State of California—Health and Human Services Agency
California Department of Public Health

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FINDING OF EMERGENCY
Emergency Cannabis Regulations for
CEQA Compliance and Shared-Use Facilities
DPH-17-013E

The director of the California Department of Public Health (Department) finds that an emergency exists and that the proposed emergency regulations, as required by the legislature, are necessary to address a situation that calls for immediate action to avoid serious harm to the public peace, health, safety or general welfare.

NOTICE AND INTRODUCTION

Notice is hereby given that the Department proposes to adopt the regulations described below. Government Code section 11346.1(a)(2) requires that, at least five working days prior to submission of the proposed emergency action to the Office of Administrative Law, the adopting agency provide a notice of the proposed emergency action to every person who has filed a request for notice of regulatory action with the agency. After submission of the proposed emergency to the Office of Administrative Law, the Office of Administrative Law shall allow interested persons five calendar days to submit comments on the proposed emergency regulations as set forth in Government Code section 11349.6.

DEEMED EMERGENCY

The Department has been provided specific statutory authority to adopt emergency regulations as needed to implement the Medicinal and Adult Use Cannabis Regulation and Safety Act (Act), codified in Business and Professions Code section 26000 et seq. Section 26013, subdivision (b), paragraph (3) of the Business and Professions Code states that "the initial adoption of emergency regulations and readoption of emergency regulations authorized by this section shall be deemed an emergency and necessary for the immediate preservation of the public peace, health, safety, or general welfare."

AUTHORITY AND REFERENCE

The Department is proposing to adopt the proposed rulemaking under the authority provided in sections 26012, 26013, and 26130 of the Business and Professions Code.

The Department is proposing to add sections 40127, 40132, 40190, 40191, 40192, 40194, and 40196 to Chapter 13 of Division 1 of Title 17, California Code of Regulations in order to implement, interpret, or make specific sections 26001, 26011.5, 26012, 26013, 26050, 26051.5, 26055, 26130, and 26180 of the Business and Professions Code.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Purpose and Objective

These proposed regulations will provide a mechanism for applicants for a cannabis manufacturing license to demonstrate compliance with the California Environmental Quality Act (CEQA). The proposed regulations will further provide clarification on the manner in which manufacturing licensees can share facilities and equipment.

The emergency regulation proposed by the Department through this action will:

1) Allow licensees to register with the Department as a "shared-use facility" under specified conditions;
2) Establish a Type S license; and
3) Specify the terms and conditions under which a registered shared-use facility and Type S license can operate.

Background

At the state level, the responsibility to regulate cannabis businesses is split between the California Department of Food and Agriculture (CDFA) (licensing and oversight of cultivation), the Bureau of Cannabis Control (Bureau) within the Department of Consumer Affairs (licensing and oversight of distribution, laboratory testing, and retail sales), and the Department (licensing and oversight of cannabis product manufacturing). Additionally, local jurisdictions have licensing authority over cannabis businesses in what can be considered a "dual-licensing system" between the relevant state agency and the local jurisdiction in which the proposed cannabis business will be located.

Policy Statement Overview

Problem Statement: These proposed regulations will address two issues brought on by the dual-licensing system: (1) compliance with the CEQA, and (2) the need for specific requirements and guidance to the regulated public and local entities that ensures that the use of shared-use facilities by cannabis manufacturers will be compliant with the state's statutory requirements. The Department's interpretation of the relevant statutes is discussed and demonstrates shared facilities are allowed.

CEQA Compliance

The MAUCRSA requires cannabis businesses to comply with all state and local laws. Compliance with CEQA is typically addressed by a local jurisdiction and a local license or permit is indicative that CEQA requirements have been met. However, MAUCRSA does not require an applicant to submit, or even hold, a license, permit, or other authorization from a local jurisdiction before applying for a state license. The Department, therefore, needs a way to confirm whether the applicant has complied with CEQA.

The proposed regulations would clarify that applicants must provide evidence that their premises is exempt from or in compliance with CEQA and that the burden to demonstrate compliance rests with the applicant. The proposed regulations would identify the type of evidence that may be used to demonstrate exemption or compliance and would also clarify that if an applicant does not have evidence of exemption from or compliance with CEQA that the applicant will be responsible for preparing an environmental document in compliance with CEQA that can be approved or certified by the Department. The proposed regulations are necessary to ensure compliance with any applicable environmental review pursuant to CEQA.

Benefits: These regulations provide a clear set of rules for licensees to ensure CEQA compliance, and will provide the Department with the means to ensure that licensees have complied with existing law.

Shared-Use Facilities

Several local jurisdictions have indicated to the Department that they would like to either allow for or require licensees to share facility space and/or equipment. The Act establishes that a premises may only be occupied by one licensee, but does not explicitly prohibit or allow the sharing of equipment. In addition, although a premises can only be occupied by one licensee, the term "occupy" is not defined, leaving the potential for differing interpretations in different local jurisdictions.

The Act uses both "location" and "premises" to describe the place where commercial cannabis activities will occur.

The various uses of "location" and "premises" include:

- "Manufacturer" is defined in Business and Professions Code section 26001 (ah)[1] as a licensee that "conducts the production, preparation, propagation, or compounding of cannabis or cannabis products either directly or indirectly by extraction methods, or independently by means of chemical synthesis, or by a

[1] All references to statute in this document are to the Business and Professions Code, unless otherwise specified.

combination of extraction and chemical synthesis at a fixed location. . .” (emphasis added).

- As part of the application process, the applicant is required to provide evidence of the legal right to “occupy and use the proposed location” (section 26051.5(a)(2)).
- As part of the application process, the applicant is required to submit a premises diagram (section 26051.5(c)). “Premises” is defined in section 26001 (ap) as “the designated structure or structures and land specified in the application that is owned, leased, or otherwise held under the control of the applicant or licensee where the commercial cannabis activity will be or is conducted. The premises shall be a contiguous area and shall only be occupied by one licensee.”

The premises diagram is required to be submitted “with sufficient particularity to enable ready determination of the bounds of the premises, showing all boundaries, dimensions, entrances and exits, interior partitions, walls, rooms, and common or shared entryways, and include a brief statement or description of the principal activity to be conducted therein . . . .” Based on the definition of premises and the requirements for the premises diagram, the Department, in conjunction with the Bureau and CDFA, interpreted the statute to allow for multiple licensees to occupy a given parcel or building, as long as each licensee establishes a defined space in which to conduct their licensed activity. Taking all of the above into consideration, the Department has interpreted the Act to require manufacturing activities to occur at a defined premises at a fixed location.

This interpretation leaves unresolved the issue of what it means to “occupy” a premises. The term “occupy” is not defined in the Act, leaving the possibility of differing interpretations in different local jurisdictions if not made specific by the Department through regulation.

The primary issue at hand is how to consider occupancy for purposes of limiting a premises to be “occupied by one licensee.” One interpretation is that “occupy” should be thought of as similar to a home – the homeowner occupies the home, even if they are not physically using the space at a given time. A differing interpretation is that “occupy” should be thought of as similar to a hotel room - one guest (either as an individual or several individuals) occupies the room for a set time period. The room is then available for use to other guests during other time periods and nothing prohibits the first guest from returning to use the room again.

Faced with two plausible interpretations of the statute, the Department must look to other obligations and considerations in order to make the statutory language specific. Of primary importance is the Department’s obligation to protect public health and safety, as specified in section 26011.5. In examining which of the interpretations better

protected public safety, the Department determined that arguments existed for each interpretation, leaving no clear answer.

The next obligation the Department turned to was section 26013(a). This section provides the authority for the Department to issue rules and regulations as may be necessary to implement, administer, and enforce its duties under the Act. The regulations and rules are required to be consistent with the purposes and intent of the Control, Regulate, and Tax Adult Use of Marijuana Act (AUMA, established through Proposition 64). For purposes of this analysis, key elements of the Purpose and Intent of Proposition 64 include:

- Taking cannabis production and sales "out of the hands of the illegal market and bring them under a regulatory structure that prevents access by minors and protects public safety, public health, and the environment" (section (a));
- Allow local governments to enact additional local requirements for cannabis businesses (section (c));
- Prevent illegal production or distribution of cannabis (section (u)); and
- Reduce barriers to entry into the legal, regulated market (section (x)).

Proper manufacturing equipment can be very costly. Extraction equipment can easily run into the tens of thousands of dollars, while commercial-grade kitchen equipment can be priced into the six-figures. Such costs are often beyond the means of small-scale manufacturers, pushing many into conducting cannabis activities inside of their homes.

In order to reduce the impact of a costly manufacturing operation as a barrier to entry into the legal, regulated market, the Department had to consider allowing either home-based businesses or shared facilities. Allowing home-based businesses would primarily reduce costs only if many of the Department's standards were reduced or waived for such businesses. This is not a palatable option to the Department because of the potential public health concerns.

Benefits: Allowing the use of shared facilities will reduce the costs to small-scale manufacturers. Reducing costs, and therefore barriers to entry into the market, will also encourage small-scale manufacturers to join the legal market and reduce illegal production. The shared facility option best meets all of the Department's statutory responsibilities and obligations.

Effect of Regulatory Action

This proposed action will add sections 40127, 40132, 40190, 40191, 40192, 40194, and 40196 to Chapter 13 of Division 1 of Title 17 of the California Code of Regulations, as follows:

Add §40127. Temporary Shared-Use Facility Registration; Temporary Licenses: Type S

This section provides the manner in which temporary licensees may register the licensed facility as a shared use facility and provides for temporary Type S licenses. This provision is necessary to allow smaller operators to become licensed and enter the regulated market in a timely manner.

- Subsection (a): provides that a temporary licensee can register as a shared-use facility by submitting the following information to the Department:
    - Paragraph (1): incorporates by reference the form that is required to be submitted.
    - Paragraph (2): requires a copy of the local license, permit, or other authorization that explicitly allows the operation of a shared-use facility. A local license, permit, or other authorization is required by statute for other temporary licenses. The regulations further provide that the local jurisdiction has 10 days to respond to the Department's inquiry and if no response is received, the Department will consider the local authorization valid. This provision would align all types of temporary approvals issued by the Department.
- Subsection (b): provides that an applicant can request a temporary Type S license by submitting the following information to the Department:
    - Paragraph (1): Incorporates by reference the form that is required to be submitted.
    - Paragraph (2): requires a copy of the local license, permit, or other authorization that authorizes the applicant to conduct commercial cannabis activity. A local license, permit, or other authorization is required by statute for temporary licenses. The regulations further provide that the local jurisdiction has 10 days to respond to the Department's inquiry and if no response is received, the Department will consider the local authorization valid. This provision would align all types of temporary approvals issued by the Department.
    - Paragraph (3): requires the license number and address of the shared-use facility at which the applicant will conduct business. The Department needs to ensure that manufacturing activities only occur at licensed locations.
    - Paragraph (4): requires the days and hours in which the applicant will conduct manufacturing operations at the shared-use facility. For oversight and enforcement purposes, the Department needs to have a record of the activities that are occurring.

- Subsection (c): provides that an applicant for a temporary Type S license and a licensee seeking to register a shared-use facility comply with the provisions of Section 40126 (b), (c), (d), (e) and (f).

Add §40132. Annual License Application Requirements – Compliance with CEQA

- Subsection (a): requires an applicant to provide evidence of exemption from or compliance with CEQA. The Act requires cannabis businesses to demonstrate compliance with all state and local laws and this regulation is necessary so cannabis businesses demonstrate compliance with CEQA.
- Subsection (b): Specifies the manner in which an applicant may demonstrate compliance or exemption, and the below subsections are necessary for the Department to know how applicant has complied with CEQA.
    - Paragraph (1): a copy of the local license, permit, or other authorization, if the local jurisdiction has adopted an ordinance, rule, or regulation pursuant to Business and Professions Code section 26055(h). Since compliance with CEQA is typically addressed by a local jurisdiction, a local license or permit is indicative that CEQA requirements have been met.
    - Paragraph (2): a copy of the Notice of Determination or Notice of Exemption and a copy of the CEQA document from the local jurisdiction. This regulation is necessary because if applicant has not provided a local license, permit, or other authorization, the Department will need to examine the documents required by the regulation to determine compliance with CEQA.
- Subsection (c): establishes that the applicant is responsible for the preparation of the documentation required pursuant to CEQA, when applicable. This regulation is necessary because the Act does not require an applicant to submit, or even hold, a license, permit, or other authorization from a local jurisdiction before applying for a state license. The proposed regulation would clarify that applicants must provide evidence that their premises would be exempt from or in compliance with CEQA and prepare that documentation for the Department's review and approval or certification if such documentation is not available from the local jurisdiction. The regulation is necessary to clarify the applicant's role in demonstrating compliance with CEQA.

Add §40190. Definitions.

This section establishes definitions for new Article 6, Shared-Use Facilities, as follows:

- Subsection (a) defines "common-use area" as any area of the manufacturer's registered shared-use facility that is available for use by more than one licensee, including equipment. In order to clarify the statutory definition of "premises," the Department is further defining specific areas of a premises. "Common-use area" is needed in order to ensure that all parties – primary licensee, Type S licensee,

and the Department – understand which areas of the manufacturing premises the Type S licensee is authorized to use.

- Subsection (b) defines "designated area" as the area of the registered shared-use manufacturing facility that is designated by the primary licensee for the sole and exclusive use by a specific Type S licensee. As mentioned previously, the Department is further defining specific premises areas. "Designated area" is needed to ensure that all parties understand which areas of the manufacturing premises are for sole use by a specific Type S licensee.
- Subsection (c) defines "primary licensee" as the Type 7, Type 6, or Type N licensee that has been approved to operate a shared-use facility. The primary licensee is given specific responsibilities in further provisions of this proposal. The definition is needed to clarify who is the primary licensee.
- Subsection (d) defines "shared-use facility" as a manufacturing facility operated by a Type 7, Type 6, or Type N licensee in which Type S licensees are authorized to conduct manufacturing operations. This definition is necessary to clarify further provisions of the proposal.
- Subsection (e) defines "Type S" as a license that allows the license holder to conduct manufacturing operations at a shared-use facility. This definition is necessary to clarify further provisions of the proposal.
- Subsection (f) defines "use agreement" as a written agreement between a primary licensee and a Type S applicant or licensee that specifies the designated area of the Type S licensee, the days and/or hours in which the Type S licensee is assigned to use the common-use area(s), any allocation of responsibility for compliance pursuant to Section 40196, and an acknowledgement that the Type S licensee has sole and exclusive use of the common-use area(s) during the Type S licensee's assigned days and/or hours. This definition is necessary to clarify further provisions of the proposal.

Add §40191. Type S License.

- Subsection (a) establishes the requirements for applications for a Type S license.
  - Paragraph (1) requires that applications be made in accordance with Section 40128. Section 40128 provides the application process for all applicants. This paragraph further provides that Type S applicants are only subject to a $500 application processing fee, rather than the $1,000 fee applicable to other applicants. Type S applications will have a reduced review workload to Department staff as many of the elements will have already been reviewed during the assessment of the primary licensee's application.
  - Paragraph (2) requires the application to identify the registered shared-use facility the applicant will use. As part of its statutory mandate to ensure that manufacturing activities take place only in licensed locations, the Department

needs to ensure that that the Type S licensee is operating in an approved facility.

- Paragraph (3) requires the applicant to include a copy of the use agreement signed by both the applicant and the primary licensee. The Department will need the use agreement for oversight and enforcement activities. This paragraph also specifies that the use agreement shall be considered the landlord approval required pursuant to section 26051.5(a)(2) of MAUCRSA . Because the use agreement requires signature of the primary licensee, it is reasonable to consider it as landlord approval.
- Paragraph (4) requires the applicant to include a diagram of the designated area to be used by the applicant. All applicants are required by statute to submit a premises diagram, which the Department will use in its evaluation of the applicant's procedures to ensure the protection of public health.

- Subsection (b) limits the availability of a Type S license to applicants within Tier I or Tier II fee categories, as defined in existing Section 40150. The intent of the Type S license is to provide a means by which smaller businesses can enter the regulated market. As the business grows in size, it can reasonably be expected to operate its own facility.
- Subsection (c) specifies the operational activities a Type S licensee may conduct. The Department has determined that the following activities present lower public safety risk and can therefore be performed safely in a shared facility:
    - Paragraph (1): Infusions;
    - Paragraph (2): Packaging and labeling of cannabis products; and
    - Paragraph (3): Extraction operations using butter or food-grade oil, provided that resulting extract or concentrate is used solely in the manufacture of the Type S licensee's infused product, and is not sold to any other licensee. Extraction activities present a greater public safety risk than infusion activities because of risk of explosion. However, the Department is aware that many infused products are made by incorporating infused butter or other oil into a recipe formulation. Extractions with butter or food-grade oil do not present the same public safety risk as other types of extractions. The Department determined that the practice was a reasonable business practice to accommodate.

Add §40192. Registration to Operate a Shared-Use Facility.

- Subsection (a) states that a licensee may not operate as a shared-use facility without prior approval by the Department. This provision is necessary so that the Department can fulfill its mandate to oversee manufacturing activities.
- Subsection (b) provides that a Type 7, Type 6, or Type N licensee can request approval to operate as a shared-use facility by submitting to the Department:

- Paragraph (1): A copy of the local license, permit, or other authorization from the local jurisdiction explicitly authorizing operation of a shared-use facility. Local jurisdictions maintain ultimate authority over the type of cannabis activities that are conducted in their locality. This provision is necessary to ensure that local jurisdictions are aware and in support of shared-use facilities;
- Paragraph (2): A registration form prescribed by the Department with the following information:
  - Subparagraph (A): The proposed occupancy schedule that the common-use area will be available for use by Type S licensees and when the common-use area will be used by the primary licensee. The occupancy schedule shall allow for adequate maintenance and sanitizing between use by individual licensees. In order to properly oversee manufacturing operations, the Department must have a record of the operating schedule.
  - Subparagraph (B): a diagram indicating the below:
    - Clause (i): Each designated area for a Type S licensee. This provision is necessary to differentiate designated areas for shared-use from other manufacturing areas.
    - Clause (ii): The common-use area(s), including identification of any shared equipment. This provision is necessary to clarify which areas and/or equipment can be used by a Type S licensee.

- Subsection (c): The Department shall notify the Type 7, Type 6, or Type N licensee upon approval of the registration to operate as a shared-use facility. This provision ensures that primary licensees are informed in a timely manner and may begin to allow shared-use manufacturing on their premises.
- Subsection (d) At least one business day prior to a Type S licensee commencing manufacturing operations at a registered shared-use facility, the primary licensee shall provide written notification to the Department. The notification to the Department shall include the Type S licensee's business name, contact person, contact phone number, and license number. The primary licensee shall also provide an updated occupancy schedule to include the Type S licensee and an updated diagram indicating the designated area of the Type S licensee. Notification may be provided by email or through the Department's online licensing system. This provision is necessary to ensure accurate documentation of operating licensees and to ensure the Department's ability to oversee and inspect the use of shared facilities.
- Subsection (e) A primary licensee that wishes to discontinue operation as a shared-use facility may cancel its registration by providing at least 30 days written notice to the Department and each Type S licensee authorized to use the

shared-use facility prior to the effective date of the cancellation. This provision allows time both for the Department to update the Department's records and for Type S licensees using the shared facility to have time to potentially find a new operating space and to safely remove anything from their storage space at the shared-use facility.

Add §40194. Shared-Use Facility Conditions for Operation.

- Subsection (a) establishes the conditions of operation that a primary licensee must ensure. The below subsections are necessary to set out the minimum requirements a primary licensee must demonstrate to operate a shared-use facility.
- Subsection (b) requires each Type S licensee to be assigned a "designated area" that, at minimum:
    - Paragraph (1): is for exclusive use by the Type S licensee.
    - Paragraph (2): includes secure, locked storage for exclusive use by, and accessible only to, the Type S licensee for storage of that Type S licensee's cannabis, cannabis concentrates, and cannabis products. The regulations referred to in paragraphs (1) and (2) are needed to require the primary licensee to provide a designated area and storage space for a Type S licensee. The cannabis manufacturing activity must be done in an area occupied only by one licensee at a time. Further, a secure storage space for the Type S licensee's cannabis, cannabis concentrates, and cannabis products must be provided because the licensee will leave the shared-use facility and others will use the common-use areas.
- Subsection (c) requires any part of the premises used for manufacturing activity that is a common-use area to be occupied by only one licensee at a time by restricting the days and/or hours that each licensee may use the common-use area. During the assigned days and/or hours one licensee shall have sole and exclusive occupancy of the common-use area. This regulation requires the use of a schedule for use of the common-use areas because this allows cannabis manufacturing activity to be done in a shared-use facility by different Type S licensees by providing exclusive use of a portion of the common-use area to each Type S licensee.
- Subsection (d) restricts the use of the shared-use facility to the primary licensee and the Type S licensees identified in the registration and authorized by the Department to use the shared-use facility. This regulation is necessary as the documentation provided will be examined by the Department to assure the cannabis manufacturing can be done with the licensees designated to use the shared-use facility. The department must have a regulation that assures it has documentation of all the licensees using the shared-use facility, and that no

person or entity will use the shared-use facility for cannabis manufacturing without Department authorization.

- Subsection (e) requires any cannabis product or other materials remaining after a Type S licensee ceases operation and discontinues use of its designated area to be disposed of by the primary licensee consistent with the requirements of the Act and regulations. The regulation is needed to provide that any cannabis product or other materials left behind by a Type S licensee after its use of the common-use area is cannabis waste and cannot be used in order to prevent adulterated cannabis products.
- Subsection (f) requires that the shared-use facility meet all applicable requirements of the Act and regulations. The regulation is needed to make clear to the regulated public that all licensees that use a shared-facility must meet all the requirements of the Act, and regulations promulgated under the Act, irrespective of the fact that it is a shared-use facility.
- Subsection (g) requires the occupancy schedule to be prominently posted near the entrance to the shared-use facility. This provision is necessary as it further ensures consumer protection by preventing adulteration of cannabis products by making it clear to all who enter and use the facility what is the current occupancy schedule of the shared-use facility.
- Subsection (h): The primary licensee may conduct manufacturing activities as permitted under its Type 7, Type 6, or Type N license and may use the common-use areas during its scheduled time period. This provision clarifies activities allowed by the primary licensee to the regulated public, and that the primary licensee must also comply with the designated occupancy schedule, along with the Type S licensees, to assure that only one licensee at a time is using the common-use area for cannabis manufacturing.

§40196. Shared-Use Facility Compliance Requirements.

- Subsection (a) provides that there may be an agreement between the primary licensee and the Type S licensee(s) to allocate the responsibility for providing and maintaining security devices, fire monitoring and protection, and other commonly used equipment and services, and liability for theft or violations; however, such agreement is not binding on the Department in taking any compliance or enforcement action. To properly fulfill its responsibility and mandate under the statute to protect public health and safety, the Department needs to maintain flexibility and authority to enforce the requirements of the Act and the Department's regulations.
- Subsection (b) establishes that a primary licensee or a Type S licensee is liable for any violation found at the shared-use facility during that licensee's scheduled occupancy or within that licensee's designated area; however, a violation of any provision of the Act or regulations may be deemed a violation for which each

Type S licensee and the primary licensee is responsible. Further, in the event of a recall or embargo of a cannabis product produced at a shared-use facility, the Department, in its sole discretion, may include any or all cannabis products produced at the shared-use facility. To properly fulfill its responsibility and mandate under the statute to protect public health and safety, the Department needs to maintain flexibility and authority to enforce the requirements of the Act and the Department's regulations. Any public health concern that necessitates a recall could potentially impact the cannabis products produced by other licensees at the shared-use facility. In order to protect public health, the Department needs flexibility to recall other cannabis products produced at the shared-use facility.

- Subsection (c) the occupancy schedule and designated area for a Type S licensee shall not be altered without prior approval by the Department. A written request shall be submitted to the Department that includes the requested changes and may be submitted by email or through the online licensing system.

STATEMENTS OF DETERMINATIONS AND ECONOMIC IMPACT ASSESSMENT

The Department has determined that the proposed regulatory action would not have a significant economic impact on California business enterprises and individuals.

EVALUATION AS TO WHETHER THE REGULATIONS ARE INCONSISTENT OR INCOMPATIBLE WITH EXISTING STATE REGULATIONS

The Department has made a determination that these regulations are not inconsistent or incompatible with existing state regulations. As the oversight of cannabis commercial activity is a newly-created state responsibility, no other state regulations are already in existence that address the same topic.

MANDATED BY FEDERAL LAW OR REGULATIONS

The Department has made a determination that this proposal is not mandated by federal law or regulations.

LOCAL MANDATE

The Department has determined that this regulatory action would not impose a mandate on local agencies or school districts, nor are there any costs for which reimbursement is required by part 7 (commencing with Section 17500) of division 4 of the Government Code.

FISCAL IMPACT ASSESSMENT

A. **Cost to Any Local Agency or School District:** None.
B. **Cost or Savings to Any State Agency:** Funding for the Department for Fiscal Year 2017-18 is $13.5 million appropriated from the Cannabis Control Fund.
C. **Other Nondiscretionary Cost or Savings Imposed on Local Agencies:** None.
D. **Cost or Savings in Federal Funding to the State:** None.

Incorporation by Reference:

The incorporation by reference in Section 40127 of Form DPH-9037 (Rev. 3/18) and Form DPH-9038 (Rev. 3/18) is appropriate for ease of use to the regulated industry. The form is designed so that individuals can complete it electronically, then mail or email it to the Department. It is unnecessary to duplicate the information in the text of the regulation itself, as adopting the form by reference will provide clarity and ease of use.

DOCUMENTS RELIED UPON

None

CONTACT PERSON

Inquiries regarding the proposed regulatory action can be directed to Linda M. Cortez, with the Office of Regulations at (916) 440-7807, or the designated backup contact, Dawn Basciano at (916) 440-7367.