

SB 67

Cannabis Temporary Licenses Extensions

Senator McGuire and Assemblymember Wood

SUMMARY

Cannabis licensing authorities (State Depts., for example) were authorized to issue temporary licenses until January 1, 2019, that are valid for 120 days and may be extended for additional 90-day periods at the discretion of the licensing authority. Due to the processing time for annual licenses being much longer than expected, thousands of temporary licenses are set to expire in the coming months before their annual licenses are considered and/or processed. SB 67 will provide licensing authorities the ability to grant extensions until they process the annual application backlog for the estimated 10,000 temporary licenses.

BACKGROUND

The state's licensing authorities, the Department of Food and Agriculture (CDFA), Dept. of Public Health (DPH), and the Bureau of Cannabis Control (BCC) were able to issue four-month temporary licenses to applicants, with opportunities for 90 - day extensions. The temporary licenses required proof of local authorization and entitled the holders to engage in commercial cannabis activity without completing the annual licensing application requirements, including CEQA review.

At the end of last year's session, the legislature was made aware the local CEQA review was going to hold up the issuance of annual licenses going forward. To buy more time for the locals to conduct CEQA reviews, the legislature passed SB 1459, which authorized a licensing authority to issue a provisional license to an applicant if the applicant holds or held a temporary license, demonstrated substantial compliance with CEQA while local review was still occurring, and the applicant completed all other portions of the application. This provisional license authority sunsets on January 1, 2020.

PROBLEM

The temporary license was intended as an intermediary step while the state and local jurisdictions managed their own efforts to come into compliance with the cannabis regulatory structure. However, due to the significant amount of annual license applications that came in during the fall of 2018 after the legislature adjourned, there are over 10,000 temporarily licenses currently in the system that will be eligible for a provisional license.

This massive volume of temporary licenses creates the real risk that not all provisional annual license applications can be processed prior to temporary licenses expire. CDFA, DPH, and BCC have been working diligently to address the sheer volume of licenses that came in prior to the temporary license authority was lost, but there is no guarantee they will process all the applications prior to temporary licenses expiring. For example, over 1000 temporary licenses issued by CDFA are set to expire in the month of March 2019 alone, with thousands more over the following months.

In a time where the golden state is working overtime to bring the cannabis industry out of the black market and into the light of a legal regulatory environment, we can't afford to let good actors who want to comply with state law fall out of our regulated market just because timelines are too short and departments have been unable to process applications in time due to the sheer number of applications.

SOLUTION

SB 67 allows CDFA, DPH, and BCC to extend temporary licenses held by licensees while their annual application is being processed so long as the annual application was in before the temporary expired and one of the following applies:

1. The application is being held up by the local authorization.
2. The application is delayed by the lake and streambed alteration review process.
3. The application is within its period where applicants are provided 90 days to correct incomplete applications.

Further, SB 67 requires any licensing authority who uses the extension authority to provide certain metrics to the legislature about how the provisional annual applications are being processed. SB 67 creates a short-term solution to avoid an impending crisis, and this reporting will allow the Legislature to have a fuller conversation about licensing through the 2019 legislative session, as SB 67's authority expires January 1, 2020. Additional discussions – about a longer term fix to the backlog – will be advancing in a parallel effort in the coming weeks and months.

CONTACT

Christopher Nielsen, Legislative Director
Christopher.nielsen@sen.ca.gov
916 651-4002