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SB 311 part 2: Medical and Non-Medical Cannabis – Distributors

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**PURPOSE**

SB 311 would clarify that licensed cannabis distributors are allowed to send tested and approved cannabis goods to other licensed distributors.

This bill contains an urgency clause.

**BACKGROUND**

In 1996, the voters approved Proposition 215, which legalized the use of medical cannabis in California. Up until 2015, the state generally did not regulate medical cannabis and left most of the regulation to local government. However, in 2015, the Medical Cannabis Regulation and Safety Act (MCRSA) and recent budget legislation provided a framework for regulating medical cannabis at the state level. In November of 2016, the voters approved Proposition 64, which legalized non-medical use of cannabis. Both MCRSA and Proposition 64 went into effect January 1, 2018 and the Bureau of Cannabis Control (BCC) is starting to implement the provisions.

A recent opinion by the BCC strictly interpreted existing B&P Code Section 26110 (g) to allow tested cannabis and cannabis products only to be transported directly from the distribution premise to a retail premise, and not necessarily be transferred from one distributor to another.

The cannabis supply chain, as well as many other business models, depends on multiple points of distribution to efficiently bring product to market. Many operators heavily depend on distributor-to-distributor transfers after the point

of testing. Without the ability to transfer from one distributor to another the transfer of product will be significantly stalled and provide additional costs to the licensees. By making it harder for tested products to get to market, there is a risk of consumers resorting to unlicensed and untested products. To support California's small cannabis operators who lack the infrastructure for multiple distribution hubs across the state, a network of distributors is reasonable and necessary.

**SUMMARY**

SB 311 will clarify existing law and explicitly allow tested cannabis goods to go from one distributor to another distributor. When this language was originally drafted, the intent was to ensure cannabis goods undergo certified testing and quality verification before transfer or sale to a retailer, but not to impose the testing occur while in the custody of the final distributor prior to retail (such as a last-mile distributor or a distributor providing storage services). If this issue is not corrected and immediately put into effect, the transfer and sale of product will be significantly stalled and the redundant testing costs for multiple tests on the same batch will provide further hardship for licensees.

**SUPPORT**

Cannabis Distribution Association (Sponsor)  
California Cannabis Industry Association (Co-Sponsor)  
California Growers Association (Co-Sponsor)  
California Teamsters

**OPPOSITION**

None

CONTACTS

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