

BUREAU OF MARIJUANA CONTROL
CALIFORNIA CODE OF REGULATIONS TITLE 16, DIVISION 42
MEDICAL CANNABIS REGULATION
NOTICE OF PROPOSED RULEMAKING

Notice is hereby given that the Bureau of Marijuana Control (bureau), formerly named the Bureau of Medical Cannabis Regulation and the Bureau of Medical Marijuana Regulation, proposes to adopt the proposed regulations described below after considering all comments, objections, and recommendations regarding the proposed action. The bureau upon its own motion or at the instance of any interested party may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

PUBLIC HEARINGS SCHEDULED

The bureau will be holding public hearings at the dates, times, and locations listed below at which time any person interested may present statements or arguments orally or in writing relevant to the action proposed. The locations listed below are wheelchair accessible. At the hearings, any person may present statements or arguments orally or in writing relevant to the proposed action described in the Informative Digest. The bureau may need to set a time-limit for each comment. Persons who make oral comments at a hearing may also submit a written copy of their testimony at a hearing.

1. June 1, 2017

10:00 a.m. – 1:00 p.m.

Adorni Center

1011 Waterfront Drive, Eureka, CA 95501

2. June 8, 2017

10:00 a.m. – 1:00 p.m.

Junipero Serra Building

320 W. Fourth Street, Los Angeles, CA 90013

3. June 9, 2017

10:00 a.m. – 1:00 p.m.

Department of Consumer Affairs, Hearing Room, S-102

1625 North Market Boulevard, Sacramento, CA 95834

4. June 13, 2017

1:00 p.m. – 4:00 p.m.

King Library, Second Floor

150 E. San Fernando Street, San Jose, CA 95112

WRITTEN COMMENT PERIOD

Any interested person, or his or her authorized representative, may submit written comments relevant to the proposed regulatory action to the bureau. Written comments, including those sent by mail, facsimile (FAX), or e-mail to the addresses listed below, **must be received by the bureau at its office not later than 5:00 p.m. on June 13, 2017** or must be received by the bureau at the hearing. Submit comments to:

Lori Ajax, Chief
Bureau of Marijuana Control, Regulations Office
1625 North Market Blvd., Suite S-202
Sacramento, CA 95834
FAX: (916)-574-8676
E-mail: BMCR.comments@dca.ca.gov

AUTHORITY AND REFERENCE

Business and Professions Code section 19304 authorizes the bureau to adopt these proposed regulations. The proposed regulations implement, interpret, and make specific the Medical Cannabis Regulation and Safety Act (MCRSA) at Business and Professions Code section 19300 et seq.

INFORMATIVE DIGEST/ POLICY STATEMENT OVERVIEW

This rulemaking action clarifies and makes specific licensing and enforcement criteria for commercial cannabis businesses which includes: distributors, transporters, and dispensaries. These proposed regulations would inform the applicants for licensure of the applicable meaning of key statutory terms, indicate the documents and supplemental information required in an application, and will provide specific clarification of terms, prohibitions or conditions for compliance with the MCRSA for their particular license type. Chapter 1 of these proposed regulations contains general provisions that apply to all license types. Chapter 2 applies to distributors, chapter 3 applies to transporters, and chapter 4 applies to dispensaries.

Chapter 1: General Provisions

With the passage of the MCRSA, the bureau was established to create a comprehensive and coherent regulatory framework for an established industry that has not been comprehensively regulated by the state. While the MCRSA provides guidance on the larger macro issues, much of the implementation specifics and clarification of terms was left to the bureau. There are many terms and phrases that will apply to all applicants and licensees regardless of license type. These proposed regulations would help the applicant and licensee better understand: (1) the applicable meaning of key statutory and other terms related to the bureau'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 the MCRSA.

First, the proposed regulations would make clear the applicable meaning of key statutory terms and other terms used within the proposed regulations. These terms include those relevant to requirements of applicants, such as "owner," "priority review," "beginning date of operation," and "good standing." Within the MCRSA, the Legislature recognized the current medical cannabis goods marketplace and required the forthcoming regulatory system to prioritize the review of applications for businesses that were in operation before January 1, 2016, and are in good standing with the local authority. The proposed regulations would further explain, specifically, what would be required to demonstrate these pre-conditions for priority review.

Second, the proposed regulations would clarify what documents and information are required to complete an application for all license types. The MCRSA expressly requires an applicant to provide certain information to the bureau for processing, including proof of property owner approval for commercial cannabis activity, proof of the local jurisdictions approval of the commercial cannabis activity, a premises diagram, proof of bond, proof of insurance for distributors and transporters, proof of a labor peace agreement if applicable, and proof of fingerprint submission to the Department of Justice. The proposed regulations would further specify what must be submitted to the bureau related to these items. The proposed regulations would also provide that the bureau may request additional information from the applicant so that the bureau will have all of the necessary information to appropriately evaluate the application for licensure. The proposed regulations would clarify that incomplete applications are abandoned after a specified length of time, that applications may be withdrawn before the bureau issues or denies a license, and the requirements for license surrender. The proposed regulations would clarify how a license is renewed, when the bureau must be notified of a change in the information previously provided to the bureau, and when those changes require a new application, approval by the bureau, or just notification to the bureau.

Third, the proposed regulations would provide clarification of special terms, prohibitions, requirements, or conditions set forth in the MCRSA that apply to all license types. Specifically, the regulations would prohibit bureau staff, state employees tasked with enforcing the ACT, or law enforcement officers charged with enforcement of the MCRSA have any financial interest in

a related commercial cannabis business. Additionally, the proposed regulations would contain a provision that a license may be denied for a prior conviction that is substantially related to the qualifications, functions, or duties of the business for which licensure is sought. The proposed regulations would further provide criteria for the bureau to consider in determining whether or not an applicant that has been convicted of a crime that is substantially related to the qualifications, functions, or duties of the business for which licensure is sought has been sufficiently rehabilitated and is therefore suitable for licensure. These criteria would include the nature of the offense, a person's criminal record as a whole, compliance with terms set by the court, any act that would allow discipline of a license, whether the activity would have been legal if committed at the time of application, time since the criminal offense, dismissal of a conviction, certificate of rehabilitation, and any other evidence submitted. The regulations would also require a waiver of sovereign immunity from any person who may assert such defense, and provide the specific components that would be necessary in the waiver to be licensed.

The proposed regulations would also contain requirements for record keeping, entry into the track and trace system, and minimum security requirements that apply to all licensees for consistency purposes. The proposed regulations would also have requirements for destruction of medical cannabis goods to ensure that the products that fail testing or are discarded do not end up in the illegal or unregulated market, or are accessible to children and non-patients to protect the public safety. The proposed regulations would also provide that a licensee is responsible for acts of an agent or employee to ensure that licensees do not violate the MCRSA or regulations by allowing others to act for them.

Chapter 2: Distribution

The proposed distributor regulations would accomplish three main goals: (1) to design a regulated system that provides the emerging industry the flexibility to properly provide medical cannabis goods in a safe and secure method, (2) to ensure the medical cannabis goods are properly stored, handled, packaged, and tested, and (3) to ensure distributors keep and maintain records that are adequate to effectively track and trace the medical cannabis goods thereby helping to prevent entry of untested medical cannabis goods into the legal market, and diversion of medical cannabis goods into the illegal or unregulated market.

First, the proposed regulations would permit the distributor to take title to medical cannabis goods after harvest, but before manufacturing. The proposed regulations would also allow for more than one business model; therefore, allowing for licensees to tailor their services based on the needs and demands of different regions of the state. The proposed regulations would also allow a distributor to conduct destruction of their own medical cannabis goods and medical cannabis goods from other licensees.

Second, the proposed regulations would require that medical cannabis goods are properly stored, handled, packaged, and tested. The proposed regulations would allow a distributor to package, re-package, and label or re-label medical cannabis in the form of dried flower for a licensee. However, the proposed regulations would prohibit a distributor from accepting medical cannabis goods that have not already been packaged by the manufacturer who manufactured the products. The proposed regulations would also clarify the proper procedures for taking a reliable and representative sample of the medical cannabis goods for testing and clarifies the quality assurance and testing standards applicable to distributors. The proposed regulations would require distributors to witness sampling in person and that it be recorded on video. These requirements would allow the bureau to verify the sampling process. The proposed regulations would also provide for a grace period to allow for a smooth transition to the state regulatory system by providing that licensees have 180 days after licensure before product must be tested and labeled as required by MCRSA and the regulations.

Finally, the proposed regulations would require that distributors keep and maintain records adequate to effectively track and trace the medical cannabis goods, helping to prevent untested product from entering the marketplace and prevent diversion of product into the illegal or unregulated market. These proposed regulations would enumerate what information and data a distributor must enter into the track and trace system. The data includes information about the licensee from whom the goods were received, the type and amount of goods received, the party who holds title to the goods, and the unique identifiers or lot number of the goods. Information required to be tracked would include the testing laboratory's name and license number, name of the testing-laboratory sampling agent or agents, weight of the sample taken, date, information related to the sale of the medical cannabis goods, such as the date of contract for sale, type of goods purchased, and the date title passes. Last, the proposed regulations would require the distributor to disclose when it uses its own transporter license to transport the medical cannabis goods to one or more dispensaries and enter that transport event into the track and trace database. This information would include the transporter license number, amount of goods transported, vehicle information, and date of transport.

Chapter 3: Transporters

The proposed regulations would prevent a transport licensee from holding title to the medical cannabis goods, require that medical cannabis goods are not visible or identifiable during transport, permit transport by roadway only, require medical cannabis goods to be in a secure locked box within the interior of the vehicle, require all transport vehicles to be equipped with alarm systems, and require the vehicle to be attended at all times in residential neighborhoods. The regulations would also require that nonmedical cannabis goods not be transported with medical cannabis goods, however, would allow transporters to transport medical cannabis goods from multiple licensees in the same shipment. Transporters would be allowed to store medical cannabis goods for a short period of time, 72 hours, if they are stored in compliance with storage requirements that are consistent for other licensees.

The proposed regulations would also set the minimum age for drivers and passengers of licensed transport vehicles at 21 years of age. The proposed regulations would also require thorough and proper record keeping, including requiring a licensee to keep and maintain a load specific shipping manifest, business records, and maintain full integration with the track and trace database. The proposed regulations would enumerate the information and the qualifying events that must be entered into the track and trace system.

Chapter 4: Dispensaries

The proposed regulations would require that dispensaries receive their medical cannabis goods from licensed distributors and have the medical cannabis goods delivered by licensed transporters. Additionally, the proposed regulations would require that dispensaries use the track and trace system to monitor activity. The proposed regulations would also require that the dispensaries ensure that they only provide medical cannabis goods to individuals who are legally allowed to purchase them by requiring that all medical cannabis patients provide the dispensary with identification, a physician's recommendation, and, in the case of primary caregivers, documentation of the authorization for them to act as a primary caregiver. The proposed regulations would also set requirements for delivery to medical cannabis patients. The proposed regulations would also set forth the requirements for a producing dispensary license.

The proposed regulations would require that dispensaries only sell medical cannabis goods that have undergone required testing procedures. The proposed regulations would prohibit a dispensary from packaging medical cannabis goods on-site. The proposed regulations would set a grace period to allow a smooth transition to the state regulatory system; dispensaries can sell medical cannabis goods that have not been tested as required by MCRSA for 180 days after licensure if a label is affixed to the package with the date of sale and the phrase "This product has not been tested under the Medical Cannabis Regulation and Safety Act." The proposed regulations would also allow dispensaries to package loose medical cannabis during the grace period. The proposed regulations would prohibit the consumption of medical cannabis goods by delivery employees while they are performing deliveries. The proposed regulations would also require that medical cannabis goods be stored in a manner to prevent spoilage or degradation. The proposed regulations would prevent a dispensary from reselling any medical cannabis goods that have been returned by a medical cannabis patient or primary caregiver. Additionally, the proposed regulations would require that medical cannabis goods be placed in an exit package after sale.

Lastly, the proposed regulations would also set security requirements regarding who may access the dispensary premises. The proposed regulations would limit the amount and placement of medical cannabis goods used for display. The proposed regulations would require that dispensaries only be open for sales between the hours of 6:00 a.m. to 9:00 p.m. in order to reduce the increased risk of robbery and other crimes. The proposed regulations would limit the amount

and placement of medical cannabis goods used for display in order to reduce the risk of theft. The proposed regulations would impose rules on who can perform deliveries, the time during which deliveries can be made, and how deliveries are to be performed to reduce the risk of crime. The regulations would require dispensaries to conduct inventory reconciliation every week and keep detailed records of all activities. Additionally, the proposed regulations would require dispensaries to report significant losses in inventory and crimes to law enforcement and the bureau and would prohibit samples from being provided free of charge.

Anticipated Benefit of the Proposed Regulations:

The broad objectives of these proposed regulations are to create a state licensed and regulated commercial cannabis market. The specific benefits anticipated are increased protection of the public and the environment from the harms associated with an unregulated commercial cannabis market. These benefits include ensuring that the medical cannabis goods remain in the legal and regulated market and out of the illegal market; out of the hands of individuals that are not medical cannabis patients and particularly out of the hands of children; and that the medical cannabis goods are safe for consumption.

Evaluation of Inconsistency/Incompatibility with Existing State Regulations:

The bureau has determined that these proposed regulations are not inconsistent or incompatible with existing regulations. After conducting a search and review of any similar regulations on this topic, the bureau has concluded that these are the only regulations that concern the state licensing and enforcement of commercial cannabis distributors, transporters, and dispensaries.

Evaluation of Inconsistency/Incompatibility with Existing Federal Regulations:

Under the federal Controlled Substances Act (21 C.F.R. §801 et seq.) cannabis is illegal. However, the U.S. Department of Justice has issued guidance regarding the enforcement of cannabis activities in a memorandum issued by Deputy Attorney General James M. Cole on August 29, 2013, commonly referred to as the Cole Memorandum. The bureau has determined that these proposed regulations are not inconsistent or incompatible with the guidance provided by the federal government in the Cole Memorandum.

DISCLOSURES REGARDING THE PROPOSED ACTION

The bureau has made the following initial determinations:

Mandate on local agencies and school districts: None.

Cost or savings to any state agency: None.

Cost to any local agency or school district which must be reimbursed in accordance with Government Code sections 17500 through 17630: None.

Other nondiscretionary cost or savings imposed on local agencies: None.

Cost or savings in federal funding to the state: None.

Cost impacts on a representative private person or business: The proposed regulations are expected to increase the costs of all businesses licensed by the bureau. It is expected that the average business will incur \$15,000 of initial costs for compliance and \$310,000 annual ongoing cost. Only businesses within the medical cannabis industry are expected to incur these additional costs. The costs may vary depending on the type and size of the business.

The proposed regulations are expected to have no financial effect on individuals who are not medical cannabis patients. On the other hand, individuals who are medical cannabis patients are expected to incur no initial costs and roughly \$500 of annual ongoing costs due to the proposed regulations. The price of medical cannabis is expected to rise due to the proposed regulations. The patients who are the end consumers are expected to incur some of those additional costs.

Statewide adverse economic impact directly affecting businesses and individuals: Although the proposed action *will* directly affect businesses statewide, including small businesses, the bureau concludes that the adverse economic impact, including the ability of California businesses to compete with businesses in other states, *will not* be significant.

Significant effect on housing costs: None.

Small Business Determination: The bureau has determined that the proposed regulations affect small businesses. It is expected that the proposed regulations would result in an initial cost of \$5,000 for a small business and an annual ongoing cost of \$125,000.

Results of the Standardized Regulatory Impact Analysis

The bureau worked with the University of California Agricultural Issues Center (AIC) to prepare the Standardized Regulatory Impact Analysis (SRIA). The SRIA analyzed the regulatory impact of all the bureau's regulations, including those for testing laboratories which will be proposed at a later date. The SRIA was submitted to the California Department of Finance on February 28, 2017. Below, is a summary of the SRIA.

(A) The creation or elimination of jobs within the state.

It is expected that the regulations will result in approximately 2,071 new jobs in the state of California. Of these expected jobs, 655 are expected to be in the dispensary sector and 136 are expected in the distributor sector. It is expected that the regulations will result in a loss of approximately 10 jobs in the transportation sector.

(B) The creation of new businesses or the elimination of existing businesses within the state.

The regulations are expected to lead to the creation of approximately 40 new distribution businesses throughout the state. There is expected to be a decrease in dispensaries by about 10 businesses. Additionally, new transport businesses are not expected to appear. Although there is a possibility that a few specialty transport businesses will be created.

(C) The competitive advantages or disadvantages for businesses currently doing business within the state.

The regulations are expected to result in competitive advantages for some business that are operating in California and competitive disadvantages for other businesses operating within California. The limitations on vertical integration are expected to create a competitive disadvantage for businesses that are currently operating under a vertically integrated business model and will have to adjust their operations to comply with the new rules. However, the few testing laboratories that are currently in operation will likely have a competitive advantage as they are already operating in what is expected to be an expanding sector.

(D) The increase or decrease of investment in the state.

The regulations are expected to result in an increase in investment in California. The revenue within the medical cannabis industry is expected to increase by about \$113 million. This increase in revenue is expected to be accompanied by an increase in investment. Additionally, many businesses under the regulations will require additional investment in security equipment and other costs of complying with the regulatory requirements.

(E) The incentives for innovation in products, materials, or processes.

It is expected that a large amount of increased investment and incentive for innovation will be in the testing laboratory sector.

(F) The benefits of the regulations, including, but not limited to, benefits to the health, safety and welfare of California residents, worker safety, and the state's environment and quality of life, among any other benefits identified by the agency.

There are a number of benefits that are expected as a result of the regulations. First, the regulations are expected to benefit public safety as well as worker safety. The regulations contain minimum security requirements for all licensed medical cannabis businesses. The security requirements are expected to increase the security of the premises of all licensed medical cannabis businesses. This is expected to result in a decrease in the likelihood of crime occurring on the premises. The security requirements are expected to create a deterring effect that would prevent some crimes from being committed. Additionally, the security requirements would allow the bureau and law enforcement to effectively investigate any crimes that may occur. A reduction in crime around medical cannabis businesses would benefit the public and employees

of these businesses. The security requirements along with the track and trace system are expected to prevent medical cannabis goods from exiting the regulated system and entering the illegal market. A reduction in the amount of cannabis in the illegal market will benefit the welfare of all California residents.

The quality assurance and testing provisions within the regulations are also expected to provide a benefit to the public by ensuring that medical cannabis goods that may be unsafe for public consumption do not enter the market. Preventing potentially harmful products from entering the market should benefit the health and welfare of California residents.

Summary of Comments from Department of Finance and Bureau Response

The bureau received a letter from the California Department of Finance, March 29, 2017, containing comments from the Department of Finance (DOF) regarding the Standardized Regulatory Impact Statement (SRIA) submitted by the bureau. The letter contained three comments suggesting augmentation of the SRIA.

“First, the SRIA must include an estimate of the local revenue and expenditure increases from the state regulating medical cannabis. While collecting fees at the local level is not under the control of the state, there will be other impacts from local fees. These local choices will affect the overall value to companies of complying with the state regulations, and the SRIA must include assumptions about these effects. For example, the assumption that local regulatory costs will be low enough that companies will choose to comply is essential to having a legal medical cannabis sector.”

The bureau has responded to DOF’s first comment by including a more detailed discussion of the impact that the proposed regulations are expected to have on local revenue and expenditures in the SRIA. The discussion is in section 11 of the SIRA. With an assumed average local tax rate of 5%, it is expected that the proposed regulations will result in an increase in local revenue by approximately \$7 million.

“Second, the impacts of the manufacturers regulations should be compared with both the current economic situation (without recreational use), and with the future situation that allows for recreational use. This is necessary so as not to mislead the reader by only accounting for the benefits of medical manufacturer regulations. For example, the IMPLAN calculations all show increases in investment, jobs, and GDP for the state as a result of medical cannabis regulations when compared with only recreational cannabis being available, but investment and jobs in the medical cannabis sector will actually shrink compared with the current situation where both medical and recreational cannabis are unregulated. Both aspects are important to discuss for the impacts to be understood by the reader.”

The bureau has responded to DOF's second comment by including a more detailed discussion comparing the expected economic effects of the proposed regulations with the current economic situation within section 6.4 of the SRIA. Compared to the 2016 unregulated scenario, it is expected that the regulations would cause a 60% decrease in the total quantity of medical cannabis, a 56% decrease in annual revenue, a 10% lower price if taxes are excluded, and a 11.4% higher price when taxes are included. However, it is important to note that the regulations will be taking effect after the passage of proposition 64 which legalized the adult use of cannabis for individuals over the age of 21. Therefore, this comparison is merely for a point of reference and is not a measurement or estimate of the actual effects of the regulation.

“Finally, the SRIA must also discuss in greater detail the interactions between transporters and the laboratories and dispensaries. Laboratories see a large increase in demand for their services, medical cannabis dispensaries continue to see demand (albeit at lower levels than at the end of 2016), but the transport sector is largely assumed to have few effects. However, given the licensing and particular requirements for transport of medical cannabis, there should be entry of new businesses into this sector, or additional demand for services at least. These costs should also be accounted for in transactions with laboratories, manufacturers, and dispensaries.”

The bureau has responded to DOF's third comment by including a more detailed discussion about the effect that the regulations may have on transporters in section 8.2 of the SRIA. The bureau expects that a large majority of medical cannabis transportation will be conducted by businesses that hold a transportation license in addition to a distribution license, cultivation license, and/or a manufacturing license. However, there is a possibility of smaller, specialty medical cannabis transportation businesses being created.

CONSIDERATION OF ALTERNATIVES

In accordance with Government Code section 11346.5, subdivision (a)(13), the bureau must determine that no reasonable alternative it considered or that has otherwise been identified and brought to the attention of the agency would be more effective in carrying out the purpose for which the action is proposed, or would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

The bureau invites interested persons to present statements or arguments with respect to alternatives to the proposed regulations at the scheduled hearing or during the written comment period.

In considering the proposed regulations, including those for testing laboratories which will be proposed at a later date, the bureau considered a lower-cost alternative and a higher-security alternative. The proposed regulations impose a 10 pound maximum batch size for testing. The proposed regulations also require the use of an enclosed vehicle for deliveries of medical

cannabis and allow for one dispensary employee to make deliveries on their own. Additionally, the proposed regulations require that licensees maintain security cameras in specific locations with at least a 1280 x 1024 resolution at a minimum of 20 frames per second. The proposed regulations also require that video footage be stored for at least 30 days.

The lower cost alternative would remove the maximum batch size for testing. The lower cost alternative would also allow for delivery using a bicycle, motorcycle, or scooter in addition to enclosed vehicles. Like the proposed regulations, the lower cost alternative would allow for one employee to make deliveries by themselves. The lower cost alternative does not have any security-video requirements.

The higher-security alternative would lower the maximum batch testing size to 5 pounds. The higher-security alternative would also require the use of enclosed vehicles for delivery, but would require that at least 2 employees make deliveries together. Additionally, the higher security alternative would require security cameras to be placed at specific locations. Under the higher-security alternative would require that the cameras record at least at a resolution of 1280 x 2024 at a minimum of 20 frames per second and that the footage be stored for at least 90 days.

The proposed regulations are expected to increase the total compliance cost by \$524 per pound. The proposed regulations are expected to result in an increase in the medical cannabis industry's revenue by \$113 million with a decrease in quantity sold by 5,000 pounds when compared to the non-regulated baseline. The lower-cost alternative is expected to increase compliance costs by \$225 per pound, or \$299 per pound less than the proposed regulations. The lower-cost alternative is expected to result in an increase in the medical cannabis industry's revenue by \$71 million with an increase in quantity sold by 8,000 pounds when compared to the non-regulated baseline. The higher-security alternative is expected to increase compliance costs by \$873 per pound or \$349 per pound more than the proposed regulations. The higher-security alternative is expected to result in an increase in the medical cannabis industry's revenue by \$105 million with a decrease in quantity sold by 30,000 pounds when compared to the non-regulated baseline.

The lower-cost alternative was not chosen because the additional safety and security obtained from the proposed regulations are important enough to warrant the additional cost. Adequately monitoring the premises of licensees, preventing theft during deliveries, and ensuring adequate and accurate testing are all very important in maintaining the safety and security of the public. Additionally, the lower-cost alternative is expected to result in smaller industry revenue than the proposed regulations. Therefore, the bureau elected to proceed with the proposed regulations over the lower-cost alternative.

The higher-security alternative was not chosen because the higher costs of this alternative are not warranted by the marginal increase in safety and security. Having at least 2 delivery employees make deliveries does decrease the risk of theft while making deliveries. However, this decrease in theft can be achieved through other methods without having to employ an additional employee. For example, if a delivery employee ensures that the vehicle they use for deliveries has all of the required security features, and the employee does not leave medical cannabis goods in the vehicle unattended, the risk of theft can be decreased without the need for an additional employee. The smaller maximum batch limit of 5 pounds as compared to the 10 pound limit in the proposed regulations is expected to greatly increase cost, but provide very little benefit in terms of more accurate testing. Also, the higher-security alternative is expected to have a smaller increase in industry revenue when compared to the proposed regulation. Therefore, the Bureau has elected to proceed with the proposed regulations over the higher-security alternative.

CONTACT PERSONS

Inquiries concerning the proposed administrative action may be directed to:

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The backup contact person for these inquiries is:

Natosha Tamantini, Licensing & Enforcement Analyst
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Please direct requests for copies of the proposed text (the “express terms”) of the regulations, the initial statement of reasons, the modified text of the regulations, if any, or other information upon which the rulemaking is based to Ms. Croys-Schooley at the above address.

AVAILABILITY OF STATEMENT OF REASONS, TEXT OF PROPOSED REGULATIONS, AND RULEMAKING FILE

The bureau will have the entire rulemaking file available for inspection and copying throughout the rulemaking process at its office at the above address. As of the date this notice is published in the Notice Register, the rulemaking file consists of this notice, the proposed text of the regulations, the initial statement of reasons, pre-regulatory meeting summaries, the Standardized Regulatory Impact Analysis, and technical, theoretical, and/or empirical study, reports, or documents relied upon. Copies of materials may be obtained by contacting Ms. Croyts-Schooley at the address or phone number listed above.

AVAILABILITY OF CHANGED OR MODIFIED TEXT

After holding the hearings and considering all timely and relevant comments received, the bureau may adopt the proposed regulations substantially as described in this notice. If the bureau makes modifications which are sufficiently related to the originally proposed text, it will make the modified text (with the changes clearly indicated) available to the public for at least 15 days before the bureau adopts the regulations as revised. Please send requests for copies of any modified regulations to the attention of Ms. Croyts-Schooley at the address indicated above. The bureau will accept written comments on the modified regulations for at least 15 days after the date on which they are made available.

AVAILABILITY OF THE FINAL STATEMENT OF REASONS

Upon its completion, copies of the Final Statement of Reasons may be obtained by contacting Ms. Croyts-Schooley at the above address.

AVAILABILITY OF DOCUMENTS ON THE INTERNET

Copies of the Notice of Proposed Action, the Initial Statement of Reasons, and the text of the regulations in underline and strikeout can be accessed through our website at www.bmcr.ca.gov.