
Senate Budget and Fiscal Review—Holly Mitchell, Chair

JOINT HEARING

Agenda

Senate Budget Subcommittee No. 2 on Resources, Environmental Protection,
Energy and Transportation, No. 3 on Health and Human Services, and No. 4 on
State Administration and General Government
Wieckowski, Pan and Roth, Chairs



**Thursday, May 4, 2017
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State Capitol - Room 4203**

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Cannabis Regulatory Implementation

PROPOSED FOR DISCUSSION AND VOTE

<u>Item</u>	<u>Department</u>	<u>Page</u>
0860	State Board of Equalization (BOE)	2
1111	Department of Consumer Affairs (DCA) – Bureau of Marijuana Control.....	2
4265	Department of Public Health (DPH)	2
8570	California Department of Food and Agriculture (CDFA)	2
	Issue 1: Implementation of Cannabis Regulation (BCPs)	2
	Issue 2: Cannabis Regulation Trailer Bill Language	8

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ITEMS PROPOSED FOR DISCUSSION AND VOTE**0860 STATE BOARD OF EQUALIZATION (BOE)****1111 DEPARTMENT OF CONSUMER AFFAIRS (DCA) – BUREAU OF MARIJUANA CONTROL****4265 DEPARTMENT OF PUBLIC HEALTH (DPH)****8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)****Issue 1: Implementation of Cannabis Regulation (BCPs)**

Budget. The Governor's budget includes a total of \$51.4 million (Marijuana Control Fund) and 190 positions for cannabis implementation across four departments in the 2017-18 fiscal year. The budget also includes a General Fund loan to the Marijuana Control Fund for \$62.7 million.

- The Governor's budget includes \$5.4 million for BOE in 2017-18 to administer the new excise taxes. Specifically, the proposal includes:
 - In 2016-17: 1.9 positions and \$1.1 million
 - In 2017-18: 22 positions and \$5.4 million
 - In 2018-19: 21.3 positions and \$2.7 million
 - In 2019-20: 17.4 positions and \$2.1 million
 - In 2020-21 and ongoing: 16.9 positions and \$2 million
- **Comments on BOE Proposal.** Subsequent to the submission of the budget proposal, BOE and the Department of Finance have worked to reconcile the resources required with existing BOE staffing. Consequently, the request will be adjusted to reflect this downward adjustment in required positions, as well as required resource. Notwithstanding this additional change, the BOE proposal is reasonable based on the revisions, and may be slightly understaffed given the significant undertaking with respect to a new universe of tax payers. BOE must, in its activities, pay particular attention to the statewide nature of the policy and ensure that outreach efforts, tax administration and collection of the tax are uniform across board member districts.
- The Governor's budget contains a total of \$22.5 million for DCA in 2017-18. Specifically, the proposal includes:
 - In 2017-18: 82 positions and \$12 million for licensing and enforcement; 38 positions and \$5.4 million to address workload increase in DCA's Division of Investigation (DOI) and administrative staff to support the bureau; and \$5.1 million for the

implementation of an information technology (IT) solution that would provide licensing and enforcement functions.

- In 2018-19: 68 positions and \$21 million for licensing and enforcement; \$6.2 million to address workload increase in DOI and administrative staff to support the bureau; and \$3.6 million in 2018-19 and ongoing for IT implementation.
- In 2019-20: 17 positions and \$21.8 million in 2019-20 and ongoing for implementation of the bureau's licensing and enforcement activities; and \$5 million in 2019-20 and ongoing to address the anticipated increase in investigative workload for the DOI and administrative staff to support the bureau.
- **Comments on DCA proposal.** The licensing and enforcement request includes funding for a total of 205 positions (120 positions in 2017-18), the establishment of five field offices, testing laboratory services, equipment, vehicles, and new facilities. This request also includes ongoing funding for positions established in 2016-17. It is likely that the Legislature's decisions about aligning the Medical Cannabis Regulation and Safety Act (MCRSA) and the Adult Use of Marijuana Act (AUMA) will affect resource needs and the requests above will need to be adjusted. In addition, there is significant uncertainty regarding resource needs, and regulatory decisions will likely affect these needs.
- The Governor's budget proposes a total of \$1 million for DPH in 2017-18. Specifically, the proposal includes:
 - In 2017-18: \$1.4 million for an IT application for licensing medical cannabis manufacturers. The proposal also includes the redirection of three positions and \$410,000 for licensing medical cannabis testing laboratories to the Bureau of Marijuana Control.
 - In 2018-19: \$494,000 to complete the IT project.
 - In 2019-20 and ongoing: \$238,000 for maintenance and operation of the IT application.
- **Comments on DPH proposal.** While DPH plans to implement its IT application for licensing of medical cannabis manufacturers by the statutory deadline of January 1, 2018, the application must be able to interact with other state entities' IT applications related to the regulation of cannabis products. The Legislature should continue to monitor the department's progress establishing this interoperability. In addition, although responsibility for licensing medical cannabis testing laboratories was transferred to the Bureau of Marijuana Control, this proposal requests to transfer to the bureau only three of the eleven positions approved in the 2016 Budget Act to support this workload. According to DPH, its ongoing licensing workload for medical cannabis manufacturers is more extensive than originally expected and the remaining positions will instead be redirected for this purpose. Because regulation of medical cannabis manufacturers is a new workload for DPH, a measure of flexibility with allocation of staff resources is

reasonable. However, the Legislature should monitor whether the bureau has received the appropriate level of resources to implement and sustain its new testing laboratory licensing program.

- The Governor's budget proposes a total of \$22.4 million for CDFA in 2017-18. Specifically, the proposals include:
 - In 2017-18: \$16.9 million and 13 positions for implementation of the Track and Trace IT project; 3.5 positions to enforce measurement standards; three year limited-term funding of \$5.5 million and 34.3 positions for licensing and enforcement activities.
 - In 2018-19: \$10.5 million for the Track and Trace IT project; an additional four positions to enforce measurement standards.
- **Comments on CDFA proposal.** In addition to licensing and regulating cannabis cultivation, CDFA's implementation of the Track and Trace system is an essential part of the regulatory structure as a whole. The system will track cannabis and cannabis products throughout the supply chain and will serve as a primary mechanism to ensure compliance as products move throughout the supply chain. As such, the Legislature should continue to closely monitor the department's progress in implementing this system.

Background. The statutorily authorized use of medical cannabis was approved in California in 1996 when voters approved Proposition 215, the Compassionate Use Act (CUA). The CUA provides certain Californians the right to obtain and use cannabis for medical purposes, as recommended by a physician; and, prohibits criminal prosecution or sanction against physicians who make medical cannabis recommendations.¹ In 2003, Senate Bill 420 (Vasconcellos), Chapter 875, Statutes of 2003, established the Medical Cannabis Program under the California Department of Public Health, and created a medical cannabis identification card and registry database to verify qualified patients and primary caregivers.

Since 2003, advocates, patients, and local governments recognized some deficiencies in the oversight of medical cannabis and called for additional safety regulations. In June 2015, Governor Brown signed the MCRSA, comprised of Assembly Bill 243 (Wood), Chapter 688, Statutes of 2015; Assembly Bill 266 (Bonta), Chapter 689, Statutes of 2015; and Senate Bill 643 (McGuire), Chapter 719, Statutes of 2015. Together, these bills established the oversight and regulatory framework for the cultivation, manufacture, transportation, storage, and distribution of medical cannabis in California. SB 837 (Committee on Budget and Fiscal Review), Chapter 32, Statutes of 2016, was a trailer bill that furthered the intent of the MCRSA legislation.

With California having the largest economy in the U.S., many advocates called for the legalization of recreational use of cannabis, predicting an increase of hundreds of millions of dollars in state revenue. In November 2016 voters approved Proposition 64, the AUMA. AUMA legalized nonmedical, adult use of cannabis in California. Similarly to MCRSA, the act creates a

¹ Health and Safety Code §11362.5

regulatory framework for the cultivation, manufacture, transportation, storage and distribution of cannabis for nonmedical use. Below is a table listing the responsibilities of licensing and other state entities under AUMA and MCRSA.

Cannabis Regulation Responsibilities by Department

Department	Tasks Assigned by MCRSA	Tasks Assigned by AUMA
Department of Consumer Affairs	License dispensaries, distributors, testing laboratories, and transporters.	License dispensaries, distributors, and microbusinesses.
Department of Fish and Wildlife	Expand its pilot project to address the environmental impacts of cannabis cultivation.	Expand pilot project to a statewide level and make project permanent.
State Water Resources Control Board	Authorized to address waste discharge resulting from cannabis cultivation.	Authorized to address waste discharge resulting from cannabis cultivation.
Department of Food and Agriculture	<p>License indoor and outdoor cultivation sites.</p> <p>Ensure water diversion and discharge from cultivation does not affect instream flows for fish spawning, migration, or rearing.</p> <p>Establish a medical cannabis cultivation program, with specified criteria.</p> <p>Establish program that identifies a permitted medical cannabis plant by a unique identifier.</p> <p>Develop a separate “track-and-trace” system to report movement of commercial products through distribution.</p>	<p>License indoor and outdoor cultivation sites.</p> <p>Ensure water diversion and discharge from cultivation does not affect instream flows for fish spawning, migration, or rearing.</p> <p>Establish a cannabis cultivation program.</p> <p>Implement a unique identification program for retail cannabis and cannabis products.</p> <p>Expand “track-and-trace” system to include the same level of information for nonmedical products.</p>
Department of Public Health	<p>License cannabis manufacturers.</p> <p>Develop regulations for producing and labeling of cannabis products.</p>	License cannabis manufacturers and testing sites.
Department of Pesticide Regulation	Develop cultivation regulations for pesticide use.	Develop cultivation regulations for pesticide use.

Legislative Analyst's Office (LAO). The LAO makes the following recommendations to the Legislature when looking at these proposals.

- Make policy decisions on aligning medical and nonmedical cannabis regulation before making decisions on funding and positions. Doing so could better enable the Legislature to provide funding and staffing levels consistent with the ultimate regulatory structure.
- Limit funding provided for out years. Specifically:
 - Approve IT funding requests for 2017-18 but reject proposed funding in out years.
 - Approve a portion of funding requested by DCA in 2017-18 on a two year limited term basis, making 20 percent of its licensing and support staff funding limited term. This would be consistent with the share of its enforcement staff that DCA proposes to fund on a limited-term basis.
 - Reject requests for future increases in DCA's licensing and enforcement requests. It is too early to tell what the ongoing resource needs will be.
- Once the Legislature determines its preferred level of funding for 2017-18, tailor the General Fund loan to meet those needs.
- Enact legislation to require the Administration to submit a report each year on the implementation of MCRSA and AUMA, summarizing department activities and outcomes.
- Adopt language to require departments implementing new cannabis-related IT projects to provide legislative staff with quarterly briefings on the status of these projects.

Issues to Consider. Under MCRSA, the Bureau of Marijuana Control, along with other licensing entities, would be responsible for 17 different types of medical cannabis business licenses, including: cultivators, nurseries, processors, testing labs, dispensaries, and distributors. With the passage of AUMA, licensing authorities have been charged with issuing 19 other license types for recreational use. Licensing authorities must begin issuing licenses by January 1, 2018, and will need to have regulations in place prior to issuing licenses. The bureau, CDFA, and DPH issued draft regulations on April 28, 2017, and will be holding public hearings to discuss the proposed regulations in May and June. However, these regulations only relate to medicinal cannabis. Even though some of the regulatory framework for medical cannabis can be applied to nonmedical cannabis, there are significant differences that require a different regulatory approach. As such, the Administration's proposed trailer bill attempts to reconcile the majority of these differences to create a unified regulatory structure. Even with the reconciliation of the regulatory structures, January 1 is an ambitious timeline for departments to finalize regulations and set up IT systems to administer such a large and complex program.

In addition, merging these two frameworks into one may alleviate confusion, and allow more efficient regulation by state agencies. However, there may be merit in keeping distinct lines of delineation between medical and adult use businesses. As the sale and distribution of cannabis is

illegal under federal law, federal prosecutors may choose to take action against cannabis operations, thus affecting the cannabis industry in California. There is some belief that, if this were to happen, federal enforcement may target adult use businesses. If there is no distinction between these two structures, then the medical cannabis industry may be affected as well.

Given the issues mentioned above, and the lack of recent precedent for establishing an oversight and regulatory scheme of this magnitude,² the subcommittees may wish to consider the following:

- As licensing entities must begin issuing licenses on January 1, 2018, will they be accepting applications for licenses before that date? If so, are the licensing entities currently equipped to handle intake of those applications?
- The bureau, CDFA, and CDPH are all charged with various licensing duties and may have different IT systems to handle licenses. How are these departments collaborating to ensure that their systems work with the others?
- What is the plan for hiring staff, specifically at CDFA and the bureau, where a large number of positions have been requested?
- What is the plan for accepting cash payments? Have extra security measures, specifically for the BOE and bureau, been considered?
- What will happen if state agencies are unable to meet the January 1, 2018 deadline?
- While it is important to provide adequate resources for the development and implementation of a cannabis regulatory and enforcement structure, there is a large amount of uncertainty in how this system will work. The subcommittees may wish to require the department to come back in future years and provide information on implementation and outcomes, as suggested by the LAO, to help determine future funding levels.
- The subcommittees may also wish to consider how to ensure departments can hire for positions that will be ongoing in nature – but will have limited-term funding. The goal being to ensure that there is adequate oversight and resources.

Staff Recommendation. Hold open.

² The last bureau to be created under DCA was the Professional Fiduciaries Bureau, established in 2007, which only licenses approximately 600 individuals.

Issue 2: Cannabis Regulation Trailer Bill Language (TBL)

In April 2017, the Administration released a draft of the cannabis regulation trailer bill language (TBL).

Background. The Administration proposes to unite components of the regulatory structures for medicinal and nonmedicinal cannabis, while preserving the integrity and separation of the two industries by maintaining the two as separate categories of license types with the same regulatory requirements for each.

There are many similarities in the regulatory structures under MCRSA and AUMA; however, there are also differences. Some of these differences are significant policy distinctions, such as MCRSA's requirement that distributors must be independent within the supply chain. While other differences are not as significant and may have been the result of timing, such as the Legislature passing the MCRSA TBL, SB 837 (Committee on Budget and Fiscal Review), Chapter 32, Statutes of 2016, after the drafting of AUMA had been completed. For example, the Department of Consumer Affairs is responsible for licensing testing laboratories for medical cannabis, while the Department of Public Health is responsible for licensing testing laboratories for recreational use. More specifics on the laws governing the implementation of legal cannabis use are below.

Licensing and fees. Licensing authorities must establish a scale of application, licensing, and renewal fees. The licensing and renewal fees are calculated to cover the costs of regulatory activities, and are set on a scaled basis depending on the size of the business. All fees are deposited into an account specific to that licensing authority, which will be established within the Cannabis Control Fund. There are a total of 17 different types of licenses for medical cannabis businesses, while AUMA lists 19 different license types.

Local control. Cities and counties may regulate all cannabis businesses and require them to obtain local licenses. Cities and counties may ban cannabis-related businesses, but not cannabis transportation through their jurisdictions. Under AUMA, recreational cannabis businesses are not required to have a local license, but must abide by local ordinances in order to obtain a state license. Local authorities must send notice to the Bureau of Marijuana Control, or relevant licensing authority, when they revoke a cannabis license.

Penalties and Violations. State law authorizes a civil penalty of up to twice the amount of the license fee for each violation relating to the use of medical cannabis, and a civil penalty of up to three times the amount of the license fee for violations relating to commercial cannabis. The department, state, local authority, or court may also order the destruction of the cannabis associated with the violation. Statute establishes different locations for where the penalties will be deposited, depending on whether the Attorney General, district attorney or county counsel, or a city attorney or city prosecutor brings forth the action.

Taxes. AUMA instituted a new state tax on the cultivation of cannabis that enters the commercial market, as well as a new state retail excise tax. Both of these taxes would affect both medical and nonmedical cannabis. AUMA eliminated sales tax on medical cannabis, but

recreational cannabis would be subject to existing state and local sales tax. Revenues from these new taxes would be deposited into a new special fund, the California Cannabis Tax Fund. The fund would first be used to reimburse state agencies for cannabis related regulatory costs, and remaining funds would be distributed as follows:

- \$10 million annually until 2028-29 to evaluate effects of recreational cannabis use.
- \$3 million annually until 2022-23 to develop methods to determine whether an individual is driving impaired.
- \$10 million in 2018-19, with a \$10 million increase annually until 2022-23, and \$50 million annually afterward, for a grant program to provide services to communities most affected by past drug policies.
- \$2 million annually to study hazards and values of medicinal cannabis.
- After the above allocations, remaining funds would be apportioned, as such: 60 percent for youth programs, 20 percent to mediate environmental damage from cannabis cultivation, and 20 percent for programs to reduce impaired driving and a grant program to reduce negative public health impacts.

Below is a summary of the solutions offered by the Administration's proposed TBL to address key differences between AUMA and MCRSA.

Dual state and local licensing. Under MCRSA, a local permit, license, or other authorization is a prerequisite for obtaining a state license. Under this law, the applicant is responsible for providing proof of compliance with these local requirements to state licensing authorities. Under Proposition 64, adult-use cannabis businesses must be in compliance with any local ordinance or regulation in order to obtain a license, but the burden is on the state licensing authorities to determine whether or not businesses are in fact in compliance.

- Proposed solution: With 58 counties and 482 cities, it is unrealistic to expect the licensing entities to verify that each applicant is in compliance with any local law or regulation. The proposed solution does the following:
 - Since, the state licensing authorities cannot require applicants to show proof of a local permit, new language will require the bureau to work with local jurisdictions to collect all the ordinances that govern cannabis in the state, including those that have bans. Also, local jurisdictions shall be responsible for providing the contact for their jurisdiction, so that state licensing entities know who to call when questions arise about an applicant.
 - Authorizes an applicant to voluntarily submit a copy of the permit, license, or local authorization to the state licensing entities for jurisdictions that have taken action to regulate cannabis and have completed a programmatic environmental impact report (EIR) in order to issue local permits.
 - In instances where a local jurisdiction allows cannabis business to operate, but does not issue permits, then the applicant will be responsible for submitting the

EIR for certification to the state licensing entity. This will be similar to how a land developer has to work on their own EIR before a project moves forward.

- As an incentive for locals to take on more of the environmental compliance work, a narrow CEQA streamlining is proposed for local jurisdictions that moves forward to regulate. The proposed solution maintains local autonomy of zoning and planning decisions while providing state regulators with local compliance information in a timely manner.

Vertical integration. MCRSA places restrictions on the number and type of licenses cannabis business may acquire. There are 17 license classifications and six licensure categories (cultivation, manufacturing, testing, dispensary, distributor, and transporter). Under MCRSA, licensees can hold up to two separate license categories, with the exception of testing and distribution. The restrictions seek to limit the ability of one entity to control multiple steps in the cultivation, distribution, and retail chain. AUMA does not include prohibitions against holding multiple licenses. The only exception is that a testing licensee cannot hold a license or ownership interest in any other category.

- Proposed solution: The Administration proposes to maintain AUMA's vertically integrated licensing structure for both adult use and medicinal cannabis licensees. Overly restrictive vertical integration stifles new business models and does not enhance public and consumer safety. AUMA has restrictions to protect against the over concentration of licenses in areas as well as monopolies. It also requires that testing licensees to be independent of all licensees in other categories.

Distribution. Under MCRSA, all medicinal cannabis and medicinal cannabis products are required to go through a third-party distributor. The distributor is responsible for arranging testing of the flower or cannabis product prior to it going to market. A distributor can hold a transportation license, but is precluded from holding any other license type. Under AUMA, a distribution license regulates only transportation activities and allows a distributor to hold any other license except for a testing license. Both third-party and in-house distributors owned by licensed cultivators, manufacturers, and retailers are allowed. The responsibility for testing cannabis or cannabis product falls on the licensee taking the product to market.

- Proposed solution: The Administration proposes to maintain the AUMA's open distribution model. Allowing for a business to hold multiple licenses including a distribution license will make it easier for businesses to enter the market, encourage innovation, and strengthen compliance with state law. To ensure the integrity of the testing is maintained, all distributors must arrange for an independent licensed testing laboratory to select a random sample, transport it to a laboratory, and test the product.

Ownership. The definition of an applicant varies in MCRSA and AUMA, depending on the level of ownership. MCRSA defines applicant as any person having decision making authority or an ownership or financial interest. Under MCRSA, all applicants and those having a five percent interest or more in a publicly-traded company are required to pass a background check. AUMA

only requires a background check for licensees having at least a 20 percent ownership and having direct management authority.

- Proposed solution: The Administration proposes two separate definitions for applicant and owner. For ease of administration, only one designee will be required as the applicant. Owners must pass a background check under both systems. The Administration proposes to adopt the AUMA definition of owner of having at least 20 percent ownership, or any person with the power to impact management decisions. In addition, with the exception of publicly traded companies, licensees must disclose the identity of all investors to the licensing authorities.

Cultivation limits. MCRSA includes a limit on the scale of cultivation and the number of medium size (Type 3) licenses that can be issued. Most cultivation licenses authorize a maximum of one acre of cultivation. The Type 10A multiple-cultivation license allows a maximum of four acres of cultivation, although the four acre limit sunsets on January 1, 2026. AUMA added a new cultivation license type not included in MCRSA, the Type 5, which allows large size cultivation of over one acre or greater than 22,000 square feet indoors. This license type cannot be issued until January 1, 2023. AUMA does not limit the number of medium size (Type 3) licenses that can be issued.

- Proposed solution: In furtherance of the intent of Proposition 64 to prevent illegal production and avoid illegal diversion to other states, the Administration proposes to limit the number of Type 3 licenses consistent with MCRSA.

Microbusinesses. AUMA establishes a new license type called microbusiness which was not included in the MCRSA. A microbusiness is authorized to engage in activities in four market segments: cultivation, manufacturing using non-volatile solvents, distribution, and retail. Unlike other license types, a microbusiness would only require a license from the Bureau.

- Proposed solution: In order to protect the public health and safety and compliance with state environmental laws, the Department of Food and Agriculture and the Department of Public Health must also review microbusiness licensees. The Administration proposes a process whereby licensing authorities shall establish a process to ensure that a microbusiness applicant and licensee can demonstrate compliance with all the requirements under the law for the activity or activities they conduct.

Environmental protections. Senate Bill 837 (Committee on Budget and Fiscal Review), Chapter 32, Statutes of 2016, was legislation that clarified the roles of the appropriate state environmental entities, all of which must coordinate with CDFA before a cultivation license is issued. For example, SB 837 requires that all CDFA licenses include a pending application, registration, or other water right documentation that has been filed with the State Water Resources Control Board. SB 837 clarifies that the State Water Board has enforcement authority if water is diverted or illegally used for cannabis cultivation.

- Proposed solution: Due to the timing of the passage of the above legislation, the drafters of the AUMA were unable to conform to the changes made in SB 837. The

Administration proposes to amend the AUMA to include the same environmental protection requirements as MCRSA.

Appeals panel. AUMA establishes a Marijuana Control Appeals Panel, consisting of three members appointed by the Governor and subject to confirmation by the Senate. Any applicant or licensee can appeal to the panel to review a penalty, a license issuance, denial, or other adverse action by any of the licensing authorities. This panel was not contemplated in MCRSA.

- Proposed solution: The Administration proposes to extend the review of the panel to all licensing decisions relating to cannabis. The panel will streamline the appeals process and bring needed expertise and due process to the review of any licensing decision. The language allows a party to appeal a panel decision directly to the Court of Appeals, which is similar to how the Alcoholic Beverage Control Appeals Board works.

Appellation. Appellation of origin is a legally-defined and protected geographic indication usually used for wine and certain food. Appellation of origin is typically determined by the federal government. Because the federal government will not establish appellations, MCRSA authorizes CDFA to establish appellations of origin for cannabis. The AUMA also addresses appellation of origin, but instead requires the bureau to establish standards by January 1, 2018.

- Proposed solution: In order to provide sufficient time and expertise to establish and set standards for appellations of origin, the initiative should be amended to transfer the responsibility to establish appellation of origin from the bureau to CDFA and extend the deadline to accomplish this to January 1, 2020.

State issued medicinal ID cards. SB 420 established a voluntary registry identification card system, maintained by Department of Health Services, for patients that have a recommendation from their doctor to use medicinal cannabis. The card was intended to provide some protection to the cardholder from arrest and prosecution for possession, transportation, and cultivation of marijuana for medicinal purposes. Approximately 80 percent of cannabis patients do not currently use medical cannabis identification cards, but instead use their physician recommendation to purchase medical cannabis. The identification card in its current form cannot be used to confirm the identity of any individual as it contains no identifying information other than a photo and the name of the county from which it was obtained. The photo and county name is also the only information maintained by the state.

- Proposed solution: The Administration proposes to delete the requirement for state issued medicinal ID cards and provides the county with the authority to issue local cards.

LAO. The LAO, in general, agrees with the concept of aligning MCRSA and AUMA. However, the LAO states that the Legislature will want to closely evaluate the specifics of the choices made by the Administration to ensure that it has provided clear rationales for these changes and that they are consistent with legislative priorities for the regulation of cannabis. The Legislature will also want to consider whether proposed changes to AUMA might require voter approval, as well as keep in mind that cannabis remains illegal under federal law. More specifics on the LAO

assessment can be found in the handout entitled “The 2017-18 Budget: Overview of Governor’s Cannabis-Related Trailer Bill Legislation,” available on the LAO’s website.

Staff Recommendation. Hold open.