

**Department of Cannabis Control
California Code of Regulations Title 4, Division 19**

Notice of Modifications to Text of Proposed Regulations

Notice Date: September 2, 2022

Subject Matter of Proposed Regulations: Equity fee waivers and deferrals for commercial cannabis licensing fees.

Sections Affected: Title 4, California Code of Regulations, section 15014.1.

Pursuant to the requirements of Government Code section 11346.8(c) and section 44 of title 1 of the California Code of Regulations, the Department of Cannabis Control (Department) hereby provides notice of changes made to the proposed regulation sections listed above which were the subject of public hearing on **August 2, 2022**. The text of the regulation with proposed modifications is attached to this Notice.

The Department will accept written comments on the proposed changes from September 2, 2022, to 5:00 p.m. on September 19, 2022. All written comments received by 5:00 p.m. on September 19, 2022, will be summarized and responded to in the Final Statement of Reasons. **Please limit your comments to the modifications to the text.** Modifications to the text are displayed in either **bold, double underlined or bold, double strikethrough** type font.

Written Comment Period

Written comments may be submitted by mail or e-mail to the address listed below. **Comments submitted must be received by the Department at its office by 5:00 p.m. on September 19, 2022.**

Submit comments to:

Department of Cannabis Control
Legal Affairs Division
2920 Kilgore Road
Rancho Cordova, CA 95670
E-mail: publiccomment@cannabis.ca.gov

Authority and Reference

Business and Professions Code section 26013 authorizes the Department to adopt these proposed regulations. Pursuant to Business and Professions Code section 26249 the Department must develop and implement a program to provide equity fee relief in the form of waivers and deferrals of required licensing fees. The proposed regulations implement, interpret, and make specific Business and Professions Code section 26249.

Updated Informative Digest

Section 15014.1. Equity Fee Relief.

The number of fee deferrals that qualified equity applicants or licensees may be eligible for has been revised from “unlimited” to “one deferral for each additional license during each calendar year” in subsection (b). The Department determined that use of the term “unlimited” in this context could result in confusion in the future regarding the intent of this subsection. The Department intended for qualified equity applicants and licensees to avail themselves of one fee waiver applied to the license of their choosing, and one fee deferral for the remaining licenses held by the qualified equity applicant or licensee during the calendar year. The substance and intent of the subsection has not changed.

In addition to qualified equity applicants or licensees providing proof of income, subsection (d)(3)(A) has been revised to require the equity applicant or licensee to provide proof of income for each earner in the qualified equity applicant’s or licensee’s household. Based on its experience processing fee waivers since January 1, 2022, the Department has observed that the scope of income documentation provided by fee waiver requestors varies. Because income for the purposes of the United States decennial or special census is based on the earnings of an entire household, the Department determined that it was necessary to provide added clarity by requiring a qualified equity applicant or licensee to demonstrate proof of income for all earners in their household. This ensures that the Department can conduct a direct comparison of the qualified equity applicant’s or licensee’s household income to the area median income for the local jurisdiction they reside to confirm the income requirement has been met.

A definition for “income” has been added as subsection (d)(3)(B); the preceding subsections have been renumbered accordingly. For the purposes of this subsection, “income” means the money income received in the preceding calendar year using the income measurement defined by the U.S. Census Bureau in their most recent United States decennial or special census. Based on feedback from fee waiver requestors since the Department began processing fee waivers on January 1, 2022, the Department found it was necessary to define the term “income” to ensure a consistent interpretation of the income requirement by applicants and licensees. The Department determined that it was necessary to include a definition for “income” that reflects the definition of “income” used in the applicable version of the United States decennial or special census to ensure a direct comparison of the reported household income of the equity fee relief requestor as compared to the income for the local jurisdiction they reside to confirm the income requirement has been met.

The word “has” has been removed prior to the word “resided” in subsection (d)(4). This revision is considered grammatical in nature and does not change the substance and intent of this subsection.

The word “resides” has been amended to the term “resided” in subsection (d)(4)(A). Based on the Department’s review and processing of existing fee waiver requests, the Department has determined that while the vast majority of fee waiver requestors have not relocated from the area they resided in between 1980 and 2016, there are some equity fee relief requestors that have since moved. To ensure that such individuals may still qualify for equity relief despite their relocation, the Department determined it was necessary to clarify that the qualified equity applicant or licensee demonstrate that they formerly *resided* in a census tract that is among the top 25 percent for civilian unemployment and poverty in the state based on the United State Census Bureau’s 2013-2017 American Community Survey. The Department determined that this revision is consistent with Business and Professions Code section 26249, which prioritizes fee relief for qualified equity applicants and licensees and recognizes residence in an area with a population disproportionately impacted by past criminal justice policies implementing cannabis prohibition as one mechanism for qualifying for equity fee relief.

There were no other changes in the laws related to the proposed action or to the effect of the proposed regulation from the laws and effects described in the Notice of the Proposed Regulatory Action.

Contact Person

Inquiries concerning the proposed administrative action may be directed to:

Charisse Diaz
Department of Cannabis Control
Legal Affairs Division
2920 Kilgore Road
Rancho Cordova, CA 95670
916-465-9025
Charisse.Diaz@cannabis.ca.gov

The backup contact person for these inquiries is:

Kaila Fayne
Department of Cannabis Control
Legal Affairs Division
2920 Kilgore Road
Rancho Cordova, CA 95670
916-251-4544
Kaila.Fayne@cannabis.ca.gov

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 the contact persons listed above.

Availability of Statement of Reasons, Text of Proposed Regulations, and Rulemaking File

The Department will have the entire rulemaking file available for inspection and copying, throughout the rulemaking process, at its office at the address above. 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, and the Initial Statement of Reasons. Copies of materials may be obtained by contacting Charisse Diaz at the address, email or phone number listed above.

Availability of Changed or Modified Text

After considering all timely and relevant comments received, the Department may adopt the proposed regulations, substantially, as described in this Notice. If the Department makes modifications that 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 Department adopts the regulations, as revised. Please send requests for copies of any modified regulations to the attention of Charisse Diaz at the address, email, or phone number indicated above.

The Department 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 Charisse Diaz at the above address, email, or phone number indicated above.

Availability of Documents on the Internet

Copies of the Notice of Proposed Action, the Initial Statement or Reasons, and the text of the proposed regulations can be accessed through the Department's website at: <https://cannabis.ca.gov/cannabis-laws/rulemaking/>.