

## Gov. Brown's Proposed Trailer Bill Seeks to Consolidate Cannabis Regulations



There are at present many unknowns about how Trump's

administration will impact medical and recreational marijuana use in the more than two dozen states that offer some form of it. And at a glance, the new Attorney General, Jeff Sessions, has not veiled his displeasure with cannabis, saying quite emphatically, "We need grown-ups in charge in Washington to say marijuana is not the kind of thing that ought to be legalized."

But here in California, at least for now, the legal cannabis climate is hale and hearty. It's estimated that the future of medical and recreational marijuana is a \$5 billion industry in the state. And Governor Jerry Brown is thinking about that future.

Earlier this month, [Brown released proposed trailer bill legislation](#) that addresses issues likely to arise when the new kid on the block—recreational marijuana—fiscally and regulatorily competes with the established medically sanctioned variety in 2018.

### Reminder that legal cannabis use is squarely a state issue

It seems that any logistic dissection of the legal sale of marijuana at the state level must be prefaced with the reminder of the federal reality. The proposal states: "Although California has chosen to legalize cannabis, federally it remains an illegal Schedule I drug. Protecting against illegal diversion of cannabis inside and outside of the state is an important public safety issue, which is why the state is implementing a robust track and trace program that will track all cannabis from seed to sale."

Going deeper into the specifics of Brown's vision for the fiscally peaceful co-existence of medical and recreational cannabis, some highlights of the governor's proposed bill include:

### 'Bye, 'bye, state ID cards?

Brown proposes a halt to the issuance of ID cards at the state level and instead passes the ID baton to the counties. The California Department of Public Health reports that more than 6,000 California Medical Marijuana Identification Cards were issued in 2015, cards that individuals procured in their counties of residence. Fees vary widely (for instance, \$70 in Del Norte and \$279 in Mariposa).

Brown's proposal cites the relative unuse of the state ID program as a fiscal reason for doing away with it: "Approximately 80 percent of cannabis patients do not currently use medical cannabis identification cards, but instead use their physician recommendation to purchase medical cannabis."

### Would "vertical" mean "monopoly" in cannabis's future?

The governor's trailer bill proposes giving businesses the permission to both grow and sell cannabis. Although Brown placed quantity limits on the businesses in the draft, this "vertical-integration" system has been criticized for potentially leading to monopolies.

The Teamsters union supports the Prop. 64 model (where independent third parties are in charge of distributing cannabis products to points of sale, as well as collecting tax), rather than Brown's vertical integration approach that expands the types of licenses cannabis establishments would be able to procure.

"It's quite conceivable that the entire market can be owned by someone who also controls distribution and access to the market," Teamsters lobbyist Barry Broad said. "It's a big problem."

President of the California Growers Association, Hezekiah Allen, said that permitting businesses to operate on the sides of both cultivation and sales "could lead to mega-manufactures and mega-chain stores." Another opponent to the vertical model? The California Police Chiefs Association.

## **Wine country...cannabis country?**

The proposed trailer bill also suggests a push-back of the deadline for appellation of origin for cannabis cultivation to January 1, 2020.

An appellation of origin is a geographic area set aside for agricultural cultivation resulting in a particular product, typically wine or food. It is usually delineated by the federal government, but since the government cannot sanction the cultivation of an illicit substance, that task will fall on the state. The governor proposes that the Medical Cannabis Regulation and Safety Act (MCRSA) authorize the state's Department of Food and Agriculture to determine appellations of origin for cannabis cultivation.

The governor's trailer bill proposal also discusses the prioritization of environmental protections, and it features the replacement of "marijuana" with "cannabis" throughout the draft.

## **Bottom line: Brown predicts a healthier regulatory budget**

"Implementing the current medical and recreational cannabis statutes separately will result in duplicative costs," Brown's proposal states. The governor predicts a savings of \$25 million to the state if his consolidation of medical and recreational cannabis laws receives the necessary two-thirds approval by the Legislature. That figure is especially noteworthy when one considers that Brown earmarked \$52 million for regulation of the state's recreational marijuana market for 2018.

Lori Ajax is the head of California's Bureau of Medical Cannabis Regulation. She said the governor's proposal "harmonizes the many elements of the two main statutes governing medicinal and adult-use cannabis, while preserving the integrity and separation of those industries."

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