LEGISLATIVE AND REGULATORY WORK PROGRAM
2023 LEGISLATIVE YEAR

The California Cannabis Industry Association (CCIA) is pleased to present its Legislative and Regulatory Work Program for the 2023 legislative year.

Founded on the principle of strength in numbers, CCIA's membership includes over 300 California ancillary and plant-touching businesses, 450 brands, and more than 15,000 employees, representing all aspects of the cannabis supply chain.

Since 2013, CCIA's mission has been to promote the growth of a responsible and legitimate cannabis industry and work for a favorable social, economic, and legal environment for our industry in the State of California.

The Legislative and Regulatory Work Program is divided into two parts. Section 1 identifies our legislative priorities in 2023 and is intended to help focus CCIA's state legislative and advocacy activities. Section 2 contains CCIA's standing policies, developed in response to state legislation and policy developments of significance to the cannabis industry.

This document is intended to inform our state and federal policy makers about the needs of California's legal cannabis industry, and provide general policy direction to CCIA's legislative advocates, affiliates, coalition partners, members, and the public.

Legislative Priorities (Section 1), and Guiding Policies and Principles (Section 2) are prepared and updated as needed by CCIA's legislative advocate and staff, with input from CCIA's supply chain committees, members, affiliates, and coalition partners. Final recommendations are made by CCIA's Legislative Committee and approved by the Board of Directors (Board).

If you have any questions or would like additional information, please contact CCIA's legislative advocate Amy O'Gorman-Jenkins at (707) 291-3270/ amy@precisionadvocacy.co.

We appreciate our continued partnership with the governor and the legislature to create a thriving legal cannabis industry in California.

Lindsay Robinson

LINDSAY ROBINSON
Executive Director

California Licensed Cannabis Industry
By the Numbers

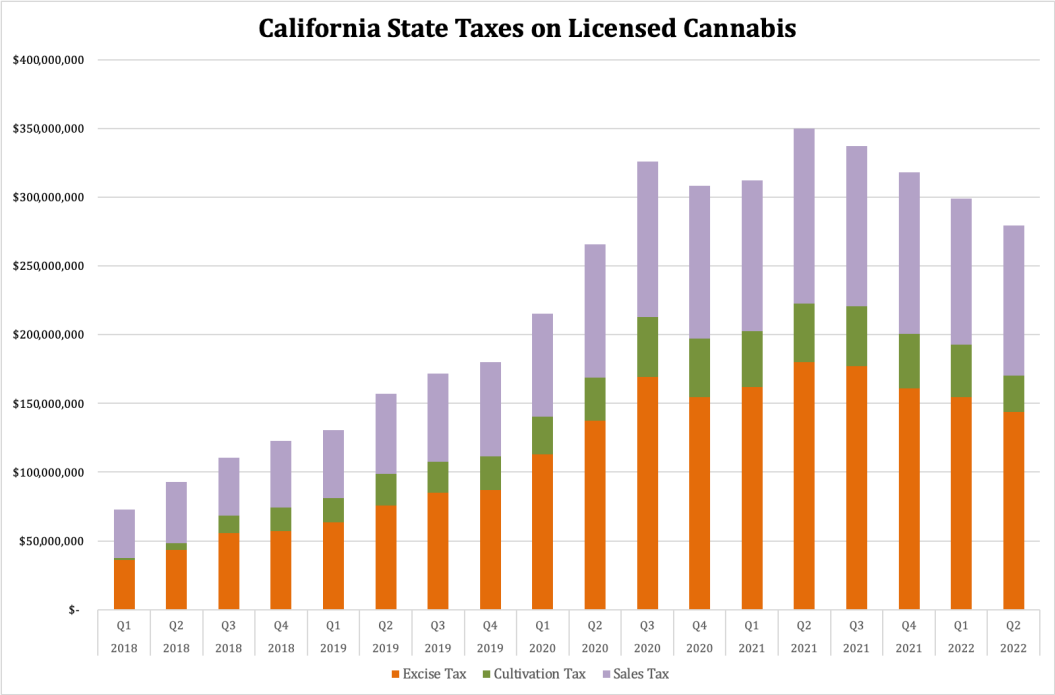
- 21 states and the District of Columbia have legalized the adult use of cannabis for recreational purposes (*National Conference of State Legislatures*).
- 91% of Americans believe cannabis should be legal in some form and less than 8% in that same survey said it should be banned altogether *(Pew Research, April 2021).*
- 83,607 full time cannabis jobs have been generated in California. The state ranks as a top employer in the national cannabis industry, though it is anticipated that this number will be lower when the new report for 2022 is released *(Leafly, January 2022).*
- In 2022, California's cannabis market contracted by 7% from the prior year. *(Headset.io)*
- ⅔ of cannabis sales in California take place in the illicit marketplace *(Reason Foundation, May 2022).*
- 61% of cities and counties prohibit commercial cannabis retail *(Department of Cannabis Control).*

The State of California's Legal Industry

Six years after California voted to legalize cannabis for adult use with the passage of Proposition 64, the legal cannabis industry is struggling. While CCIA was pleased to support and help advance comprehensive tax reform with the passage of AB 195 (Budget Committee, 2022) in June of last year, the legal industry continues to face significant challenges.

High taxes and regulatory hurdles, a lack of legal retail access, an oversupply of legal cannabis, a thriving illicit market, and an influx of dangerous intoxicating hemp products have forced many in the legal industry to dramatically scale down, eliminate jobs, or shutter operations altogether. The situation is evidenced by a dramatic reduction in state cannabis tax revenue, which has seen a steady decline over the last eighteen months.

As reported by POLITICO and the California Department of Tax and Fee Administration in November 2022, California residents purchased $1.27 billion in licensed cannabis products in the third quarter of 2022, generating $128 million in excise taxes, down by almost $100 million from the prior year. This represents an $18 million drop from the previous quarter, and a whopping $52 million drop from the pandemic boom that sent cannabis sales soaring between April and June of 2020.



Source: California Department of Tax and Fee Administration

While it is important to note that the third quarter of 2022 was the first quarter in which the state tax on cannabis cultivation was eliminated pursuant to AB 195, tax collections were already lower between July and September 2022 than in prior quarters. In fact, there has been a significant drop in cannabis excise tax collection over the last five consecutive quarters.

As CCIA examines our legislative work program for 2023, we believe it is important to highlight some of the ongoing systemic issues affecting the legal industry. While there are no easy solutions, we urge the governor and the legislature to consider these challenges and partner with us to identify meaningful solutions.

High Taxes

Since the full implementation of Proposition 64 in January 2018, the state has collected $4.4 billion in cannabis tax revenue, according to the California Department of Tax and Fee Administration, including $2.2 billion in cannabis excise tax, and $1.7 billion in sales tax. That total also includes $500.3 million in cultivation tax, which was eliminated July 1, 2022, pursuant to AB 195. These revenues have come at an extreme cost to the legal industry.

While the industry celebrated the zeroing out of the cultivation tax in July 2022, the other state tax imposed on cannabis businesses is a retail excise tax assessed at 15 percent of a retail sale. In addition to the excise tax, commercial cannabis sales are subject to sales and use tax, which varies across each jurisdiction but averaged 8.82 percent in 2022 according to data from the Tax Foundation.

Licensed cannabis businesses are also subject to an array of locally imposed cannabis taxes that vary by jurisdiction, which may include a tax per square foot of canopy for cultivation and a percentage of gross receipts levied on license types throughout the supply chain. As these taxes are assessed on each license, they compound to create much higher tax rates on the end consumer product.

Finally, it should be noted that cannabis businesses are penalized on federal income taxes by Internal Revenue Code 280E, which precludes any taxpayer that traffics in a Schedule I controlled substance from claiming deductions under the "ordinary and necessary" standard that applies to most businesses. This means cannabis businesses effectively pay much higher federal income tax rates than similarly situated businesses in other industries.

An Oversupply of Legal Cannabis

An oversupply of cannabis has depressed prices, pushing many legal cultivators, already operating under thin margins, into financial insolvency. Meanwhile, the legal market continues to grow and thrive.

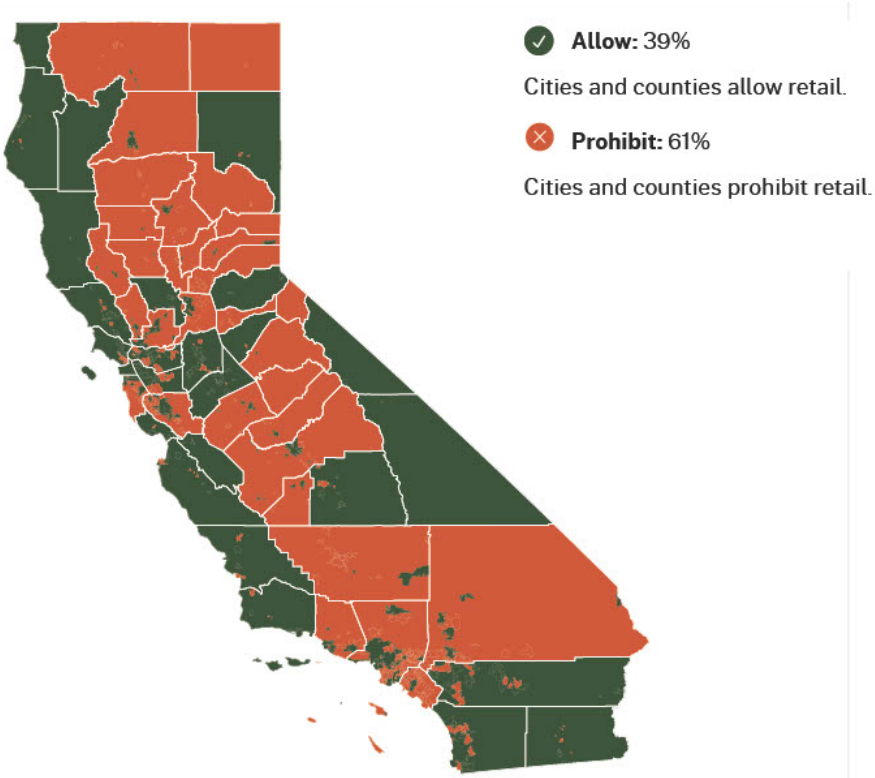
Retail and wholesale prices have fallen as competition with the illicit market puts pressure on legal retailers to keep prices low, making it hard for growers to make ends meet. Unable to raise prices, many cultivators are selling at a loss.

According to a cannabis harvest report released in November 2022 by Leafly, the value of California's legal cannabis crop dropped 39.7 percent last year while tonnage increased 12 percent. The wholesale value of cannabis from licensed cultivators was $1 billion last year, down from $1.66 billion in 2021. The report found that the legal crop in the state weighed in at 577 metric tons, up from 517 metric tons the previous year, all while the number of cultivation licenses declined by nearly 9 percent to 6,881.

A Lack of Retail Access

According to a report published by Politico, there were approximately 2 legal dispensaries per 100,000 people in October 2021, one of the lowest rates in the nation among states supporting legal cannabis sales.

The root of the problem can be found in Proposition 64's dual licensing structure, whereby cannabis businesses must be licensed by both the State and the appropriate local jurisdiction to legally operate. In other words, local governments make the final determination as to whether commercial cannabis activity and sales are permitted in their jurisdiction, how such activities may occur, and whether to impose an additional local tax. Unfortunately, this has led to a current landscape under which only 39% of California's 540 cities and counties allow for any commercial cannabis retail, as indicated in the graph below developed by the Department of Cannabis Control (DCC).



This lack of access to safe legal cannabis retail establishments allows illicit cannabis operations to fill the void, exposing consumers to untested, untaxed cannabis products.

It is imperative that local jurisdictions are incentivized to permit legal retail cannabis activities, and expand access to legal cannabis products through fair, equitable cannabis ordinances that provide pathways for unlicensed cannabis businesses to enter the legal market.

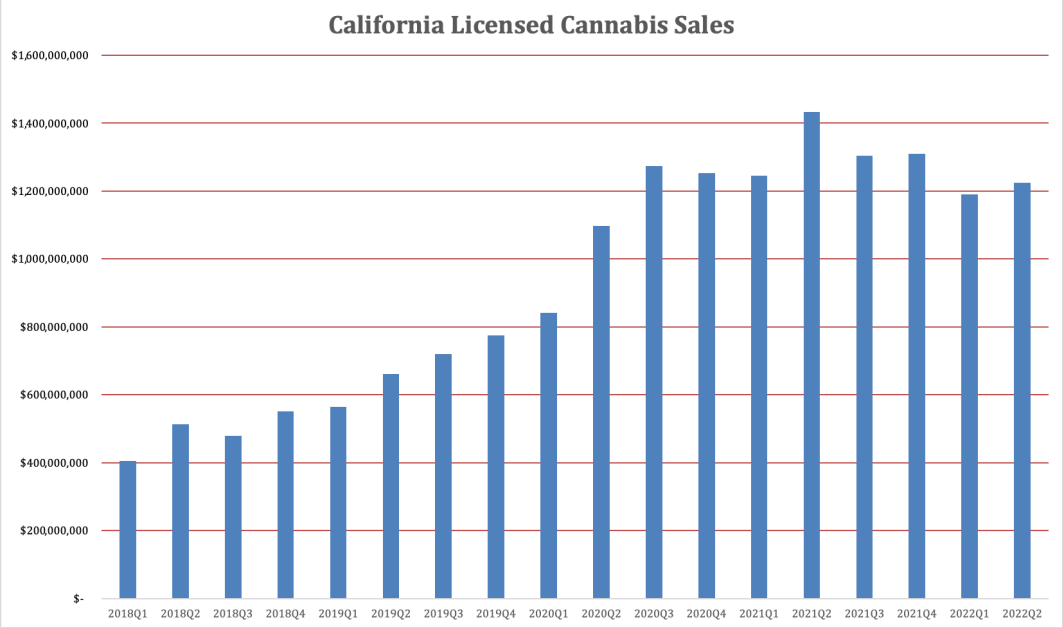
A Thriving Illicit Market

In May 2022, the Reason Foundation published a report on the California cannabis industry tax structure and its impact on consumer participation in the legal marketplace. Key findings in the report reaffirmed previous analyses suggesting that California lags other legal states in licensed cannabis sales, with the illicit market still accounting for about two-thirds of cannabis sales in the state.

While it was assumed that legalizing cannabis would ultimately eliminate or severely constrain the illicit market, the promise of Proposition 64 has yet to materialize. From a state perspective, enforcement is spread across multiple state agencies with insufficient resources and competing priorities. While some grant funding is available to bolster local enforcement efforts, it is limited only to local jurisdictions that allow commercial cannabis cultivation and retail, barring a significant majority of cities and counties from any state support.

The Reason Foundation report examined the effect of the state's tax regime on legal cannabis and how it affects individuals' decisions to participate in the legal or illicit market. The research analyzed taxes assessed at the local and state levels, concluding that the effective taxes levied per pound of cannabis flower ranged from $677 per pound to $1,441 per pound depending on the local jurisdiction.

The cumulative effect of these taxes creates a price disparity between otherwise comparable cannabis products available in the legal and illicit markets. More recent surveys indicate consumers prefer legal cannabis products if they are available at comparable prices to competing products on the illicit market, but will prefer illegal products as those prices diverge. In fact, the Reason Foundation obtained price and sale data for legal cannabis transactions in California and determined that consumers will purchase about 0.77 percent fewer legal products for every 1 percent rise in their price.



Source: California Department of Tax and Fee Administration

Unfortunately, illicit cannabis is not the only product that is undermining legal cannabis.

In a white paper released in October, CCIA details the dangers associated with the growing number of increasingly intoxicating products currently being sold as "hemp" and called for urgent action by the state and federal governments.

The white paper, entitled "Pandora's Box: The Dangers of a National, Unregulated, Hemp-Derived Intoxicating Cannabinoid Market," details how cannabinoid compounds derived from hemp, which include the well-known delta-8 THC and other more potent THC-like substances – are being sold by hemp manufacturers exploiting flaws in the 2018 Farm Bill. These synthetic and derivative cannabinoids are often many times stronger than traditional delta-9 THC.

Products containing this new generation of intoxicants are often brazenly marketed to children, are rife with contaminants, and are sold without age-gates, testing standards, or other oversight in gas stations, convenience stores, smoke shops, and online nationwide, according to the paper.

CCIA makes four recommendations for addressing the crisis, which are further detailed below.

The Ripple Effect of Uncollected Debts and Tax Liabilities

The shift of tax collection from distributors to retailers, pursuant to AB 195 (Budget Committee, 2022), streamlined cannabis tax collection and remittance, but it has unintended consequences for licensed distributors already in financial hardship. Although existing law requires that retailers pay distributors the excise taxes owed within 90 days of the sale or transfer of the product, many licensed retailers delay payment on products, including their associated excise tax liability, far beyond that period. As a result, licensed distributors have been forced to collectively prepay tens of millions of dollars of excise tax to the state that is uncollectible from licensed retailers. In some instances, delinquent retailers have shuttered business operations before fully remitting outstanding invoices and excise tax owed, forcing distributors to absorb the loss entirely.

Compounding the problem, as detailed in a Green Market report article, is a years-long trend of licensed cannabis businesses offering credit terms to compensate for a lack of normal banking and financing options. The result is a significant cannabis debt bubble at serious risk of bursting as companies fail to pay their outstanding debts. And, the cascading impact of cultivators extending credit to manufacturers or distributors and manufacturers to distributors and distributors to retailers is already happening – impacting cash flow throughout the supply chain, depressing ancillary businesses, and further threatening cannabis tax revenues. The cannabis industry deserves strong credit law protections to restrict the flow of goods to licensees who are in default of credit terms.

SECTION 1: LEGISLATIVE PRIORITIES

Preserve and Improve the Cannabis Tax Framework Enacted in 2022

Work with the administration and the legislature to maintain the integrity of AB 195 (Budget Committee, 2022). Oppose efforts to increase state cannabis taxes and support legislative and budget efforts to protect funding for cannabis fund beneficiaries. Engage the administration, legislature, and stakeholders on the importance of lowering state cannabis taxes to stabilize and provide long-term relief to the legal cannabis industry.

AB 195 (Budget Committee, 2022), the budget trailer bill on cannabis, reduced cannabis taxes by eliminating the cultivation tax, a critical priority for CCIA and the broader industry. The legislation provided that the 15 percent cannabis excise tax be maintained for three fiscal years until June 30, 2025. In other words, **AB 195 ensured that no increase in the excise tax will occur in the first three years following its enactment.** However, the legislation did provide that an increase, up to 19 percent, may occur beginning July 1, 2025.

To ensure that existing beneficiaries of cannabis tax funds do not experience any revenue losses within that time period, AB 195 set a funding baseline guarantee of $670 million in fiscal years 2022-23, 2023-24, and 2024-25 and set aside $150 million in General Fund to backfill any revenue required to meet the baseline due to the cultivation tax cut.

At the time AB 195 was approved, the state was enjoying a massive budget surplus. What wasn't anticipated was a substantial drop in tax revenue in the proceeding six months, which has led to a projected $24 billion deficit with additional deficits anticipated in the subsequent two fiscal years.

The governor's January budget proposal, released on January 10, includes $95.4 million in State General Fund to meet the $670 million baseline. This suggests that the Administration is also projecting the cannabis tax revenue collection will be insufficient to protect the baseline. This also leaves at outstanding fund balance of $54.6 billion to cover the two subsequent fiscal years, should cannabis tax revenues continue to come in lower that anticipated.

Baseline revenues in the January budget proposal are proposed to be allocated, as follows:

- Education, prevention, and treatment of youth substance use disorders and school retention—60 percent ($401.8 million)
- Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation—20 percent ($133.9 million)
- Public safety-related activities—20 percent ($133.9 million)

With the state's revenue outlook uncertain, it is imperative that the agreement struck between the industry, the administration, and legislature to freeze any cannabis tax increases, preserve funding for youth programs, childcare, environmental protection, and local law enforcement be protected, and consider additional tax relief for the legal cannabis industry.

Expand Access to Legal Retail and Reduce Barriers to Entry in to the Legal Market

Support incentives that encourage local governments to permit commercial cannabis activity in banned jurisdictions and provide pathways for unlicensed cannabis businesses to enter the compliant market.

Last year, the legislature approved a $20 million one-time appropriation in the 2022-23 state budget for local jurisdictions interested in licensing or expanding cannabis retail. However, additional policies should be explored, some of which are outlined in concept below. Such efforts will help curtail the illicit market, enhance public and consumer safety, and provide additional jobs and economic growth, while increasing state and local tax revenues.

- Modifying the state's excessive and costly environmental review requirements, which mandate a full site-specific review under CEQA, as a condition of receiving an annual license; and
- Accepting CEQA compliance pathways set forth by local jurisdictions, including pathways that provide ministerial permits and principally permit cannabis operations, without requiring additional project-specific analysis of the operations before qualifying for a state annual license.

Sponsor/support SB 51 (Bradford) to extend the provisional licensing program for social equity applicants and licensees.

Budget trailer bills AB 141 (Budget Committee, 2021) and SB 160 (Budget & Fiscal Review Committee, 2021) authorized the DCC to renew cannabis provisional licenses until January 1, 2025, with the provisional license program sunsetting the following year on January 1, 2026. With respect to social equity applicants, the trailer bills set forth specified timelines for applicants to qualify for a provisional license prior to the expiration of the program, as follows:

- *March 31, 2023* - The deadline for social equity applicants to submit their applications to the DCC
- *June 30, 2023* - The last day the DCC may issue new provisional licenses to social equity applicants

In communications with stakeholders, notable challenges have been identified, severely hindering the ability of eligible social equity applicants to complete the local permitting process in local jurisdictions, which is necessary to apply for and achieve state licensure. For instance, high incidents of predatory business agreements have prevented equity applicants from meeting basic eligibility criteria, including questionable contract mandates, financing/interest terms, and buyout provisions, resulting in little to no control over the business by the equity operator. Such incidents have been reported in the Los Angeles Times and Marijuana Business Daily.

Additionally, business premises eligibility has been identified as a significant impediment to applying for and achieving state licensure. Applicants struggle to identify and maintain a location to conduct commercial cannabis activity, which can be attributed to increases in rent; an inability to make lease payments absent sufficient access to capital; and/or an inability to provide a copy of an executed lease agreement, landlord attestation, or property deed, as required by the state.

It should be noted that the challenges identified precede compliance with CEQA, which has already been recognized as a significant impediment to achieving annual licensure from the state.

CCIA believes a narrow extension of the provisional license program for social equity retail applicants and license holders is necessary to meet the objectives set forth in Prop. 64. CCIA further argues that such efforts should be accompanied by strategies to normalize the CEQA process for cannabis, as described above, and is consistent with the organization's long standing goal to expand legal retail access across California.

Bolster Consumer Education, Deter Youth Access, and Enhance Consumer Protection & Public Safety

Sponsor legislation to direct the Department of Cannabis Control to reevaluate its existing cannabis product labeling requirements based on evolving science. Support the development of a brochure and/or other educational materials that outline steps for responsible cannabis use.

A harmful labeling bill that would have added significant costs to licensed cannabis products was tabled by the legislature in late 2022, following intense opposition from CCIA and our coalition partners. SB 1097 (Pan) would have required the inclusion of new unsubstantiated claims on cannabis products and in educational materials.

California's legal cannabis industry is already required to include clear warning labels that communicate scientifically established health risks. Meanwhile, illicit cannabis products are unregulated and untested. Numerous reports continue to estimate that illicit cannabis sales represent two-thirds of California's cannabis marketplace, and research demonstrates that reducing onerous taxes and regulations remains the most effective way to grow the legal market and thus, protect cannabis consumers and patients.

CCIA is committed to supporting efforts that keep consumers and patients safe and is prepared to sponsor legislation directing the DCC to reevaluate its existing cannabis product labeling requirements based upon evolving science. The legislation will also require the development of a brochure that outlines steps for responsible cannabis use that includes information on the effects of high potency THC products, as well as implications and risks associated with cannabis use by minors, pregnant and breastfeeding women, and individuals with certain mental health conditions.

Implement AB 45 (Aguiar-Curry, 2021) and enforce other existing laws prohibiting intoxicants in hemp products outside the regulated cannabis market. Sponsor

legislation to impose penalties on illegal hemp producers selling in California.

AB 45 (Aguiar-Curry, 2021) enacted a comprehensive framework allowing hemp cannabinoids to be safely and legally manufactured and sold in food, beverages, cosmetics, and dietary supplements across the state. While the Department of Public Health (DPH) is currently developing the framework for many of the requirements of the law, program implementation and enforcement, due to lack of funding, has been painfully slow. Meanwhile, a growing number of increasingly intoxicating products currently being sold as "hemp" are flooding the California market. In response, CCIA released a white paper on October 19, 2022 calling for reforms to protect consumers from unregulated, intoxicating hemp. Entitled "Pandora's Box: The Dangers of a National, Unregulated, Hemp-Derived Intoxicating Cannabinoid Market," the report outlines how hemp manufacturers are exploiting flaws in the 2018 Farm Bill to produce synthetic and derivative cannabinoids that are often many times stronger than traditional cannabis products containing delta-9 THC. Many of these products are being marketed to children and sold nationwide without age-restrictions, testing standards, or other oversight in gas stations, convenience stores, smoke shops, and online.

Improve Enforcement Against Unlicensed Activity

Sponsor legislation to amend the Board of State and Community Corrections grant program to expand the eligibility criteria so that more local jurisdictions can access funding and limit funding eligibility to programs intended to specifically address unlicensed retail and cultivation activities.

As previously reported, California's illicit cannabis market accounts for roughly two-thirds of cannabis sales and is estimated to be worth nearly $8 billion annually, twice the volume of legal sales, as reported by Politico in October, 2021 and reaffirmed in a report released by the Reason Foundation in May, 2022.

A report published by the Los Angeles Times in September 2022, discussed how illicit cannabis has overwhelmed local law enforcement agencies and code enforcement departments, often ill-equipped to contend with the number of illicit operations, and run by criminal networks. In Mendocino County, for instance, the sheriff's cannabis enforcement team consists of a single sergeant and a part-time deputy.

Meanwhile, the existing local grant funds, which are administered by the Board of State and Community Corrections (BSCC), allocate funding for a variety of programs not directly related to addressing illicit cannabis activity.

To maximize funding opportunities to combat illicit market activities, eligibility under the existing BSCC grant program should be expanded to permit all 540 cities and counties to apply. However, funding should be awarded only to jurisdictions specifically seeking to combat illicit cannabis cultivation and retail.

SECTION 2: GUIDING POLICIES & PRINCIPLES

1. **Access to Banking.** Support legislative and regulatory efforts to address banking challenges for compliant cannabis businesses and allow such businesses to fully and effectively participate in commerce.

2. **Access & Patient Protections**

    a. Support policies that improve patient access to medical cannabis.

    b. Remove barriers that hinder a patient's ability to obtain a physician recommendation or safe, affordable medicine.

    c. Work with patient groups to ensure county health departments have the necessary infrastructure in place so patients can obtain their medical cannabis identification cards in a timely manner.

2. **Advertising & Marketing**

    a. Support legislation permitting cannabis billboard advertising along interstate highways that includes additional protections aimed at deterring youth access and consumption.

    b. Support legislation and other policies that permit responsible marketing that supports the legal industry while reducing youth access through the unregulated market.

3. **Biomass Recycling & Reuse.** Support legislation that exempts green cannabis waste from being classified as hazardous waste, and allows for green cannabis waste to be composted.

4. **Cannabis Activities on Tribal Lands**

    a. Support policies that ensure an equitable application of existing laws as required of other, non-tribal commercial cannabis licensees.

    b. Require tribal governments conducting commercial cannabis business activities on tribal lands to meet the same state regulatory requirements as other cannabis businesses in the state.

5. **Cannabis as an Agricultural Crop.** Advocate for cannabis cultivation to be considered an agricultural crop produced for human consumption and regulated in the California Food and Agricultural Code rather than the Business and Professions Code.

6. **Cannabis Appellations Program**

    a. Support efforts to advance comprehensive labeling requirements for all cannabis geographical indications, including county of origin, city of origin, city and county of origin, and appellation of origin designations.

    b. Sufficiently fund the California Department of Food and Agriculture to manage the appellation of origin program and the establishment of a petition review panel.

7. **Cannabis Products for Pets.** Support the implementation of AB 1885 (Kalra, 2022) to expressly permit the manufacture and sale of cannabis products designed for pets. AB 1885 requires the DCC to promulgate regulations for animal product standards no later than July 1, 2025.

8. **Cannabis Trade Samples.** Support legislative or regulatory changes to increase the permissible amount of cannabis and cannabis products that can be designated as business to business trade samples.

9. **Child Resistant Packaging (CRP).** Support legislative and regulatory efforts that advance sensible child resistant packaging requirements that encourage:

    a. Use of recyclable and/or biodegradable materials;

    b. Consideration of CRP packaging on a product-by-product basis and the reduction of landfill waste;

    c. Development of a robust consumer education program to promote responsible cannabis storage that deters underage access; and

    d. Efforts aimed at protecting cannabis businesses from strict liability in the event that consumers misuse or abuse cannabis and cannabis products.

10. **Consumer & Patient Access**

    a. Support legislative, regulatory, and other efforts that encourage local governments to adopt ordinances permitting commercial cannabis activity and provide pathways for unlicensed cannabis businesses to enter the compliant market.

    b. Support legislative and regulatory efforts that expand access to medicinal and adult-use consumers.

    c. Oppose legislative, regulatory, and legal efforts hindering licensed delivery businesses delivering to any jurisdiction within the State of California.

    d. Support efforts aimed at removing barriers for medicinal patients from receiving the sales and use tax exemption and/or obtaining the State Medical ID Card.

    e. Support legislative and regulatory efforts to ensure consumers can easily verify that the products they purchase are legal.

11. **Credit Protection.** Support legislative and other efforts to address the ballooning debt bubble across the cannabis supply chain, and seek to ensure timely payment of invoices for goods sold on credit.

12. **Direct to Consumer Sales.** Support legislation to permit small cultivators, processors, and manufacturers to engage in direct to consumer sales, including but not limited to direct to consumer sales through on-farm sales, farmers' markets, and direct to consumer delivery operations.

13. **Disaster Relief.** Advocate for access to state-funded disaster relief programs and grant programs for licensed commercial cannabis businesses.

14. **Driving Under the Influence of Cannabis.** Continue to work with the Office of Traffic Safety and the California Highway Patrol, local law enforcement, and other relevant stakeholders to identify resources and develop best practices aimed at reducing "drugged driving."

15. **Employment Discrimination**. Support protections from termination or being denied employment on the basis of cannabis metabolites testing. Cannabis metabolites are the non-psychoactive substances which remain in the body many weeks after a person has consumed. The presence of cannabis metabolites in the body do not indicate that a person is impaired.

16. **Enforcement**

    a. Support budget funding requests intended to augment state and/or local enforcement activities to shut down illicit retail operations and combat illegal trespass cultivation of cannabis on public and private land.

    b. Support adequate funding and other policies that address illegal water diversion, water pollution, erosion, poisoning of wildlife, and other environmental damage associated with trespass cannabis growing operations.

17. **Environmental Sustainability.** Support legislation to eliminate the individual plant tagging requirement, which is currently required as part of the state's track and trace program.

18. **Funding & Investment Opportunities**

    a. Educate legislators, regulators, and other stakeholder groups on the impediments to securing investment capital.

    b. Oppose efforts that further constrict capital investment.

    c. Support efforts to remove regulatory burdens that deter opportunities for licensees to attract investment.

19. **Hemp & Intoxicating Hemp Products**

    a. Enforce existing laws in California and other states prohibiting the sale of hemp-derived intoxicants.

    b. Support action by the U.S. Food & Drug Administration (FDA) to exercise its rightful oversight over novel compounds, including those derived from hemp.

    c. Pursue amendments to the federal Farm Bill to close unintentional loopholes.

    d. Create a unified federal framework for regulating both hemp and cannabis-derived cannabinoids.

e. Support legislation to provide a clear pathway for the incorporation of hemp into the cannabis supply chain.

20. **Insurance/Liability**

    a. Support efforts to ensure that insurance claims are not denied exclusively because cannabis is prohibited under federal law.

    b. Advocate for the equitable application of the FAIR Plan, so that cannabis businesses have equal access to insurance, as provided to other businesses.

21. **Land Use & Environmental Sustainability.** Support policies and new technologies that improve environmental sustainability within the cannabis industry, including efforts to promote water and energy efficiency.

22. **Regulatory Burdens & Mandates.** Oppose policies that impose new regulatory burdens or mandates on the cannabis industry or treat cannabis applicants and businesses differently than other industries licensed by the state.

23. **Research & Development.** Promote efforts to expand research on the efficacy of cannabis.

24. **Regulatory Development/Rulemaking.** Advocate for the streamlining of the state's commercial cannabis regulations and reduce barriers to entry into the legal market in a manner that protects public health and safety while ensuring a regulated environment for commercial cannabis activities that does not perpetuate, rather than reduce and eliminate, the illicit market for cannabis.

25. **Social Equity**

    a. Support policies that remove barriers to entry for social equity applicants.

    b. Support an increase in existing funding for the Cannabis Equity Grant Program to aid local equity programs, and support equity applicants and equity licensees so they can compete and thrive in the legal market.

    c. Identify additional revenue streams to provide small business loans and other supportive services for social equity applicants and license holders.

    d. Support policies that deter predatory practices.

    e. Support the establishment of tax credits or other financial incentives to encourage landlords to rent space to equity applicants.

26. **Taxation**

    a. Support efforts to reduce tax burdens on compliant cannabis businesses and consumers.

    b. Support efforts that ensure timely payment of excise taxes from retailers to distributors and/or efforts to absolve distributors of fines, penalties, and other

disciplinary actions related to unpaid excise taxes that have yet to be collected from retailers.

c. Support policies to ensure the fair, legal, and constitutional application of local taxation to ensure that cannabis operators are not intentionally or unintentionally double taxed within the legal supply chain.

d. Support legislative or regulatory changes to reduce the 50% penalty and clarify that the penalty should be imposed on cannabis operators that intentionally fail to pay their taxes.

e. Support efforts that seek to minimize tax burdens levied by local jurisdictions.

27. **Testing.** Work with CCIA's Quality Control Committee to continue to establish best practices to ensure greater consistency in testing results among licensed testing labs.

28. **Tourism.** Support legislation and regulatory policies that promote cannabis tourism.

29. **Vaping Safety**

    a. Support legislation prohibiting the use of additives, cutting agents, and artificial flavoring from cannabis vaping products that are determined to be unsafe.

    b. Support legislation to strengthen labeling requirements.

    c. Support legislation to enhance vaping device security.

30. **Youth Access.** Support efforts to deter youth access to cannabis without a valid physician's recommendation.