forms of THC, including THCA, which convert to psychoactive forms of THC, including delta-9 THC, when heated. Total THC accounts for these various forms. Total THC is a more accurate measure of the psychoactive THC content contained in the product that a consumer will experience when they use the nonmanufactured cannabis good.

Proposed subsections (c) and (d) have been amended to rephrase the requirements for cannabinoid labeling before and after testing to specify the labeling that must be done rather than phrasing them as requirements imposed on a manufacturer licensee who performs the labeling. This is necessary for clarity and to better reflect that the provisions of subsection (b) address all cannabis goods rather than just manufactured cannabis products, which can be labeled by more licensees than just manufacturers.

Proposed subsection (d) has been amended to remove the reference to "manufacturer," as it is no longer relevant now that this section applies to all licensees

Proposed subsection (d)(1) has been amended to replace the term "product in the batch" with "goods." This is necessary to ensure consistency of terms throughout the Department's regulations. Proposed amendments to this subsection also update the subsection reference to reflect proposed renumbering.

Proposed subsection (d)(2) has been amended to clarify the way cannabinoid content must be labeled if the product is labeled after regulatory testing is completed. The labeled cannabinoid content is required to reflect the cannabinoid content listed in the Certificate of Analysis, which is an existing regulatory requirement. The Department has received numerous questions as to whether this means that the exact number, down to each decimal point, must also be on the label or if the number can be rounded. The Department has determined that it is reasonable to allow the amount to be rounded to the nearest whole number to account for labeling space and for easy consumer reference and understand. This subsection further clarifies that even if the cannabinoid content is rounded, it cannot be listed as higher than the allowable THC limits. It will create confusion for other licensees and consumers if a product label shows a THC limit above the limit allowed by law. This provision is necessary to clarify the requirement. This subsection also

clarifies the way cannabinoid content must be labeled if the Certificate of Analysis lists the content as “Non Detected” or “<LOQ.” These responses on a Certificate of Analysis indicate that the amount of the specific cannabinoid is so low that it cannot be detected by the lab equipment (or is perhaps non-existent). However, the Department is concerned that “Non Detected” or “<LOQ” is not information that a consumer will understand. This subsection clarifies that it is acceptable for the licensee to list the cannabinoid content as either “0 mg” or “<2 mg” to align with subsection (c). Either manner of listing cannabinoid content will meet regulatory requirements.

Proposed subsections (d)(2) and (d)(3) have been amended to remove the requirement that the manufacturer licensee identify a location for cannabinoid content on the label. Because the regulations now apply to all licensees, the reference to “manufacturer” is no longer relevant. Proposed subsection (c)(3) retains the requirement that the cannabinoid content not obscure any required labeling information so the requirement for a specific, identified location on the label is not necessary.

Proposed subsection (e) has been amended to replace the term “product” with “cannabis goods” to reflect that the reference is to any finished cannabis good, whether manufactured or nonmanufactured. This is necessary to ensure consistency of terms throughout the Department’s regulations.

Section 17408. Labeling Restrictions.

Chapter 11 previously contained provisions relating to manufacturing licenses. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17408 contains labeling and packaging requirements that were previously contained in chapter 14. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17408 contains the information that is prohibited from inclusion on a cannabis goods label.

Proposed amendments throughout this section would replace the term “cannabis product” with “cannabis goods” to reflect that the reference is to any finished cannabis good, whether manufactured or nonmanufactured. This is necessary to ensure consistency of terms throughout the Department’s regulations. Proposed amendments to this section also rearrange subsections to put similar concepts together.

Proposed subsection (a) contains the provisions formerly found in the introductory sentence. This section has been reorganized for clarity.

Proposed subsection (a)(1) contains the provisions formerly found at subsection (a). This section has been reorganized for clarity. Proposed subsection (a)(1) has been amended to replace the word “grown” with “produced” for consistency with BPC section 26063(a). This subsection has also been amended to provide specificity about when a cannabis plant is considered cultivated in a specific geographic area. This is necessary to create a clear standard for licensees that choose to list a geographic origin of cannabis on the label of a cannabis good. The standard of 18 inches corresponds with the time a cannabis plant becomes a mature cannabis plant. Requiring a cannabis plant to be cultivated within the

geographic area beginning at the time it becomes a mature plant will ensure accuracy when a region is conveyed on a label or in marketing of a cannabis good.

Original subsection (b)(1) has been deleted as it was duplicative of proposed subsection (a)(2).

Proposed subsection (a)(2) contains the provisions formerly found at subsection (b)(2). This section has been reorganized for clarity. Proposed subsection (a)(2) has been amended to reference the provisions defining what is attractive to children in section 15040 for consistency.

Proposed subsection (a)(3) contains the provisions formerly found at subsection (d). This section has been reorganized for clarity.

Proposed subsection (a)(4) contains the provisions formerly found at subsection (e). This section has been reorganized for clarity.

Proposed subsection (a)(5) contains the provisions formerly found at subsection (c). This section has been reorganized for clarity. Proposed subsection (a)(5)(A) contains the provisions formerly found at subsection (f). This section has been reorganized for clarity. Proposed subsection (a)(5)(A) has been amended to allow for the use of the term “organic” if it is used in the ingredient statement on the informational panel of a cannabis product in compliance with the requirements of the programs established pursuant to Business and Professions Code section 26062. Proposed subsection (a)(5)(B) has been added to clarify that any representation that the cannabis or cannabis product is “OCal,” “OCal certified,” or made with “OCal cannabis” is a form of false or misleading information unless the cannabis or cannabis product was cultivated, handled, processed, or manufactured in compliance with Business and Professions Code section 26062. These amendments are necessary to ensure consistency with the regulations of other departments and to ensure that complete information regarding labeling and the O’Cal programs is available to licensees in a single location. The amendments to this subsection do not impose any new requirement on licensees.

Proposed subsection (a)(6) has been added. This subsection prohibits the use of an appellation of origin if the cannabis good does not meet the requirements of the program established by the California Department of Food and Agriculture. This provision is necessary to protect consumers from fraudulent or misleading claims and to protect the integrity of the appellation of origin program.

Original subsection (g) is proposed to be deleted. This requirement is duplicative of requirements contained within section 15401 and is not needed in this section.

Section 17409. Statement of Characteristic Anticipated Effects.

Chapter 11 previously contained provisions relating to manufacturing licenses. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17409 contains labeling and packaging requirements that were previously contained in chapter 14. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17409 contains the requirements for including information on the characteristic anticipated effects of the cannabis good and permits such statements if the licensee has substantiation that the information is truthful and not misleading.

Proposed amendments to this section would replace the term “product” with “cannabis good” to reflect that the references are to any finished cannabis good, whether manufactured or nonmanufactured. This is necessary to ensure consistency of terms throughout the Department’s regulations.

Proposed amendments to this section also remove the word “manufacturer” to reflect that other licensees may label cannabis goods. Proposed amendments clarify that statements of characteristic anticipated effects can also be included on supplemental labels.

Section 17410. Universal Symbol.

Chapter 11 previously contained provisions relating to manufacturing licenses. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17410 contains labeling and packaging requirements that were previously contained in chapter 14. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17410 contains the required universal symbol for cannabis.

Original subsection (a) is proposed to be deleted. The requirement is duplicative of requirements included in sections 17403 and 17404. Subsequent subsections have been renumbered accordingly.

Proposed (a) contains the provisions formerly found in subsection (b). This subsection has been amended to include a reference to the BPC under which the Department has authority to adopt a universal symbol. This amendment is necessary to ensure the public understands the authority of the Department.

Proposed subsection (b) contains the provisions formerly found at subsection (c). This subsection has been amended to allow the universal symbol to be printed in either black or white with a contrasting background, rather than just black. This amendment was necessary to allow licensees greater flexibility to use packaging that is dark in color without compromising the visibility of the symbol.

Proposed subsection (c) contains the provisions formerly found at subsection (d). This subsection has been amended to clarify the required size of the universal symbol. Existing regulations require the symbol to be no smaller than one-half inch by one-half inch, but this standard is unclear because the symbol is not actually square. To provide a more straightforward standard for licensees to comply with, the proposed amendment requires the symbol to be no smaller than one-half inch in height, except as allowed under proposed subsection (d).

Proposed subsection (d) has been added to ensure alignment with statutory requirements. In 2019, BPC section 26122 was added to the Act (AB 1529, Chapter 830, Statutes of 2019) to allow vape cartridges to be printed, engraved, or stickered with the universal symbol and in a size not smaller than one-quarter inch wide by one-quarter inch high. This

provision is necessary to make clear the differing requirements for vape cartridges under the statute.

Article 4. Packaging

Article 4 contains the requirements related to packaging previously found in Article 3 of Chapter 14. Article 4 was previously titled “Approval or Denial of Application for Licensure.” The title of this article has been changed to “Packaging” to better correspond with the amended contents following the reorganization of this division.

The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

The article is proposed to be renumbered from “3” to “4.”

Section 17411. Packaging.

Chapter 11 previously contained provisions relating to manufacturing licenses. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17411 contains labeling and packaging requirements that were previously contained in chapter 14. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17411 contains the general requirements for packaging cannabis goods. Proposed amendments throughout this section would replace the phrase “cannabis product” with “cannabis goods” to reflect that the reference is to any finished cannabis good, whether manufactured or nonmanufactured. This is necessary to ensure consistency of terms throughout the Department’s regulations.

Proposed subsection (a)(2) contains the provisions formerly found at subsection (b). This section has been reorganized for clarity.

Proposed subsection (a)(3) contains the provisions formerly found in subsection (c). This subsection has been amended to clarify that the requirement for a package to be resealable is applicable for those products which contain multiple servings. This is necessary to provide clarity for licensees about packaging requirements that must be followed.

Proposed subsection (a)(4) contains the provisions formerly found in subsection (d). This section has been reorganized for clarity.

Proposed subsection (a)(5) contains the provisions formerly found in subsection (e). This section has been reorganized for clarity. This subsection has been amended to remove the language “Colored bottles that obscure the color of the liquid inside shall be considered opaque for purposes of this section.” This amendment was necessary to align the text with AB 1222.

Proposed subsection (a)(6) contains the provisions formerly found in subsection (f). This section has been reorganized for clarity. This subsection has been amended to replace the language “opaque bottles used to contain a cannabis beverage product may utilize a single, vertical, clear strip no wider than one-quarter (0.25) inch for the purpose of

determining serving amounts” with “cannabis beverages may be packaged in glass containers that are clear or any color.” This amendment was necessary to align the text with AB 1222 and to provide more flexibility to licensees by allowing bottles of various colors, rather than solely amber bottles. The reference to subsection (e) has also been changed to reference subsection (a)(5) to reflect the accurate numbering of the corresponding section in the text.

Proposed subsection (a)(7) contains the provisions formerly found in subsection (g). This section has been reorganized for clarity.

Section 17412. Child-Resistant Packaging Requirements.

Chapter 11 previously contained provisions relating to manufacturing licenses. Due to the consolidation of the governing cannabis regulations, the provisions of this original chapter have been repealed. Proposed section 17412 contains labeling and packaging requirements that were previously contained in chapter 14. The amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Proposed section 17412 contains the requirements for child-resistant packaging.

Proposed subsection (a) has been amended to remove language that is no longer applicable. Original subsection (a) delayed the implementation of child-resistant packaging requirements until January 1, 2020. As this date has passed, the language is no longer needed.

Original subsection (c) is proposed to be deleted, as it was no longer applicable. The provisions contained in original subsection (c) were only effective until January 1, 2020. As this date has passed, the language is no longer needed.

Chapter 12. Enforcement

This chapter contains proposed amendments to modify the subject matter of this chapter. This chapter previously contained provisions relating to requirements of operation for manufacturer licensees. These requirements are now contained within chapters 1, 8, and 9 of this division. This chapter now contains enforcement provisions applicable to all licensees under the Department. These amendments to reorganize the contents of this division are necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Section 17800. Right of Access.

This section is proposed to be renumbered from section 15800 to section 17800 to provide for consolidated enforcement and compliance regulations under one chapter applicable to all licensees for consistency. This section is proposed to be amended to provide Department licensees clarity regarding the Department’s rights of access to carry out enforcement and compliance activities.

Proposed subsection (a) amends original section 15800 to clarify that in addition to full and immediate access rights to inspect, the Department shall also have full and immediate access to investigate, review, and audit those matters enumerated in this subsection.

Additionally, the Department proposes to add “inspect and” to subsection (a)(2) for clarity to ensure licensees understand that inherent in testing is inspecting the equipment. The proposed amendments to this section are necessary to assist licensees with understanding the investigative and inspection authority of the Department. There are no other proposed amendments to the subsection. However, the Department proposes the section also be applicable to manufacturers and cultivators for consistency. Original section 17508, applicable to manufacturers, and original sections 16408, 16500, and 16501, applicable to cultivators, contain similar provisions related to access to licensed premises, access to records, and the ability to gather evidence to determine compliance. The Department has determined that it necessary to have once section that is applicable to all licensees for consistency and that proposed subsection

(a) contains the appropriate provisions. The Department has proposed to repeal sections 17508, 16408, 16500, and 16501.

Section 17801. Notice to Comply.

The Department proposes to renumber section 15801 to section 17801 to provide for consolidated enforcement and compliance regulations under one chapter for all licensees.

The Department proposes to amend subsection (a) to clarify that a Notice to Comply may be issued for violations observed during an audit of a licensee. This amendment is necessary so that licensees understand that a Notice to Comply may be issued for any violation, whether discovered during an on-site inspection or through an audit, and is consistent with the Right of Access requirements in section 17800.

The Department proposes to amend subsection (c) to clarify whom the Department may issue a Notice to Comply, and how the Department may issue the Notice to Comply.

This clarification is necessary to specify that the Department may issue the Notice to Comply to the licensee, employee, agent, or person delegated by the licensee to accept such notice. The requirement that the Department mail the Notice to Comply within 15 calendar days of discovery of the violation or the last date of inspection, contained in original section 15801, has been removed, so as to provide the Department sufficient time to investigate, inspect, review, and audit the licensee or licensed premises to ensure violations are properly noticed. This subsection will allow for Notices to Comply to be served by email, which has become a more common and accessible method for the Department and licensees to communicate, as all licensees are required to provide an email address during application and licensure.

The Department proposes to amend subsection (d) to provide clarification as to the process for issuing Notices to Comply. The Department is amending the language for clarity and adding that the Department may require the licensee produce a written plan for approval by the Department, that describes the steps the licensee will take to address the violation(s) described in the Notice to Comply. This is necessary for the Department to ensure that licensees follow regulatory requirements, provides a pathway for Department licensees to achieve compliance, and provides alignment with requirements currently applicable to manufacturers.

The Department further proposes to amend subsection (d) to clarify the process for licensees who have been issued a Notice to Comply by specifying that the licensee may sign and return a Notice to Comply within 30 calendar days from the date of service, instead of 20 calendar days, as provided for in original section 15801. This subsection also now provides that a different date may be specified by the Department. This is necessary to account for circumstances that may require less or more than 30 calendar days for a licensee to sign and return a Notice to Comply. The Department also proposes to remove the requirement that the notice to comply must be signed under penalty of perjury. Licensees are required to provide accurate information to the Department, therefore, the Department has determined that this provision is no longer necessary.

Section 17509, applicable to manufacturers, contains the same provisions original section 15801, which are both proposed to be repealed to have one section governing Notices to Comply. The regulations applicable to cultivators do not contain a similar provision. However, the Department has determined that cultivators should be afforded the same opportunity as other licensees to come into compliance. Therefore, the Department proposes that all licensees are subject to this section with the proposed amendments.

Section 17801.1. Notice of Violation.

The Department proposes to add section 17801.1, consolidating from previous sections 16603, 16605, 16606, and 16607, applicable to cultivators, which are proposed to be repealed. The regulations applicable to all other license types do not contain an informal hearing process. The Department has determined that it will not continue with its Notice of Violation informal hearing process for fines and for consistency will provide licensees hearings pursuant to the Administrative Procedure Act, like those provided when a license is suspended or revoked. Therefore, this section only applies to Notices of Violation issued to cultivators prior to October 1, 2021.

Proposed subsection (a) provides what must be contained in the Notice of Violation. The proposed provisions include a statement of the violations alleged, the proposed fine amount, and a provision that the licensee has 30 days to request a hearing. These requirements are contained in original section 16603. This is necessary to inform the licensee of the information that they should receive to allow them to understand what misconduct is alleged, the proposed amount of fine, and how they can exercise their right to a hearing.

Proposed subsection (b) informs the licensee how to appeal the Notice of Violation by written request for a hearing to the physical or email address of the Department. To be consistent with proposed subsection (a), the request must be received 30 calendar days from the date the Notice of Violation is received by the licensee. The subsection also incorporates other requirements for the hearing request from original section 16605, including: (1) name, mailing address, and daytime phone number; (2) license number; (3) a copy of the Notice of Violation; a (4) a clear and concise statement of the basis of appeal or counts of the Notice of Violation. This is necessary so that the licensee knows what information is required to appeal the Notice of Violation and the applicable time frame, and that the licensee provides information that will allow the Department to determine the specific Notice of Violation being appealed and will allow the Department to communicate

with the licensee.

Proposed subsection (c) incorporates subdivision (b) of original 16605 indicating that if the licensee fails to submit a timely request for hearing, the Notice of Violation is not appealable, and the Department may proceed without a hearing. This is necessary to inform licensees the consequences of not requesting a hearing within the required timeframe.

Proposed subsection (d) informs the licensee that if a hearing is requested, it will be scheduled and conducted in accordance with the Administrative Procedure Act. This is necessary so the licensee understands what hearing right they are being afforded.

Proposed subsection (e) provides clarity regarding information regarding informal hearings noticed prior to October 1, 2021. The Department has determined that licensees receiving a Notice of Violation should be afforded a hearing pursuant to the Administrative Procedure Act, like the hearing provided to licensees receiving Accusations. Therefore, the Department proposes to have informal hearings noticed prior to October 1, 2021, converted to these type of hearings; thus, the informal hearing dates will be vacated, and a new hearing date will be provided. This will allow for consistency among licensees once the informal hearing process is no longer utilized.

Section 17801.5. Embargo of Cannabis or Cannabis Products.

Proposed section 17801.5 contains requirements specific to placing cannabis and cannabis products under embargo and resolving an embargo as required under Business and Professions section 26039.3. The purpose of this section is to clarify the process by which the Department will place cannabis and cannabis products under embargo to prevent the sale, disposal, or removal of the cannabis or cannabis products when the Department has probable cause to believe the cannabis or cannabis product is adulterated or misbranded or the sale is otherwise in violation of the Act or the regulations. This section is proposed to be made applicable to all licensees due to the statutory change in its application. Previously, it did not apply to non-manufacturer licensees or activities. This section is included to clarify for licensees the statutory provision for embargo applies to all licenses and unlicensed persons.

Proposed subsection (a) states when the Department may embargo cannabis or cannabis products. This subsection reiterates existing law from BPC section 26039.3 and is duplicated in these regulations in order to provide a comprehensive listing of enforcement mechanisms used in further regulatory provisions. This is necessary to ensure all licensees and unlicensed persons are adequately informed that cannabis or cannabis products may be placed under embargo when the Department has probable cause to believe the cannabis or cannabis product is adulterated or misbranded or its sale is otherwise in violation of the Act or the regulations.

Proposed subsection (b) states how an embargo is initiated by the Department. This subsection reiterates existing law at BPC section 26039.3 and requires the Department to provide notice to the licensee or unlicensed person and affix a tag or marking to the cannabis or cannabis products to place the embargo. This is necessary to ensure that licensees and unlicensed persons understand the embargo process and that cannabis or

cannabis products under embargo will be identified with a tag or marking. This subsection further requires the Department to provide the reason for the embargo and an inventory of items under embargo. This is necessary so that licensees and unlicensed persons understand why the embargo was placed and to create a record of items under embargo so that their disposition may be tracked. This subsection also provides that the initial notice of embargo may be provided to the licensee or unlicensed person orally or in writing and may be provided by telephone, mail, fax, email, other electronic means, or in person. This clarification is necessary to inform the licensee or unlicensed person that the Department may provide notice of embargo in any of the listed formats and to enable the Department to provide initial notice of the embargo in an expedited manner.

Proposed subsection (c) provides the Department shall provide supplemental written notice of the embargo to the licensee or unlicensed person who is the product owner that includes the factual and legal basis for the embargo, a description of the cannabis or cannabis goods under embargo, a request for a written plan to address the items and reason for the embargo, the condemnation process, an advisement that the items under embargo may not be moved without written permission, and the penalties for removing embargoed items. This notice is supplemental to the initial notice provided to the licensee or product owner under subsection (b)(1), and is provided in written form to provide the licensees or unlicensed persons with clarity and specificity on the embargo process. This subsection (c) reiterates and clarifies existing law at BPC section 26039.3 and is necessary so that licensees and unlicensed persons understand what information the Department will include in the written notice of embargo and to provide licensees and unlicensed persons with complete information regarding the embargo and embargo process including the procedures to resolve the embargo and the penalties for violating the embargo.

Proposed subsection (d) provides that a licensee or unlicensed person may submit a written plan to the Department that describes how the licensee or unlicensed person will address the items under embargo and the reason for the embargo. This subsection clarifies existing law at BPC section 26039.3 and is necessary so licensees and unlicensed persons understand that they may submit a written plan to attempt to resolve the embargo and embargoed items. Paragraph (1) of this subsection clarifies that the Department may approve a plan to resolve the reason for embargo and supervise its completion. Paragraph (2) of this subsection clarifies that if the Department cannot approve a plan, or a licensee does not respond to the notice of embargo within seven days of receiving notice, the Department may initiate condemnation proceedings. These provisions are necessary so that licensees and unlicensed persons understand the process the Department will use to review a plan submitted to the Department and to make clear to licensees or unlicensed persons that if they do not respond to the notice of embargo or submit unacceptable plans the Department may refer the embargo for condemnation proceedings. The Department has determined that seven days from the date of the Department's written notice of embargo is sufficient time for a licensee or unlicensed person to determine how to address the reasons for the embargo because the licensee or unlicensed person has full knowledge and access to records and information regarding the cannabis and cannabis products under embargo in order to determine how to best to resolve the reason for the embargo. This subsection clarifies existing law.

Proposed subsection (e) provides that a licensee or unlicensed person, or their authorized representative, may provide written consent for the voluntary condemnation and destruction of cannabis or cannabis products subject to embargo. This is necessary to clarify that a licensee or unlicensed person may agree to voluntarily destroy cannabis and cannabis products subject to embargo as a means to address the items subject to embargo and reasons for placement of the embargo. This subsection further provides that the voluntary destruction shall be at the licensee's or unlicensed person's expense and shall be with approval and under the supervision of the Department, which reiterates and clarifies existing law under BPC section 26039.3, subdivision (e), for cannabis or cannabis products that are subject to embargo.

This is necessary to ensure that the licensee or unlicensed person maintains responsibility for its cannabis and cannabis products and for the Department to ensure that cannabis and cannabis products that are in violation of the Act do not reach the marketplace. This subsection reiterates existing law.

Proposed subsection (f) provides that a licensee or unlicensed person may not remove the tag or marking from a cannabis or cannabis product under embargo. This subsection clarifies existing law at BPC section 26039.3 and is necessary to ensure licensees and unlicensed persons understand that an embargo is not resolved simply by removing the tag or marking and that only the Department may remove the embargo tag. The prohibition on tag removal in this subsection ensures licensees use the proper pathway to resolve an embargo rather than unilaterally attempting to remove the tag or marking.

Proposed subsection (g) provides that a licensee shall not remove, sell, or dispose of any cannabis or cannabis products under embargo without the written permission of the Department or a court. This proposed subsection reiterates existing law from BPC 26039.3. This is necessary for the Department to ensure that licensees and unlicensed persons understand that cannabis or cannabis products under embargo must not be removed from embargo, sold, or disposed of without written permission from the Department or a court. This is necessary to prevent diversion of cannabis or cannabis products under embargo.

Proposed subsection (h) clarifies how a licensed cultivator or microbusiness authorized to engage in cultivation may request permission to continue cultivation activity or harvesting of cannabis under embargo. This subsection reiterates existing law from BPC 26039.3 and makes clear how such a request for permission may be submitted to the Department. This clarification is necessary to ensure licensed cultivators and microbusiness authorized to engage in cultivation understand how to compliantly continue with cultivation and harvest activities of cannabis under embargo and how to obtain permission from the Department.

Proposed subsection (i) provides that cannabis and cannabis products found at an unlicensed location or cultivated, processed, produced, or manufactured at an unlicensed location, or derived from an unlicensed source, cannot be corrected and shall be destroyed. This proposed section reiterates existing law from BPC 26039.3, subdivision (c), and is necessary to ensure that licensees and unlicensed persons understand that there are certain cannabis and cannabis products that cannot be corrected and must be destroyed.

Section 17802. Citations; Orders of Abatement; Administrative Fines.

This section is proposed to be renumbered from section 15802 to section 17802 to provide for consolidated enforcement and compliance regulations under one chapter for all licensees. BPC section 26031.5 allows the Department to issue citations including orders of abatement or fines. This section applies to license types formerly issued by the Bureau. The regulations applicable to cultivators and manufacturers do not contain provisions related to citations. The Department has determined that the section should be applicable to all license types to ensure that all citations proceed pursuant to the same requirements.

The Department proposes to amend the language of original section 15802 subsection (c), to remove language from subsection (c)(2) relating to fine amount into section (c)(3). Proposed section (c)(3) includes that that an administrative fine of up to \$30,000 per day can be assessed against an unlicensed person, and an administrative fine of up to \$5,000 per day can be assessed against a licensed person. This is necessary for the fine amounts in the regulation to be consistent with the current provisions of BPC 26031.5.

The Department also proposes to amend the original language of section 15802 to include a provision clarifying when the fine must be paid. The Department has simplified the language of this subdivision but has not changed its meaning.

The Department has also updated the statutory reference in proposed subsection (e) from BPC section 125.9, as those factors considered in assessing a fine are now captured under BPC section 26031.5.

Section 17803. Contesting Citations.

The Department proposes to renumber section 15803 to section 17803 to provide for consolidated enforcement and compliance regulations under one chapter for all licensees. The Department proposes to make this section applicable to all licensees because the Department has proposed to make the citation provision in section 17802 applicable to all licensees. This is necessary to ensure all licensees can contest citations with consistent requirements.

The Department has also updated the statutory reference in the proposed section from BPC section 125.9, as citation issuance and compliance requirements, including requesting a hearing within 30 days, are now captured under BPC section 26031.5.

Section 17804. Citation Compliance.

The Department proposes to renumber section 15804 to section 17804 to provide for consolidated enforcement and compliance regulations under one chapter for all licensees. The Department proposes to make this section applicable to all licensees because the Department has proposed to make the citation provision in section 17802 applicable to all licensees. This is necessary to ensure all licensees have consistent requirements for contesting citations.

Proposed subsection (f) has been amended to remove the reference to BPC section 125.9(b)(4) contained in original section 15704 and replaced it with “from the issuance of the citation” as BPC section 125.9 does not apply to the Department. However, the requirement has not changed. The reference section now includes BPC 26031.5

applicable to the Department and removes the reference to BPC 125.9 in the original section which applies to the boards and bureaus of the Department of Consumer Affairs.

Section 17805. Minor Decoys.

This section is proposed to be renumbered from section 15805 to section 17805 to provide for consolidated enforcement and compliance regulations under one chapter for all licensees. This section relates to the use of minor decoys by peace officers to apprehend licensees who sell cannabis goods to minors pursuant to BPC section 26140. Original section 15805 is applicable to license types formerly issued by the Bureau. The Department proposes for this section to be applicable to all licensees, including manufacturers and cultivators, for consistency. This is necessary to ensure that licensees are subject to the same requirements. Additionally, manufacturers and cultivators are not selling cannabis or cannabis products to consumers of any age.

Section 17806. Attire and Conduct.

This section is proposed to be renumbered from section 15806 to section 17806 to provide for consolidated enforcement and compliance regulations under one chapter for all licensees. This subsection addresses attire and conduct on a licensed premises.

Original section 15806 is applicable to license types formerly issued by Bureau. The Department proposes for this section to be applicable to all licensees, including manufacturers and cultivators, for consistency. This is necessary to ensure that licensees are subject to the same requirements. Additionally, the licensed premises of manufacturers and cultivators are not allowed to be open to the public and are only authorized to conduct commercial cannabis activities on their premises.

Section 17807. Entertainers and Conduct.

This section is proposed to be renumbered from section 15807 to section 17807 to provide for consolidated enforcement and compliance regulations under one chapter for all licensees. This subsection addresses entertainers and conduct on a licensed premises. Original section 15807 is applicable to license types formerly issued by Bureau. The Department proposes for this section to be applicable to all licensees, including manufacturers and cultivators, for consistency. This is necessary to ensure that licensees are subject to the same requirements. Additionally, the licensed premises of manufacturers and cultivators are not allowed to be open to the public and are only authorized to conduct commercial cannabis activities on their premises.

Section 17808. Additional Grounds for Discipline.

This section is proposed to be renumbered from section 15808 to section 17808 to provide for consolidated enforcement and compliance regulations under one chapter for all licensees. Original section 15808 is applicable to license types formerly issued by Bureau. The Department proposes for this section to be applicable to all licensees, including manufacturers and cultivators, for consistency. This is necessary to ensure that licensees are subject to the same requirements.

Section 17809. Disciplinary Actions.

This section is proposed to be renumbered from section 15809 to section 17809 to provide for consolidated enforcement and compliance regulations under one chapter. Original section 15809 is applicable to license types formerly issued by Bureau. The Department proposes for this section to be applicable to all licensees, including manufacturers and cultivators, for consistency. This is necessary to ensure that licensees are subject to the same requirements.

Section 17810. Interim Suspension.

This section is proposed to be renumbered from section 15810 to section 17810 to provide for consolidated enforcement and compliance regulations under one chapter.

Section 17813. Enforcement Costs.

The Department proposes for this section to be renumbered from section 15813 to section 17813 to provide for consolidated enforcement and compliance regulations under one chapter for all licensees. Original section 15813 is applicable to license types formerly issued by the Bureau. The Department proposes for this section to be applicable to manufacturers and cultivators for consistency. The ability to recovery costs by the Department are contained in BPC 26031 so already applicable to all license types. Clarifying the cost recovery provisions in regulation and making section applicable to all licenses is necessary to inform licensees they may be financially liable to the Department for its costs after hearing if the disciplinary action is upheld and the consequences of not paying those costs.

Section 17814. Disciplinary Guidelines.

The Department proposes this section be renumbered from section 15814 to section 17814 to provide for consolidated enforcement and compliance regulations under one chapter. This section is proposed to be made applicable to licensed manufacturers and licensed cultivators due to the consolidation of the commercial cannabis licensing authorities.

The Department also proposes to amend the Disciplinary Guidelines to clarify that the guidelines are consistent and applicable to all Department licensees. The section contains a proposed amendment to change the title and date of the disciplinary guidelines document to reflect updated guidelines that include licensed manufacturers and licensed cultivators. The updated guidelines are titled “Department of Cannabis Control Disciplinary Guidelines January 2022” and are incorporated by reference. The Disciplinary Guidelines are proposed to be applicable to manufacturing licensees, where no disciplinary guidelines were previously provided, and incorporates the enforcement guidelines provided for cultivation licensees under original sections 16600 et seq, which are proposed to be repealed. This is necessary to ensure that the Department is consistent when taking regulatory and enforcement action, and that all Department licensees have notice of potential penalties and disciplinary action for violations of the statute and regulations.

It is also essential and necessary that these guidelines for disciplinary action are applicable to all Department licensees and informs the Department licensees of any

disciplinary action to be taken, including revocation, suspension, and probation. The Disciplinary Guidelines provide recommended penalties for specific violations of statutory or regulatory provisions under the jurisdiction of the Department, as well as suggested terms and conditions of probation. While the Disciplinary Guidelines are consistent and applicable to all Department licensees, the violations and recommended penalties for cultivation licensees have been separated out in section III, subsection B of the Disciplinary Guidelines.

Section I of the Disciplinary Guidelines provides the public and licensees with a brief overview of the disciplinary process for licensees and how the Disciplinary Guidelines are to be used. Section I is necessary to establish the relevant purpose of the Disciplinary Guidelines and how and when the Disciplinary Guidelines are to be used. This is beneficial in eliminating any confusion on the use of the Disciplinary Guidelines. There are no proposed amendments to Section I, but this section is proposed to be made applicable to licensed manufacturers and licensed cultivators. This is necessary because the provisions related to license discipline are just as necessary for manufacturers and cultivators as they are for the other license types regulated by the Bureau prior to consolidation. This is necessary to ensure consistent standards for license discipline are applicable to all licensees of the Department. This section does not impose any new obligations on licensed manufacturers or licensed cultivators.

Section II of the Disciplinary Guidelines include factors that will be used in determining the appropriate penalty for disciplinary action, with the maximum penalty imposed being revocation of a license. The level of penalty, which can include suspension, a fine, probation, or a combination of these, can be determined by mitigating factors that will result in a lesser penalty, or aggravating factors, which will result in a higher penalty.

The purpose of Section II is to provide a specific list of those factors that will be considered by the Department in imposing any penalty, so that a licensee is aware of what penalty may be imposed, and how they may address such a penalty when contesting or appealing any decision for disciplinary action. The factors to be considered, either in mitigation or aggravation of a penalty, include, the nature, gravity and severity of the act or offenses under consideration, the actual or potential harm to the public, actual or potential harm to any consumer, prior disciplinary record, number and/or variety of current violations, mitigating evidence, rehabilitation evidence, compliance with conditions of sentence and/or court ordered probation for any criminal conviction, overall criminal record, time passed since the act or offenses occurred, and if applicable, evidence of dismissal or expungement proceedings pursuant to Penal Code section 1203.4, 1203.4a, or 1203.41. "Gravity", "dismissal", and references to BPC sections 1203.4a and 1203.41 are proposed to be added to the list to be consistent with current state law and the proposed changes to section 15017.

Consideration of the nature, gravity and severity of the act or offenses will allow each disciplinary action to be evaluated on a case-by-case basis. Violations may involve circumstances that are unique to each case, so a one-size-fits-all penalty would not be appropriate when imposing a fair and consistent penalty. Determining the nature and severity of an act or offense will be beneficial in accounting for these circumstances.

Actual or potential harm to the public or consumer is another factor to be considered when

determining an appropriate penalty. This factor is important in consideration of a penalty because the Department is tasked with protection of the public as its highest priority. Preventing actual or potential harm to the public or any consumer is the objective of the Department, and any penalty imposed must account for whether this objective has been breached by the licensee, through its acts or offenses.

Prior disciplinary record is another necessary factor to be considered because it will determine the appropriate level of penalty that will also help deter the licensee from engaging in similar conduct in the future. Existence of a prior disciplinary record may indicate that a higher level of penalty may be needed to deter the licensee from future violations, as previous disciplinary actions have been unsuccessful in doing so.

The number and/or variety of current violations is a necessary factor to impose a commensurate discipline, which will ensure fairness. Where the act or offenses involve a criminal offense, factors that will be considered include rehabilitation evidence, any expungements or dismissals, time passed since the offenses occurred, or compliance with conditions of a sentence or court-ordered probation. This, along with the overall criminal record, will help determine the appropriate penalty, because it may show the likelihood of whether the licensee can comply with the terms and conditions of probation, and likelihood of repeating past violations. The licensee can also provide any mitigating evidence in support of a lesser penalty, all facts that may be relevant to a fair and consistent determination of penalty.

Section II is proposed to be made applicable to licensed manufacturers and licensed cultivators. This is necessary because the factors to be considered in determining penalties are just as necessary for, and applicable to, manufacturers and cultivators as they are for the other license types regulated by the Bureau prior to consolidation.

Extending the provisions of this section to licensed manufacturers and licensed cultivators is necessary to ensure consistent standards for license discipline are applicable to all licensees of the Department. This section does not impose any new obligations on licensed manufacturers or licensed cultivators.

Section III, subsection A, of the Disciplinary Guidelines provides three tiers of disciplinary action for all license types that are not cultivation, ranging from stayed revocation and suspension, to revocation of a license, and the calculation of minimum and maximum fine amounts pertaining to each violation. Representative violations for each tier are listed, with Tier 1 representative violations comprising of violations that are potentially harmful, Tier 2 representative violations comprising of violations with a serious potential for harm and involve greater risk and disregard for public safety, while Tier 3 representative violations are comprised of knowing or willful violations of law or regulations, and fraudulent acts relating to the licensee's business. The tiered levels of discipline are necessary to ensure that the appropriate penalty is levied against commensurate violations. This section is also proposed to be amended to include statutory requirements and regulations specific to licensed manufacturers in the list of sample violations, such as volatile solvent extractions. This section is also proposed to be amended to include recently enacted statutory requirements applicable to all license types, including misbranding, adulteration, and embargo violations. This section does not impose any new obligations on licensed manufacturers but clarifies the potential discipline that may be assessed against a

manufacturing licensee. The Department has proposed including a subsection A designation clarifying that the requirements that follow relate to specific licensees, and an introductory statement clarifying the listed violations are samples and that the fine formula applies to all license types except cultivation. This is necessary to identify and clarify the license types that are subject to the provisions.

In Tier 1, where recommended discipline is for violations which are potentially harmful, the Department is proposing to add regulatory sections to the authority column so that the listed violation encompasses a more comprehensive list of applicable sections.

These additional regulatory sections under the authority column are also related to manufacturing activities and need to be included as the disciplinary guidelines will be applicable to all license types. Additionally, the Department proposes amending authority for violations of requirements that have been moved to new sections of the regulations due to the consolidation of the licensing authorities and regulatory requirements. When appropriate, the Department has updated language from “cannabis goods” to “cannabis or cannabis products” throughout the document for consistency in use of terms throughout the regulations.

The Department proposes removing the entry for failure to cancel, destroy, or surrender a license as section 119 of the Business and Professions was applicable to the former Bureau, but is not applicable to the Department. Additionally, section 15022 is proposed to be repealed from the regulations. The Department proposes to amend the entry for failure to comply with business modifications requirements and notice to clarify notice requirements and include section 15024. This will capture those notifications required under section 15024 for death, insolvency or incapacity of a licensee. The Department proposes amending section 15032 to 15000.2 for the prohibited distribution or sale of medicinal cannabis goods due to this provision being moved within the regulations. The Department proposes amending section 15033 to 15000.7 for the unauthorized storage of inventory due to these provisions being moved within the regulations. The Department proposes removing sections 15310, 15426, 15505, 15507, and 15739 for failure to maintain records as the provisions related to maintaining records in these sections have been moved to section 15037. The Department proposes clarifying the entry for failure to comply with advertising and marketing requirements to include those requirements for branded merchandise, under section 15041.1. The Department proposes amending the entry for failure to maintain and restrict limited access and other restricted areas, to clarify that the requirements are now for compliance with premises access and security plans, as also amended in sections 15042 to 15042.1. The Department proposes replacing section 15052.1 with 15052 to 15052.1 for improper acceptance or rejections of cannabis or cannabis products shipment to align with movement of requirements. The Department proposes removing 15054, 15405(c), and 15727(c), and adding 15727(b) and 17223 for failure to comply with proper cannabis destruction and waste management to properly reflect movement of these requirements. The Department proposes removing section 15033 and replacing it with 15000.7 for unauthorized storage of cannabis or cannabis products and storage-only services due to changes made to these sections. The Department proposes amending B&P section 26121 to 26122 and removing section 15408(a)(3) and adding 17398 to 17412 for failure to comply with packaging and labeling

for accuracy. The Department proposes removing section 15053 from unauthorized return of cannabis goods as this section has been repealed. The Department proposes amending section 15408(b) to 15408(a) for unauthorized sale of cannabis plants and seeds and use of pesticides on live plants to accurately reflect changes within that section. The Department proposes to remove non-permitted use of license as section 119 of the Business and Professions Code applied to the former Bureau but does not apply to the Department. The Department proposes amending section 15025(d) to 15025(b) and adding 15602(f) for allowing for the sale of alcohol or tobacco products, or storage or consumption of alcoholic beverages on the licensed premises for accuracy.

Section 17233 is proposed to be added to the authority for violations involving Failure to Comply with Proper Cannabis Destruction and Waste Management; section 17233 relates to waste management requirements for all licensees.

Sections 17398-17421 are proposed to be added to the authority for violations involving Failure to Comply with Packaging and Labeling Requirements.

These sections relate to labeling and packaging requirements, and specific packaging requirements such as child-resistant packaging requirements and packaging requirements for tinctures.

Section 17408 is proposed to be added to the authority for violations involving False or Misleading Health-Related Statements; section 17408(c) relates to labeling restrictions on any health-related statement that is untrue or misleading.

The Department is also proposing to remove Failure to Account for Inventory, or to Complete Inventory Reconciliation as Required, from Tier 1 and add it to Tier 2, while updating the authority to include section 17218. This is necessary because inventory is critical to cannabis and cannabis product tracking and failure to properly account for inventory involves greater risk and disregard for public safety. Additionally, for cultivation licensees a violation of inventory provisions is considered a moderate violation, thus, moving this violation to Tier 2 creates consistency.

The Department is further proposing to remove Unauthorized Use of the Track and Trace System and Failure to Maintain Track and Trace System Requirements from Tier 1 and add it to Tier 2, along with clarifying that these requirements include track and trace tagging, for consistency with other similar provisions relating to track and trace reporting requirements. The track and trace program is a central piece of the state licensing system and not complying with the requirements undermines the system and makes it difficult for the Department to regulate licensees. As such, the Department determined it was necessary and appropriate to set this as a Tier 2 violation.

In Tier 2, where discipline is recommended for violations with a serious potential for harm or violations which involve greater risk and disregard of public safety, the Department is adding regulatory sections to the authority for its corresponding violation, so that the violation encompasses a more comprehensive list of applicable sections.

These additional regulatory sections under the authority for the violations are also related to manufacturing activities and need to be included as the disciplinary guidelines are now inclusive of all license types. Additionally, the Department proposes amending authority for

violations of requirements that have been moved to new sections of the regulations due to the consolidation of the licensing authorities and regulatory requirements.

The Department proposes to remove “Use and” from Unauthorized Use and Operation of Designates Licensed Premises for accuracy based on proposed amendments to section 15025. The Department proposes amending section 15028 to 15000.4 for subletting of premises to reflect amendments to these sections. The Department proposes adding sections 15041.2 to 15041.7 for failure to comply with trade sample requirements, to capture any violations encompassing designating and providing trade samples. The Department proposes amending section 15031 to 15000.6 for failure to comply with age restrictions for employees to reflect the movement of this provision. The Department proposes amending section 15500 to remove “et seq.” due to repeal of sections following 15500. The Department also proposes to amend 15801 to 17801 for false or misleading declaration of correction in a notice to comply, section 15806 to 17806 for prohibited attire and conduct, and section 15807 to 17807 for prohibited entertains and conduct to reflect the movement of these sections. The Department proposes adding 15035 for discipline by another agency, and 15307.1 for failure to ensure laboratory testing arrangements, proper sampling and quality assurance, for accuracy.

Sections 17208-17218 are proposed to be added to the authority for violations involving Failure to Comply with Manufacturing Standards, which is also amended to include Good Manufacturing Practices; these sections relate to manufacturing activities and requirements for a Quality Control Program, requirements on equipment and utensils, manufacturing personnel, a training program, cannabis product components, manufacturing processes and procedures, product quality plans, master manufacturing protocols, batch production records requirements, standard operating procedures, and inventory control.

The Department is also proposing to add violation sections and corresponding authority, to capture violations that may be more specific to manufacturing activities and licensees. This includes violations for Failure to Comply with Manufacturer Requirements for Extraction Processes and Solvent Use, Failure to Comply with Manufactured Cannabis Product Standards, Failure to Comply with Mandatory Recall Requirements, Failure to Investigate Cannabis Product Complaints, Failure to Comply with Failed Batch Requirements, Manufacturing Cannabis Products at an Unauthorized Location or Products Other than Cannabis Products, Misbranding Violations, and Adulteration Violations. The Department determined that these violations could lead to serious potential for harm or violations which involve greater risk and disregard of public safety, as these violations directly impact public exposure to unsafe and harmful products; thus meet the criteria to be included in Tier 2.

In Tier 3, where discipline is recommended for violations that are fraudulent acts relating the licensee’s commercial cannabis business or knowing or willful violations of the law or regulations pertaining to commercial cannabis activity, the Department proposes to add regulatory sections to the authority for its corresponding violation, so that the violation encompasses a more comprehensive list of applicable sections. These additional regulatory sections under the authority for the violations are also related to manufacturing activities and need to be included as the disciplinary guidelines are now inclusive of all license types.

Failure to Notify the Department of a Change in Ownership is proposed to be removed because Engaging in Business Modification Practices without Department Approval includes ownership changes, thus, it is duplicative.

Sections 15000.3 and 17202.1(b) are proposed to be added to the authority for violations on Obtaining a License for Premises in Restricted Location; section 17202.1(b) prohibits any manufacturing activities with volatile solvent extraction or post-extraction processing operations or other closed-loop system operations, from occurring in an area zoned as residential. Additionally, section 15026 is proposed to be replaced with section 15000.3 due to movement of requirements within the regulations.

The Department also proposes to add section 26053 of the BPC as an authority for the violation of Conducting Commercial Cannabis Activity with Non-Licensees, to clarify and specify the statutory reference for prohibiting this activity, and replace section 15032(a) with section 15000.1 due to movement of requirements within the regulations. The Department has also added section 26160, subdivision (e), of the Business and Profession Code as an authority for the violation of Obstruction of Inspections, Investigations or Audits, to clarify and specify the statutory reference for prohibiting this activity. The Department has also amended the authority for the violation of Failure to Pay Fine, to make consistent with the Department consolidation of regulatory text. The Department has also updated authority cites to reflect the new section numbers within the proposed regulations and has removed authority no longer necessary.

The Department is also proposing to add a violation section and corresponding authority to capture violations for Failure to Obtain License at Each Location Engaging in Commercial Cannabis Activity and Violation of an Embargo. The Department determined that a violation for failure to obtain a license for each location would be a fraudulent act relating the licensee's commercial cannabis business or a knowing or willful violation of the law pertaining to commercial cannabis activity. This section was also added to this tier to capture those serious and harmful activities that subvert efforts to eliminate the illicit market for commercial cannabis. The Department determined that violating an embargo, which is an order by the Department to hold cannabis or cannabis product in place that may be harmful to public health, is a serious and knowing violation of law.

The Department is further proposing to add a violation section and corresponding authority to specifically capture violations for Volatile Solvent Extraction, Post-Extracting Processing Operations, or Other Closed Loop-System Operations in an Area Zoned as Residential. The Department has determined that engaging in the activities in an area not zoned for such is a knowing or willful violation of the law pertaining to commercial cannabis activity. The activities included in this violation are very dangerous and represent a serious threat to public safety.

Section III, subsection A also includes the Fine Formula that is used where a fine is imposed as part of the disciplinary action and provides for calculations based on a licensee's average daily sale amount and the number of days suspended. The purpose of the Fine Formula is to provide notice of minimum and maximum fine amounts, that is a fair and consistent penalty amount commensurate to the scale of the licensee's business, which is calculated to penalize and deter continued violations of the law and regulations. This is necessary to ensure the protection of the public. A monetary penalty may also

allow for a more tailored disciplinary action, effectively designed to meet its intended purpose. The Department has added the Fine Formula and minimum and maximum penalties for manufacturing licensees, based on the licensing fee for those engaged in manufacturing activities. Extending the provisions of this section to licensed manufacturers is necessary to ensure consistent standards for license discipline are applicable to manufacturers as they are to former Bureau licensees. This fine formula is appropriate for manufacturing licensees because their license fees are calculated based on gross revenue, as are those for former Bureau licensees.

The Department has added the highest gross-revenue tier to the fine formula for distributor-transport only licensees engaged in self-distribution. The Department discovered that this tier had inadvertently been left out of the table in the Bureau's disciplinary guidelines, thus it is being added now for accuracy and consistency across licensees.

Section III, subsection B, of the Disciplinary Guidelines outlines the categories—minor, moderate, and serious—and related fine amounts for specific violations of the statute and regulations, for cultivation licensees. These guidelines specific to cultivation licensees are currently contained in section 16601 and are proposed to be included in this proposed subsection to consolidate disciplinary guidelines for all licensees in one location. Section 16601 is proposed to be repealed as duplicative. The tables are intended to communicate to the licensee the specific statutory and regulatory sections subject to violation, the violation category, and fine or penalty assessment. These fines have established ranges with minimum and maximum amounts based upon the violation category (i.e., minor, moderate, or serious). Fine amounts were set to be commensurate with the potential impact of the violation on the environment, the public, and the ability to effectively administer and enforce the Department's regulations. The Department has added introductory language explaining that these tables apply to cultivation licensees and has added language indicating the fine range for each level of violation for clarity. This is necessary because the Department's regulations apply to various license types. This is also necessary because the Department has reformatted the table from using columns for each fine level with the fine range listed at the top and an "X" to mark the level to now having a column that describes in words what the fine level is and the fine range. This has been done for accessibility and clarity purposes.

Table A and Table B have been amended to update section references to reflect where previously referenced sections were moved or consolidated, sections were removed or repealed, or additions were made to reflect updated requirements. Furthermore, where regulatory changes were made, language was updated in the description column of Table A and B to reflect the proposed modified language as explained within those sections. Changes to update section references and descriptions did not substantively change the information in Table A or Table B but are necessary to ensure clarity and specificity to provide guidance to licensees regarding penalties specific to cultivation licensees.

The Department proposes to add rows related to violations not currently included in original section 16601 to Table A as follows: Business and Professions Code section 26037.5 and regulations sections 15023, 17398, 17399, 17400, 17403, 17407, 17408, 17410, 17412, 15048.5(a),(b), and (b)(1), 15049.1(c), and 17815. This is necessary to

capture these violations to provide specificity to licensees as to clarify how the penalty would be assessed for those violations. These additions do not impose any additional obligation on cultivation licensees.

Section 15000.4 prohibits the subletting of a licensed premises or any portion thereof. Original Table B included violating this section as a minor penalty. However, the Department has determined that this violation should be amended to be a moderate penalty allowing someone else to use the licensee's premises makes it difficult for the Department to regulate licensees and ensure compliance. Additionally, the moderate level penalty is consistent with the penalty level for noncultivation licensees. As such, the Department determined it was necessary and appropriate to deem this as a moderate violation.

Section 15023 includes specific requirements and notice to the Department regarding business modifications. This section is proposed to apply to cultivators; therefore, it is also proposed to be included in Table A at the minor level for consistency with the penalty tier that already applies to former Bureau licensees. This is necessary for consistency amongst licensees. Additionally, section 15023 prevents the licensee from engaging in certain business modification practices without approval of the Department, such as a complete ownership change. The Department has determined that it is necessary to add this violation to Table A as a serious penalty which significantly interferes with enforcement of licensing provisions and to be consistent with the penalty level currently applicable to former Bureau licensees.

Section 15035 requires certain notifications to the Department within 48 hours, including criminal convictions, civil judgments, administrative orders for violations of labor standards, and revocation of a local license, permit, or other authorization. The Department has determined that it is necessary to amend the penalty level for violations of this section to a serious violation as it has the potential to significantly interfere with state law regarding the requirements for licensure. Additionally, the highest penalty level is consistent with the penalty level, Tier 3, applicable to non-cultivation licensees.

Section 15027 requires notification to the Department prior to making physical modifications to the licensed premises. The original Table A indicated a violation of section 15027 subsection (a) to be a moderate penalty. However, a violation of the same section is a Tier 1 violation for non-cultivation licensees. As a violation of this section is not likely to have an adverse effect on public safety or environmental health, and for consistency amongst licensees, the Department has determined that it is necessary to amend this violation level to minor.

Section 15047.2 is contained in Table A with a penalty level of minor for failure to accurately enter data and information into the track and trace system. For consistency with other similar provisions relating to track and trace reporting requirements the Department proposes to amend the level of this violation to moderate. The track and trace program is a central piece of the state licensing system and not complying with the requirements undermines the system and makes it difficult for the Department to regulate licensees. As such, the Department determined it was necessary and appropriate to set these as moderate violations.

Section 15049.2 requires reporting of all transfer of cannabis to another licensee prior to movement of the cannabis, and the reporting of all cannabis received or rejected by a licensee. For consistency with other similar provisions relating to track and trace reporting requirements, the Department proposes to amend the level of this violation to moderate from serious. The track and trace program is a central piece of the state licensing system and not complying with the requirements undermines the system and makes it difficult for the Department to regulate licensees. As such, the Department determined it was necessary and appropriate to set these as moderate violations.

Section 17223 subsection (b) address the requirement of a waste management plan. Original Table A has violation of this section as a moderate penalty. The Department has determined that simple deviation from the waste management plan is not likely to cause immediate harm to public health or the environment, and a violation of this section for other licensees is classified as Tier 1, therefore, has determined that it is necessary to amend the penalty to minor.

Sections 17398, 17399, 17400, 17403, 17407, 17408, 17410, and 17412, relate to violations of labeling and packaging requirements for bulk cannabis, immature plants, seeds, nonmanufactured cannabis goods, cannabinoid labeling, universal symbol requirements, and child-resistant packaging. For consistency with existing packaging and labeling table entries proposes for violations to be included as minor violations. The Department determined that these violations are not likely to cause immediate harm to public health or the environment. As such, the Department determined it was necessary and appropriate to set these as minor violations.

Section 15048.5 subsections (a), (b), and (b)(1) relate to violations for failure to label harvest batches with a unique harvest batch name, assign a plant package tag to harvest batches, and label harvest batches in containers with a UID as applicable. For consistency with other similar provisions relating to tagging and labeling cannabis the Department proposes to include these as moderate violations. The track and trace program is a central piece of the state licensing system and not complying with the requirements undermines the system and makes it difficult for the Department to regulate licensees. As such, the Department determined it was necessary and appropriate to set these as moderate violations.

Section 15049.1(c) relates to violations for failure to indicate in the track and trace system that a harvest batch has finished. For consistency with other similar provisions relating to track and trace reporting requirements the Department proposes to include this as moderate violation. The track and trace program is a central piece of the state licensing system and not complying with the requirements undermines the system and makes it difficult for the Department to regulate licensees. As such, the Department determined it was necessary and appropriate to set these as moderate violations.

Sections 17801.5 and 17815 relate to requirements should cannabis be subject to an embargo or administrative hold respectively. The Department proposes to include violation of an embargo as serious violations, the same as administrative hold violations, because cannabis is subject to these provisions when it presents a threat to public health and safety. If a licensee violates these restrictions, this has the potential for a significant level of public harm as there is cause to believe the items are unsafe and significantly interferes

with the Department's ability to enforce requirements. As such, the Department determined it was necessary and appropriate to set these as serious violations. Additionally, through statutory change, embargo now applies to all cannabis and cannabis products as well as all licensees. Therefore, it was necessary to add language to existing provisions that apply to administrative hold for clarity.

In addition to updating references for violations based on changes to statute and the proposed changes to the regulations, the Department proposes add a provision for violation of BPC section 26161. This requirement was originally included in Table A, but as it relates to preparation of sales receipts and invoices it has been included within Table B instead. The Department proposes to amend the penalty level for violation of BPC section 26161 to minor for consistency with the Tier 1 penalty level for non- cultivation licensees and because the Department has determined this violation is not likely to cause immediate harm to the public or environment. The entry for section 16400(d)(5) has been removed from Table B as it is contained in Table A.

The following section numbers that were included in original section 16601 have not been included in the tables as they were repealed and it is no longer necessary that they be captured as a separate violation or have been removed altogether. These sections include 16100(b), 16201, 16204(b), 16210, 16211, 16300(d), 16303(b), 16308, 16400, 16401, 16403(b)(2), 16405(f), 16406(c) & (d), 16406(e), 16501(c)(2), 16501(c)(3), and 16501(c)(4). This is necessary for licensee clarity, so the tables no longer reflect sections that do not exist.

It is necessary for the Department to clarify the violations and recommended penalty specific to cultivation licensees, apart from all other Department licensees, because violations by cultivation licensees include potential or actual harm that is more direct and impactful to the environment than violations by any other Department licensee. This clarification will ensure that compliance and enforcement actions taken by the Department and imposed against Department licensees are appropriate and effective to deter and penalize for violations of the statute and regulations, in furtherance of the Department's duty for protection of the public as the highest priority.

Section IV of the Disciplinary Guidelines, Standard Conditions of Probation, includes the introductory language for the terms and conditions of probation, and provides the standard conditions of probation, which includes requirements and processes for submitting reports during probation, reporting in person when required, complying with all state and local laws, maintaining valid licenses, displaying and posting signs related to probation, license surrender and violations of probation. Terms and conditions of probation will be imposed when staying a disciplinary order, such as revocation or suspension of a license. This allows the probationer to continue to exercise the privileges of licensure, while under probation, as a means of disciplinary action that is fair.

There are no proposed amendments to Section IV but this section is proposed to be made applicable to licensed manufacturers and cultivators. This is necessary because the opportunity for probation and probationary requirements are just as necessary for, and applicable to, licensed manufacturers and cultivators as they are for the other license types regulated by the Bureau prior to consolidation. Extending the provisions of this

section to all licensees is necessary to ensure consistent standards for license discipline are applicable all licensees as they are to former Bureau licensees.

Under paragraph 1, the respondent probationer is required to obey all state and local laws, and to submit the required fingerprint forms and fees, if not previously submitted as part of the application. The purpose of this requirement is to ensure that the probationer is obeying all state and local laws, which shows that the probationer is fit for continued licensure. Probationers are required to submit written reports during the probation period that detail the probationer's compliance with the conditions of probation, as required under paragraph 2. This provision will help the Department to ensure that the probationer is complying with the conditions of probation and is fit for continued licensure.

The Department also requires under paragraph 3 that the probationer must report in person for any interviews or meetings when determined necessary by the Department. This is to ensure that the probationer can comply with the conditions of probation and require direct communication, when necessary, with Department staff regarding any issues arising during the probation period. Under paragraph 4, the probationer is to fully comply with the conditions of probation and shall timely inform the Department of any address change. The Department proposes to change the applicable timeframe from 15 calendar days to 14 calendar days for consistency with other notification provisions within the regulations. This ensures that the Department can immediately and directly communicate with the probationer.

Under paragraph 5, the probationer is also required to post appropriate signage during any period of suspension, which is necessary to prevent the probationer from engaging in any prohibited activities, such as exercise of the suspended license, and to advise the public of such prohibition. The probationer is also required to circulate a notice of probation to all employees, which is necessary to ensure that the employees do not unknowingly exercise any privileges of a license that is prohibited or limited during probation, or while it is suspended.

Paragraph 6 requires the probationer to maintain a valid license during the probationary period. This is necessary to ensure that the probationer does not allow the license to lapse and circumvent the purpose of serving a probationary period. Paragraph 7 provides that the probationer is responsible for the Department's costs associated with its investigation and enforcement, which is a restatement of BPC section 26031, subdivision (d), and restated here for clarity.

Paragraph 8 allows the probationer to surrender their license if they are unable to satisfy the conditions of probation, or ceases business, however such surrender will be at the discretion of the Department and may be considered a disciplinary action. This is necessary to ensure that probationers abide and comply with the conditions of probation, while providing probationers with the ability to choose to no longer retain the privileges of licensure, or to no longer engage in commercial cannabis activity.

Paragraph 9 provides probationers with notice that any violation of probation may set aside the order of probation and impose the stayed discipline of revocation or suspension. This is necessary to ensure that probationers are aware of the consequences of probation violations, and to deter any such violations.

There are no proposed amendments to the standard terms and conditions of probation, but they are proposed to be applicable to licensed manufacturers and cultivators. This is necessary because the opportunity for probation and probationary requirements are just as necessary for, and applicable to, licensed manufacturers and cultivators as they are for the other license types regulated by the Bureau prior to consolidation. Extending the provisions of this section to all licenses is necessary to ensure consistent terms and conditions of probation are applicable to all licensees as they are to former Bureau licensees.

Section C of the Disciplinary Guidelines, Introductory Language and Optional Terms and Conditions of Probation (page 33), provides template language to be placed in all orders, providing the parties to a disciplinary action, especially the Administrative Law Judge, with standard introductory language that is applicable to all cases and licensees, and the severability of the conditions contained in the order. This section provides uniformity in discipline among licensees on probation and provides that optional terms and conditions may be imposed as part of probation.

There are no proposed amendments to this section, but it is proposed to be applicable to licensed manufacturers and cultivators. This is necessary because probationary requirements are just as necessary for, and applicable to, licensed manufacturers and cultivators as they are for the other license types regulated by the Bureau prior to consolidation. Extending the provisions of this section to all licensees is necessary to ensure consistent terms and conditions of probation are applicable to all licensed manufacturers as they are to former Bureau licensees.

Section 17815. Emergency Decision and Order.

This section is proposed to be renumbered from 15815 to 17815 to provide for consolidated enforcement and compliance regulations under one chapter for all licensees.

Section 17816. Posting of Notice of Suspension.

This section is proposed to be renumbered from section 15811 to section 17816 to provide for consolidated enforcement and compliance regulations under one chapter for all licensees. This section requires a licensee who is suspended post a notice on the exterior of the licensed premises for the durations of the suspension and provides requirements related to the posting. Original section 15811 is applicable to license types formerly issued by Bureau. The Department proposes for this section to be applicable to all licensees, including manufacturers and cultivators, for consistency. This is necessary to ensure that licensees are subject to the same requirements. Additionally, this proposed section notifies consumers and other licensees that the license is suspended, and the licensee cannot legally engage in commercial cannabis activity. This is necessary to assist with the prevention of unlicensed activity. The Department also proposes to amend subdivision (b) to change the size requirement for the notice to 11 inches in length and 8.5 inches in width as this is a standard paper size and consistent with other posting requirements. The Notification and Request Form, Notifications and Requests Regarding Regulatory Compliance DCC-LIC-028, incorporated by reference is new as the Department proposes to amend and divide form DCC-LIC-027.

Section 17817. Posting of Notice of Revocation.

This section is proposed to be renumbered from section 15812 to section 17817 to provide for consolidated enforcement and compliance regulations under one chapter for all licensees. This section requires a person whose license has been revoked to post a notice on the exterior of the licensed premises for at least 15 days the durations of the suspension and provides requirements related to the posting. Original section 15811 is applicable to license types formerly issued by Bureau. The Department proposes for this section to be applicable to all license types, including manufacturing and cultivation, for consistency. This is necessary to ensure that all persons whose license have been revoked are subject to the same requirements. Additionally, this proposed section notifies consumers and other licensees that the license has been revoked and the person cannot legally engage in commercial cannabis activity. This is necessary to assist with the prevention of unlicensed activity. The Department also proposes to amend subdivision (b) to change the size requirement for the notice to 11 inches in length and 8.5 inches in width as this is a standard paper size and consistent with other posting requirements. The Notification and Request Form, Notifications and Requests Regarding Regulatory Compliance DCC-LIC-028, incorporated by reference is new as the Department proposes to amend and divide form DCC-LIC-027.

Chapter 13. Other Provisions

This chapter contains proposed amendments to modify the subject matter of this chapter. This chapter previously contained provisions relating to manufactured cannabis product requirements. These requirements are now contained within chapter 10 of this division. This chapter now contains other provisions, which includes research funding.

No substantive changes have been made to these provisions. This amendment is necessary to provide greater overall clarity to licensees, stakeholders, and members of the public.

Chapter 14. Labeling and Packaging Requirements

This chapter is proposed to be repealed as packaging and labeling requirements are now contained in chapter 11.

Chapter 15. Compliance Applicable to Manufacturing Licensees

This chapter is proposed to be repealed as compliance requirements for manufacturing licensees are now contained within chapters 1, 8, and 12 of this division.

Authority and Reference Sections

In addition to the proposed amendments discussed above, the Department has proposed to repeal BPC 26012 from the Authority and Reference citations in multiple sections. This change is necessary because the Department determined was BPC 26012 was not specifically relevant to these sections and did not provide additional clarity regarding the authority or reference of the sections. Removal of BPC 26012 from these sections is also

consistent with the rest of the division.

Forms

The Department proposes repealing DCC-LIC-025, CEQA Project Specific Information Form, and DCC-LIC-026, CEQA Exemption Form, due to proposed amendments in section 15010. The repeal of these forms is necessary for consistency with the amendments in the sections governing CEQA compliance.

The Department proposes creating form DCC-LIC-019 (New 1/22), entitled Standard Operating Procedures and incorporating it by reference. This form consolidates the information previously contained in DCC-LIC-015 (Amended 9/21), Transportation Procedures; DCC-LIC-017 (Amended 9/21), Non Lab Quality Control Procedures; DCC-LIC-018 (Amended 9/21), Security Procedures; and DCC-LIC-020 (Amended 9/21), Delivery Procedures. Consolidation of the information previously contained in multiple forms allows the Department to collect the information necessary to ensure compliance while reducing the number of forms required to be submitted by applicants and retained by the Department.

The Department proposes repealing DCC-LIC-015 (Amended 9/21), Transportation Procedures; DCC-LIC-017 (Amended 9/21), Non Lab Quality Control Procedures; DCC-LIC-018 (Amended 9/21), Security Procedures; and DCC-LIC-020 (Amended 9/21), Delivery Procedures. The repeal of these forms is necessary as the essential contents of these forms are now contained in the proposed form DCC-LIC-019 (New 2/22), Standard Operating Procedures.

The Department also proposes repealing DCC-LIC-016 (Amended 9/21), Inventory Procedures. Licensees must comply with provisions related to Track and Trace, which require submission of the information necessary to ensure that appropriate inventory procedures are followed. The repeal of this form is necessary to avoid requiring licensees to resubmit information which the Department will be able to access through Track and Trace.

The following forms, incorporated by reference within this division, contain proposed amendments to update the date of amendment to February 2022, remove the website address, remove Governor Newsom's name, and a change in format to be consistent with other Department forms. Additionally, the term "cannabis goods" has been changed to "cannabis and cannabis products" for consistency in the use of the terms throughout this division:

- DCC-LIC-021 Sampling Standard Operating Procedures (Amended 2/22)
- DCC-LIC-022 Sample Preparation Operating Procedures Form (Amended 2/22)
- DCC-LIC-023 Test Methods Operating Procedures Form (Amended 2/22)
- DCC-LIC-024 Data Package Cover Page and Checklist (Amended 2/22)
- DCC-LIC-027 Notification and Request Form (Amended 2/22)

DCC Notification and Request Form, DCC-LIC-027, is also proposed to be amended as

follows:

The title of the form has been changed to Licensee Notification and Request Form Notifications and Requests to Modify a License. This change is necessary to reflect changes throughout the form that remove notifications and requests that are not related to modification of a license. The Department determined that the original form contained too many notifications and requests and therefore divided the form into three forms. The Department proposes to adopt one form for license modifications, one form for compliance notifications, and one form for notifications from licensed testing laboratories. This also is necessary to increase efficiency in the Department as the Department has a licensing division that handles licensing matters, a compliance division that handles compliance matters, and a testing laboratory unit that handles all matters related to testing laboratories. In addition to the creation of three forms, the Department proposes clarifying the instructions for using the forms and directions for providing specific information as required by the regulations. The Department has also made amendments to update references to the specific regulatory requirements and has made terminology changes and minor grammatical edits consistent with amendments made throughout the division. Notifications that are no longer applicable due to amendments in the regulatory sections have been repealed accordingly.

The Department proposes amending the instructions for clarity and updating the email address to licensechange@cannabis.ca.gov. The Department also proposes maintaining the following notifications in form DCC-LIC-027 related to license modifications:

- Labor Peace Agreement
- Change in Ownership
- Change in Financial Interest Holders
- Change in Contact Information
- Change in Legal Name of Owner or Legal Business Name
- Change in DBA or Fictitious Business Name
- Change in Bond
- A or M Designation (excluding cultivators)
- Microbusiness: Add or Remove an Activity
- Death, Incapacity, Receivership, Assignment of Creditors, or Other Event Rendering an Owner Incapable
- Physical Modification of Premises
- Criminal Conviction of Any Owner
- Civil Penalty or Judgement Against Licensee or Any Owner
- Administrative Order or Civil Judgement for Violation of Labor Standards Against Licensee or Any Owner
- Revocation of a Local License, Permit, or Other Authorization

The Department proposes creating form DCC-LIC-028 (New 2/22), entitled Licensee Notification and Request Form, Notifications and Requests Regarding Regulatory Compliance and incorporating it by reference. The Department proposes removing from form DCC-LIC-027 notifications that are related to compliance and thus appropriate for receipt by the Department's compliance division at compliance@cannabis.ca.gov. The following notifications are proposed to be included on form DCC-LIC-028 (New 2/22):

- Purchase of Former Licensee's Cannabis and/or Cannabis Products
- Distributors and Retailers: Discovery of Significant Discrepancy in Inventory
- Discovery of Diversion, Theft, Loss, or Any Other Criminal Activity Pertaining to Operation of a License
- Discovery of Breach of Security
- Cannabis Events: Change of List of Licensees and Employees Participating in Event
- Discovery that Notice of Suspension or Notice of Revocation Has Been Removed or is Damaged and Illegible

The Department proposes creating form DCC-LIC-029 (New 2/22), entitled Licensee Notification and Request Form, Notifications and Requests Regarding Testing Laboratories and incorporating it by reference. The Department proposes removing from form DCC-LIC-027 notifications that are related to testing laboratories and thus appropriate for receipt by the Department's laboratory division at testinglabs@cannabis.ca.gov. The following notifications are proposed to be included on form DCC-LIC-029 (New 2/22):

- Application for Each ISO/IEC 17025 Accreditation is Granted or Denied
- Use of New or Altered Test Methods by Testing Laboratory
- Notification of Receipt of Proficiency Testing Results
- Completion of Internal Audit by Testing Laboratory
- Receipt of Accrediting Body On-site Audit Findings by Testing Laboratory

Incorporation by Reference

The following documents are incorporated into the regulations by reference:

Department of Cannabis Control Disciplinary Guidelines for All Commercial Cannabis Licenses, Amended February 2022.

The following forms are incorporated into the regulations by reference:

DCC-LIC-019 Standard Operating Procedures (New 2/22)

DCC-LIC-021 Sampling Standard Operating Procedures (Amended 2/22)

DCC-LIC-022 Sample Preparation Operating Procedures Form (Amended 2/22)

DCC-LIC-023 Test Methods Operating Procedures Form (Amended 2/22)

DCC-LIC-024 Data Package Cover Page and Checklist (Amended 2/22)

DCC-LIC-027 Notification and Request Form (Amended 2/22)

DCC-LIC-028 Licensee Notification and Request Form, Notifications and Requests Regarding Regulatory Compliance (New 2/22)

DCC-LIC-029 Licensee Notification and Request Form, Notifications and Requests Regarding Testing Laboratories (New 2/22)

Technical, Theoretical, and/or Empirical Study, Reports, or Documents

The following documents were relied on for this rulemaking process:

1. Assemblymember Bill Quirk, Assemblymember David Chiu, Assemblymember Kevin McCarty, Assemblymember Rob Bonta, and Senator Scott Wiener. Letter to Bureau of Cannabis Control Regarding Cannabis Delivery Case Limits (July 1, 2020).
2. Body and Mind, LLC. Cannabis Consolidation Priority Items.
3. California Cannabis Advisory Committee. Public Comments Received for August 20 and 21 2020 Committee Meeting (August 2020).
4. California Cannabis Advisory Committee. Public Comments Received for September 24 and 25, 2020 Committee Meeting (September 2020).
5. California Cannabis Advisory Committee. Public Comments Received for October 30, 2020 Committee Meeting (October 2020).
6. California Cannabis Industry Association. Regulatory Recommendations (August 17, 2020).
7. Caliva. Letter to Governor Newsom Regarding Hemp.
8. Caliva. Letter to Governor Newsom on Regulatory Recommendations (October 9, 2020).
9. Cannabis Beverage Association. Letter Regarding Regulatory Recommendations (December 8, 2020).
10. Cannabis Operator's Perceived Regulatory Barriers to Recycling (October 22, 2019).
11. Hey Jackpot. Cannabis Advisory Committee 9/24/20 Public Comments for Agenda Items: #4a: Non-Cannabis Goods and #4d: Hours of Operation (September 21, 2020).
12. Humboldt County Growers Alliance. Regulatory Comments for Consolidation (March 2, 2021).
13. International Cannabis Farmers Association. FAQ Commercial Cannabis Provisional Licensing and CEQA (December 10, 2020).
14. International Cannabis Farmers Association. Provisional Statistics (December 10, 2020).
15. International Cannabis Farmers Association. State and Local Jurisdiction CEQA Timeline (December 10, 2020).

16. Legal Cannabis for Consumer Safety. Letter to Cannabis Advisory Committee (September 21, 2020).
17. Letter Regarding Cannabis Branded Merchandise (September 3, 2020).
18. NorCal Cannabis Company. Priority Regulatory Recommendations.
19. Response to the Governor's 2020-2021 Fiscal Year Budget Proposal (April 17, 2020).
20. The Cannabis Corporate Law Firm. Letter to CalCannabis Cultivation Licensing Division (September 2, 2020).
21. Yager Creek Farms dba Source Nursery. Letter to CalCannabis Regarding Nurseries and CCTT Tags for Clones (October 1, 2020).

Economic Impact and Assessment

Business Impact

The proposed regulations will consolidate the regulations from the three former commercial cannabis regulatory agencies. This consolidation will bring all the regulations into one place within one unified regulatory agency. This will result in added clarity, consistency, and efficiency across all commercial cannabis business requirements.

The requirements for operating a commercial cannabis business will generally remain the same under the consolidated regulations. The Department is not expecting a substantial impact on the ways commercial cannabis businesses operate.

Economic Impact Assessment

The proposed regulations consolidate the existing regulatory requirements from three regulatory agencies. As such, many of the existing requirements applicable to commercial cannabis businesses remain the same.

The Department does not anticipate the creation or elimination of jobs or businesses, or the expansion of existing businesses, because of the proposed regulations. We do not anticipate this regulatory proposal to affect the health and welfare of California residents, nor impact worker safety.

Fiscal Impact

Fiscal Effect on State Government

The proposed regulations will consolidate the regulations from the three former commercial cannabis regulatory agencies. This consolidation will bring all the regulations into one place within one unified regulatory agency. The regulatory operations of the original three separate agencies will remain largely the same under the new consolidated Department. As such, the Department does not anticipate a fiscal impact on State Government.

Disclosures Regarding the Proposed Action

The Department has made the following initial determinations:

Mandate on local agencies and school districts: None.

Cost or savings to any state agency: The Department is expected to save roughly \$20 million a year on the cost of tracking tags.

Cost to any local agency or school district which must be reimbursed in accordance with Government Code sections 17500, et seq.: None.

Other non-discretionary cost or savings imposed on local agencies: None.

Cost or savings in federal funding to the state: None.

Effect upon Housing: There is no effect upon housing.

Specific Technologies or Equipment

None.

Consideration of Alternatives

The alternatives to these proposed regulations considered by the Department include leaving the regulations in its current state. The regulations will be duplicative and continue to present challenges for the industry to navigate. This may lead to confusion and lack of compliance on the part of licensees as well as inefficiencies within the industry.

The Department has also considered the alternative of repealing existing regulations and developing all new regulations that impose new requirements on licensees. Developing all new regulations is costly. Imposing a large number of new requirements on licensees all at one time would be confusing and very costly to businesses.

The Department decided against these alternatives and instead chose to form a consolidated set of regulations by amending the three sets of existing regulations through removing duplicative provisions, reorganizing sections, clarifying text, and creating consistency throughout. This approach has similar benefits to developing all new regulations. However, this method ensures an easier transition for licensees as they will largely be able to continue operating as they have been under the three separate sets of regulations prior to consolidation. No other alternative is more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected persons, or would be more cost effective to affected persons and equally effective in implementing the statutory provision of law.