

Date of Hearing: May 8, 2019

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 1356 (Ting) – As Amended April 30, 2019

Policy Committee: Business and Professions Vote: 12 - 7

Urgency: No State Mandated Local Program: Yes Reimbursable: No

**SUMMARY:**

This bill requires jurisdictions in which more than 50% of the electorate voted to approve the legalization of adult-use cannabis to issue a minimum number of local licenses to authorize retail cannabis commercial activity. The bill allows a jurisdiction to limit eligibility for licenses to only medicinal licensees. It also:

- 1) Establishes a minimum of one retail license issued for every four liquor licenses, unless that ratio would result in more than one retail license for every 10,000 people, in which case the minimum is one retail license for every 10,000 people.
- 2) Allows a local government to issue a lower number of licenses if an ordinance implementing a lower number is submitted to and approved by voters.
- 3) Provides for exceptions to the requirement to issue licenses if the electorate has, subsequent to Proposition 64, rejected an ordinance authorizing retail cannabis activity or approved a prohibition on retail cannabis activity.

**FISCAL EFFECT:**

Unknown, significant costs, potentially in the millions of dollars annually to the Bureau of Cannabis Control within the Department of Consumer Affairs to license an unknown number of additional cannabis retailers (Cannabis Control Fund). Fees for licensed retailers range from \$2,500 to \$57,000.

**COMMENTS:**

- 1) **Purpose.** This bill seeks to ensure a robust legal market for cannabis in local jurisdictions in which a majority of voters supported cannabis legalization.
- 2) **Background.** Cannabis, though illegal under federal law, has been legal under state law since the passage of Proposition 215 in 1996. A package of three bills enacted together in 2015 created a comprehensive state regulatory structure for medical cannabis regulation. With the passage of Proposition 64 of 2016, adult-use cannabis also became legal and regulatory structures for adult-use and medicinal cannabis were subsequently harmonized. As of January 9, 2019, the “collective” cooperative model for medical marijuana dispensaries, as authorized under Proposition 215, was formally sunset, and any dispensary that was in place under the Compassionate Use Act was required to convert to the new regulatory system.

Current law, both legislative statute and language passed through Proposition 64, allows a locality to completely ban retail cannabis in its jurisdictions. Thus, there is currently no clear

way to expand statewide access to medicinal cannabis without first obtaining local authorization for a jurisdiction without retail.

- 3) **Support.** United Domestic Workers of America, UDW/AFSCME Local 3930 is the sponsor of this bill. It is also supported by cannabis interests. According to the UDW, the passage of Proposition 64 exemplified California's strong support for a legal cannabis market, one that would promote tax revenue to state and local governments and reduce black market activity. However, UDW maintains, some local governments have either refused to adopt proper licensing frameworks to create such markets or have established strict licensing structures that restrict the legal market from competing with its illegal competition. According to the Secretary of State, 393 out of 538 jurisdictions voted in favor of Proposition 64, yet over two-thirds of the state prohibit even a single cannabis retailer.
- 4) **Opposition.** The League of California Cities (League) and the California State Association of Counties opposes the bill. The League states:

This bill fundamentally erodes the local regulatory authority of cities and counties, which is explicitly provided for in Proposition 64. In seeking to remove a local government's ability to either approve retail cannabis shops at a different concentration level or prohibit them within its jurisdiction, this bill completely subverts the intent of the voters who approved Proposition 64. In essence, attempting to require cities to establish a 1 to 4 ratio of local retail cannabis licenses to liquor licenses removes the ability for locals to decide what is appropriate for their communities. By obligating such a ratio, this bill proposes an arbitrary land use standard for individual cities and counties based on the results of a statewide ballot measure. Ultimately, it is questionable at best as to whether, under Proposition 64, the state even has the unilateral authority to impose such a requirement without voter approval.

**Analysis Prepared by:** Lisa Murawski / APPR. / (916) 319-2081