

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

Final Statement of Reasons

Subject Matter of Proposed Regulations: Conversion to Large and Medium Cultivation Licenses; Type 5, 5A, and 5B Large Cultivation License Fees and Requirements.

Sections Affected: California Code of Regulations (CCR), title 4, sections 15014.2, 15027.1, 16201.1, and 16300.1.

Background

The Department of Cannabis Control (Department) regulates commercial cannabis license holders in California, including cultivators, retailers, manufacturers, distributors, testing laboratories, microbusinesses, and temporary cannabis events.

Pursuant to Business and Professions Code section 26061, subdivision (c), the Department may begin issuing Type 5, 5A and 5B Large Cultivation Licenses (collectively referred to herein as Large Cultivation or Type 5 Large Cultivation License) on January 1, 2023. The proposed regulations implement the introduction of this newly available license type into the existing commercial cannabis licensing framework by establishing fees and requirements for the Large Cultivation License.

Additionally, CCR, title 4, section 16209 prohibits a person or owner from holding more than one Medium Cultivation License until January 1, 2023. As a result, licensees will have more opportunity to hold licenses with more expansive cultivation areas on one premises, rather than several smaller cultivation licenses on different premises to equal the same size cultivation area. The proposed regulations contain the process for cultivation licensees to convert licenses with smaller cultivation limits into a Large or Medium Cultivation License.

On June 17, 2022, the Department issued a Notice of Proposed Rulemaking and began a 45-day comment period on the proposed regulations. The Department held a virtual public hearing on August 1, 2022. The Department received comments, both oral and written, on the proposed regulations. Based on review of the comments received, the Department determined that there were several sufficiently related changes to the proposed regulations that were necessary to clarify certain sections and provisions. This included clarification regarding the information that must be submitted as part of a conversion request and clarification regarding the licensing restrictions for large cultivation licenses found in Business and Professions Code section 26061, subsection (d).

Pursuant to Government Code section 11346.8, subdivision (c) and CCR, title 1, section 44, the Department made substantive and sufficiently related changes to the proposed regulations and circulated them to the public for a comment period of at least 15 days

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Conversion to Large and Medium Cultivation Licenses
Type 5, 5A, and 5B License Fees and Requirements

(15-day comment period) beginning on August 30, 2022 and ending on September 15, 2022.

Update To Initial Statement of Reasons

There have been no substantial changes in applicable laws or to the effect of the proposed regulations from the laws and effects described in the Notice of Proposed Regulatory Action.

As authorized by Government Code section 11346.9, subdivision (d), the Department hereby incorporates the Initial Statement of Reasons prepared in this rulemaking. Unless a specific basis is stated for any modification to the regulations as initially proposed, the necessity for the adoption of new regulations as set forth in the Initial Statement of Reasons continues to apply to the regulations as adopted.

All modifications from the initially proposed text of the regulations are summarized below.

Modifications Made Available for a 15-Day Comment Period

Section 15027.1. Conversion to Large and Medium Cultivation Licenses

Proposed subsection (b) has been amended to include the words “an eligible licensee” for clarity. This is necessary to make sure applicants and licensees understand that only those who meet the eligibility requirements should submit a request for conversion and provide the required information. This proposed change does not alter the substance of the subsection.

Proposed subsection (b)(7) has been added to the proposed section. The proposed subsection requires that licensees seeking conversion to a medium or large cultivation license identify owners and financial interest holders for the converted license. The proposed subsection also requires submission of all information pertaining to owners and financial interest holders that would be collected in a license application. The proposed subsection also clarifies that this information shall be submitted by entering it into the appropriate fields in the Department’s licensing system. This requirement is necessary to ensure that the Department obtains accurate information regarding the owners and financial interest holders for the converted license. This is also necessary to explain how to submit the information and to ensure it is entered into the system appropriately, as those requesting a conversion will not be submitting a new application. Additionally, the requirement allows to Department to verify that the ownership for the converted license is consistent with the ownership on record for the licenses that are being converted, as required in proposed subsection (a)(2).

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Section 16300.1. Cultivation Requirements for Large Licenses

Proposed subsection (b) has been amended to further clarify and implement the restriction found in Business and Professions Code section 26061, subsection (d), which prohibits a licensee who holds a Type 5 large cultivation license from applying for or holding a Type 8, Type 11, or Type 12 license. The clear intent of this provision is to prevent a single business from obtaining a Type 5 large license in combination with any of the licenses listed. However, the term “hold” is not defined by statute. The Department has determined that it is necessary to clarify which individuals are considered to hold commercial cannabis licenses. This is necessary to prevent those persons that have an interest in a Type 5 large license from holding certain additional types of commercial cannabis licenses, specifically distribution activities under Type 11 or Type 12 licenses, as such activities may allow for monopolistic behavior through vertical integration at scale. The proposed amendment clarifies the statutory restriction by explicitly stating that persons identified as owners or financial interest holders of a licensee that holds a Type 5 large cultivation license would also be prohibited from applying for or holding a Type 8, Type 11, or Type 12 license, or being an owner or financial interest holder of a licensee that holds both a Type 5 large cultivation license and a Type 8, Type 11, or Type 12 license. The addition is necessary to clarify the requirement in alignment with the intent of the statutory language. The statutory language alone may potentially be interpreted to allow a business to bypass the restriction by simply creating a separate business entity that is still controlled by the business or same individuals, to hold the large cultivation license. Under this interpretation, a single business could hold both a Type 5 large cultivation license through ownership in one entity, while also holding a Type 8, Type 11, or Type 12 license through ownership of a separate entity. This would violate the intent of the restriction found in Business and Professions Code section 26061, subdivision (d). Owners include persons that hold equity interests in the licensed business as well as persons that exercise direction, control, and management of the license. Financial interest holders are identified as persons that do not rise to the level of owner but may have an equity interest in the license and may exert direction of a certain portion of licensed activities for shares of profits. As both owners and financial interest holders may be able to exert influence and control over the operations, capturing both as persons that hold a license is essential to effectuate the intent of the statute.

Proposed subsection (c) has been added to the section. The proposed subsection indicates that the act of applying for, or requesting a conversion to, a Large Cultivation license constitutes an attestation by the applicant or licensee that no person who holds an ownership or financial interest in the Large Cultivation license being sought also holds an ownership or financial interest in a Type 8, Type 11, or Type 12 license, in violation of Business and Professions Code section 26061, subsection (d). The proposed subsection also requires that an applicant or licensee submitting a request for conversion for a Large Cultivation license to attest that no person who will hold an ownership or financial interest in the Large Cultivation license will, in the future, obtain

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an ownership or financial interest in a Type 8, Type 11, or Type 12 license while maintaining their interest in the Large Cultivation license. This proposed subsection is necessary to ensure that the Department receives adequate assurance from applicants and licensees that they are not currently violating and will not in the future violate the provisions of Business and Professions Code section 16061, subdivision (d). Additionally, the proposed subsection provides applicants and licensees who are seeking to obtain a Large Cultivation license additional clarification regarding the restrictions, found in Business and Professions Code section 26061, pertaining to Large Cultivation licenses. Licensees and applicants who provide false information in the form of the required attestation are potentially subject to discipline from the Department. The proposed subsection provides licensees with notice that the submission of a separate attestation is not required and that by submitting an application or conversion request for a Large Cultivation license, they are attesting that they are in compliance and will continue to comply with Business and Professions Code section 26061, subdivision (d).

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.

Local Mandate Determination

The proposed regulations do not impose a mandate on local agencies or school districts.

Incorporation by Reference

No documents have been incorporated by reference.

Summary and Response to Relevant Comments Received During 45-Day Comment Period

Section of Regulation	Comment Numbers	Summary of Relevant Comments Received During 45-Day Comment Period	Department Response
15027.1	1	Commenter indicates that Type 5 license regulations do not explicitly mention a requirement that licensee must obtain local authorization to convert from a medium cultivation license to a large cultivation license.	The Department disagrees with this comment. The proposed regulations explicitly require that all Type 5 large cultivation licensees comply with all cultivation requirements applicable to other cultivation license types. These

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Section of Regulation	Comment Numbers	Summary of Relevant Comments Received During 45-Day Comment Period	Department Response
			requirements include that the Department may not issue a license if it would violate any local ordinance or regulation adopted under Business and Professions Code (BPC) section 26200 applicable to commercial cannabis activity. As the requirement is contained in BPC section 26055, the Department has determined that it is not necessary to explicitly include local authorization as a specific requirement for Type 5 large cultivation licenses.
16300.1	2, 21, 42, 60, 63	Commenters indicate that the restriction preventing a licensee from obtaining both a Type 5 license and a Type 11 distributor license can easily be circumvented. Therefore, commenter requests that the restriction be removed. Additional commenters indicate that prohibition on holding both a Type 11 distributor license and a Type 5 large license is too restrictive and negatively affects businesses.	The Department disagrees with the comment. The restriction on a licensee holding a Type 5 large cultivation license and a Type 11 distribution license is found in BPC section 26061, subdivision (d). As the restriction is explicitly in statute, the Department does not have the authority to remove the restriction.
15027.1	7	Commenter indicates that the conversion process does not require the Department to confirm that the licensee has received the appropriate local	The Department disagrees with this comment. The proposed regulations explicitly require that all

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Section of Regulation	Comment Numbers	Summary of Relevant Comments Received During 45-Day Comment Period	Department Response
		<p>approval for the size of the cultivation premises being issued a Type 5 license. Commenter suggests requiring that the Department obtain confirmation from the local authority regarding the size of the licensee's cultivation site.</p>	<p>Type 5 large cultivation licensees comply with all cultivation requirements applicable to other cultivation license types. These requirements include that the Department may not issue a license if it would violate any local ordinance or regulation adopted under BPC section 26200 applicable to commercial cannabis activity. As the requirement is contained in BPC section 26055, the Department has determined that it is not necessary to explicitly include local authorization as a specific requirement for Type 5 large cultivation licenses.</p>
15027.1	9, 24	<p>Commenters indicate that the language of the regulations is contradictory as the regulations state that no fee is applicable to licensees who convert existing cultivation licenses to a single large cultivation license, but the regulations also indicate that a fee must be paid for applicants submitting an application for a new large cultivation license.</p>	<p>The Department disagrees with this comment. As indicated in the proposed regulation, there is no fee for a conversion. There is a fee for application for a new license. Conversion and application for a new license are separate processes, and licensees for conversion have already paid an application fee for the license that will be</p>

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Section of Regulation	Comment Numbers	Summary of Relevant Comments Received During 45-Day Comment Period	Department Response
			converted.
15027.1	10, 25	Commentors indicate that the language of the Notice of proposed regulation is unclear regarding which licenses may be converted into an annual large cultivation license, a provisional medium cultivation license, or an annual medium cultivation license.	The Department disagrees with this comment. The requirements for conversion are provided in proposed section 15027.1. Additionally, all other requirements for the type of license requested in the conversion still apply.
15027.1	11, 12, 26, 27	Commentor indicates that there currently is no process for converting existing licenses aside from applying for a new license to replace an existing license. Commenter requests that an option for conversion be created. Commenter cites an email from the Department dated July 25, 2022, which indicates that the only process for converting is to apply for a new license and surrender the existing license.	The Department disagrees with this comment. Proposed section 15027.1 provides for a process for converting licenses to medium or large cultivation licenses. The process is proposed at this time and has not yet taken effect.
15027.1	13,28	Commentor requests including a conversion timeline in the regulations for conversions to large and medium cultivation licenses.	The Department disagrees with this comment. Due to the nature of each conversion request requiring unique information for processing, and some aspects of the requests may be outside of the control of the Department. Therefore, the Department believes it would not be appropriate to include a timeline within the regulation.

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Section of Regulation	Comment Numbers	Summary of Relevant Comments Received During 45-Day Comment Period	Department Response
15027.1	19, 20, 43	Commentors request that the regulations clarify whether the greenhouse cultivation, nursery operations, and processing activities can all be engaged in under a single large cultivation license.	The Department disagrees with this comment. The proposed regulations explicitly state that Type 5 large cultivation licenses are subject to all the rules pertaining to other cultivation license types. Therefore, the premises requirements for Type 5 large cultivation licenses would be the same as those premises requirements that apply to other cultivation licenses.
15027.1	22	Commenter suggests amending the proposed regulation to explicitly state that a licensee may only convert existing contiguous licensed cultivation sites into a medium or large licensed cultivation premises.	The Department disagrees with this comment. The proposed regulations explicitly state that Type 5 large cultivation licenses are subject to all the rules pertaining to other cultivation license types. Therefore, the premises requirements for Type 5 large cultivation licenses would be the same as those premises requirements that apply to other cultivation licenses. The Department has determined that it is not necessary to explicitly include that provision in the proposed section.

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15027.1	23	<p>Commenter suggests explicitly including requirements from BPC section 26055(G): "If the applicant provides a license, permit, or other authorization from the local jurisdiction where the licensed premises is located expressly authorizing the proposed conversion, the Department shall notify the local jurisdiction in accordance with Section 15002. If an applicant does not provide a license, permit, or other authorization from the local jurisdiction where the licensed premises is located expressly authorizing the proposed conversion, the Department will follow the process and timelines set forth in subdivision (g)(2) of Section 26055 of Business and Professions Code."</p>	<p>The Department disagrees with this comment. The proposed regulations explicitly require that all Type 5 large cultivation licensees comply with all cultivation requirements applicable to other cultivation license types. These requirements include that the Department may not issue a license if it would violate any local ordinance or regulation adopted under BPC section 26200 applicable to commercial cannabis activity. As the requirement is contained in BPC section 26055, the Department has determined that it is not necessary to explicitly include local authorization as a specific requirement for Type 5 large cultivation licenses. Moreover, not all conversion requests will require the same level of local authorization verification that is required for a new license application.</p>
15014.2	34, 59, 82	<p>Commenter recommends measuring licensing fees for large cultivation by acreage rather than by square footage. Acreage measurement is</p>	<p>The Department disagrees with this comment. All other cultivation licensing fees are determined on a</p>

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Section of Regulation	Comment Numbers	Summary of Relevant Comments Received During 45-Day Comment Period	Department Response
		consistent with large scale agriculture and will allow large operators to better scale their production. Specific Commenter recommends accessing a licensing fee of \$640 per additional acre instead of \$640 per additional 2,000 square feet.	square foot basis. The same measurement is applied to Type 5 large cultivation licenses for consistency in fees between cultivation license types. Additionally, the proposed fee schedule reflects the regulatory costs associated with the increase in size of the commercial cannabis operation.
15014.2	36, 69	Commentors request the option to have licensee fees paid through a payment plan rather than a single fee that must be paid up front.	The Department disagrees with this comment. License fees for all other licenses are required to be paid prior to the issuance of the license. This same requirement is applied to Type 5 large cultivation licenses for consistency amongst license types.
16201.1	37	Commentor suggests allowing a single large cultivation license to cover a cultivation site that spans multiple parcels of land. Property lines should not be used to establish separate licenses.	The Department agrees with this comment. The proposed regulations do not prohibit a Type 5 large cultivation licensed premises from containing multiple parcels of land so long as all requirements are met.
16201.1	38	Commenter requests the repeal of the Type 5 large cultivation license as the license supports larger cultivation businesses and harms smaller businesses.	The Department disagrees with this comment. The Type 5 large cultivation license is established in BPC section 26050. Authority to begin issuing large

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			cultivation licenses on January 1, 2023, is found in BPC section 26061. The Department does not have the authority to repeal these statutory sections.
15027.1	39	<p>Commenter requests for cultivators to have the ability to merge and convert similar licenses into a single license that does not exceed 1 acre. This would result in cultivators holding a single license that would potentially allow the cultivator to operate both mixed light and outdoor grows on the same licensed premises while allowing for the licensee to change cultivation methods throughout the year. Commenter also requests carrying over the pro-rated license fees that have been paid to the new merged/converted license.</p>	<p>The Department agrees with this comment in part. The proposed regulation allows a licensee to convert smaller licenses into a medium license. Additionally, the proposed regulation contains a provision that allows for proration for the value of days remaining on licenses being converted. The proposed regulation package contains provisions related to the introduction of the Type 5 large cultivation license and change in the restrictions regarding medium cultivation licenses but does not propose changes to the types of licenses based on cultivation method contained in BPC section 26050.</p>
15027.1	41	<p>Commenter indicates that it is unclear whether holders of multiple licenses are required to convert into a large cultivation license or whether they can maintain the multiple licenses.</p>	<p>The Department disagrees with this comment. The proposed regulation indicates that a licensee may request a conversion and does</p>

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Section of Regulation	Comment Numbers	Summary of Relevant Comments Received During 45-Day Comment Period	Department Response
			not require any licensee to convert their licenses. Conversion is purely optional for all licensees. The Department lacks the statutory authority to require a licensee to hold a Type 5 large cultivation license, rather than multiple smaller licenses.
15027.1	44	Commenter requests guidelines for prospective Type 5 licensees to better understand the process to help alleviate confusion at the local level.	The Department has noted the commenter's comment.
15027.1	45	Commenter indicates that it is unclear whether cultivation licenses that start expiring in early 2023 would have to be withdrawn/expired at that time if they are ineligible for Type 5 conversion, or if they could wait until the latest cultivation license expiration date to be withdrawn/expired.	The Department disagrees with this comment. The proposed regulations do not require any licensee to convert their licenses. Conversion is purely optional for all licensees. Licensees who choose not to convert their licenses, may continue to hold their licenses in accordance with all applicable laws.
16201.1	46	Commenter requests that the square footage of the license be printed on the Type 5 license itself. This will assist local jurisdictions in verifying a licensee's canopy size.	The Department disagrees with this comment. The Department's licenses do not currently contain the canopy size of each license and the Department believes that, at this time, the Type 5 large cultivation

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Section of Regulation	Comment Numbers	Summary of Relevant Comments Received During 45-Day Comment Period	Department Response
			licenses should not contain this information for consistency. Additionally, this information is already available to local jurisdictions upon request.
16201.1	47	Commenter indicates that it is unclear if a licensee who holds multiple Tier 1 and Tier 2 licenses will be able to convert to Tier 1 and Tier 2 Type 5 licenses.	The Department disagrees with this comment. As provided in proposed section 15014.2, Tier 1 and Tier 2 mixed light licenses are available for Type 5 large cultivation licenses. A licensee converting existing Tier 1 or Tier 2 mixed light licenses into a Type 5 large cultivation license would follow the conversion requirements found in proposed section 15027.1. As with all other cultivation licenses, a single cultivation license cannot be both mixed light Tier 1 and mixed light Tier 2 simultaneously.
15027.1	48	Commenter indicates that it is unclear whether licensees transitioning from a provisional license must convert to a Type 5 large license.	The Department disagrees with this comment. The proposed regulation indicates that a licensee may request a conversion and does not require any licensee to convert their licenses. Conversion is purely

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			optional for all licensees. The Department lacks the statutory authority to require a licensee to hold a Type 5 large cultivation license, rather than multiple smaller licenses. The proposed regulations do not require provisional licensees to convert to annual licenses before requesting a conversion to a large or medium license. However, licensees are still subject to all requirements regarding the issuance of a large or medium cultivation license.
16300.1	49	Commenter indicates that it is unclear whether the "holder of a large cultivation license" refers to an individual or a business entity.	The Department disagrees with this comment. As with all the Department's licenses, the holder is the individual or entity that is issued the license by the Department.
15027.1	50	Commenter indicates that the proposed regulations do not indicate whether a provisional cultivation license may be converted into an annual Type 5 large cultivation language or whether the existing cultivation licenses must first be converted from a provisional to an annual cultivation license before the existing licenses may be converted into a large	The Department disagrees with this comment. The proposed regulations do not require provisional licensees to convert to annual licenses before requesting a conversion to a large or medium license. However, licensees are still subject to all

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		cultivation license. Commenter suggests explicitly allowing for a one step conversion from a provisional license to an annual large cultivation license.	requirements regarding the issuance of a Type 5 large or medium cultivation license. This includes that the Department may only issue annual Type 5 large cultivation licenses.
15027.1	51, 53, 55, 56, 70, 85	Commenters request that the ability to convert from an existing cultivation license to a different cultivation license type be expanded from only applying to large and medium cultivation licenses, to applying to all cultivation license types. For example, a mixed light Tier 1 license could be converted to an outdoor cultivation license. Commenter also requests that the practice of carrying the prorated license fees paid for the existing license to the newly converted license be applied to all conversions.	The Department disagrees with this comment. The proposed regulation package contains provisions related to the introduction of the Type 5 large cultivation license and change in the restrictions regarding medium cultivation licenses. Additionally, the proposed regulation contains a provision that allows for proration for the value of days remaining on licenses being converted.
16201.1	52, 54, 57, 71, 73, 74, 75, 76, 77, 80	Commenters request that the Department delay the issuing of large cultivation licenses to a date later than January 1, 2023, as the businesses who were intended to be supported by temporary licensure and priority review have not yet been able to establish themselves due to shifts in regulations and market conditions.	The Department disagrees with this comment. The Type 5 large cultivation license is established in BPC section 26050. Authority to begin issuing Type 5 large cultivation licenses on January 1, 2023, is found in BPC section 26061. The Department does not have the authority to repeal these statutory sections.

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Section of Regulation	Comment Numbers	Summary of Relevant Comments Received During 45-Day Comment Period	Department Response
15027.1	62	Commenter requests additional clarity regarding whether the Department will begin accepting applications for conversions and notifying licensees of conversions prior to January 1, 2023.	The Department disagrees with this comment. BPC section 26061 prohibits the issuance of a Type 5 large cultivation license prior to January 1, 2023. The Department does not have the authority to begin issuing any Type 5 large cultivation licenses prior to that date.
15027.1	64	Commenter requests clarification regarding plant tagging requirements following the conversion of a license. Specifically, whether licensees will be able to use plant tags from the previous license for cannabis plants held by the new converted license. Additionally, commenter expresses concern that 30 days provided in the regulations will not be enough time to order new tags, receive new tags, and retag every plant under the newly converted license. Commenter suggests providing 60 days for licensees who have converted their license to comply with track and trace requirements following the conversion.	The Department disagrees in part with this comment. The proposed regulations do not require licensees who have converted their licenses to comply with all post-conversion track and trace requirements within 30 days. The Department will communicate directly with each licensee regarding the post-conversion track and trace requirements for their specific license.
15027.1	65	Commenter recommends extending the period to pay the converted license from 30 days after the notification to 60 days after the notification.	The Department disagrees with this comment. Licensee fees are required to be paid within 30 days. For consistency, the Department believes it

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Section of Regulation	Comment Numbers	Summary of Relevant Comments Received During 45-Day Comment Period	Department Response
			is appropriate to require the fee for the converted license within the same time period.
15027.1	72	Commenter indicates that the regulation does not specify how often a medium or large cultivation can increase or decrease their canopy size. Commenter would like the ability to increase or decrease the canopy size as needed for the upcoming period.	The Department disagrees with this comment. The proposed regulation package contains provisions related to the introduction of the Type 5 large cultivation license and change in the restrictions regarding medium cultivation licenses. The proposed regulation package does not include provisions related to adjusting a cultivator's canopy size during the licensed period, which is a separate process.
16201.1	87	Commenter suggests placing a maximum size limit on large cultivation licenses.	The Department disagrees with this comment. Unlike other cultivation licenses, the statutory language does not provide a maximum size limit for the Type 5 large cultivation license. The statute also does not provide a limit to the number of large licenses that a licensee may obtain. The Department does not currently have a statutory basis for placing a maximum size restriction on large cultivation licenses.

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Summary and Response to Nonrelevant Comments Received During 45-Day Comment Period

Section of Regulation	Comment Numbers	Summary of Nonrelevant Comments Received During 45-Day Comment Period	Department Response
Taxes	3	Commenter indicates that taxes are too high and indicates that the 30% tax rate should be adjusted to 10%.	While not on the proposed action, the Department notes the commenter's suggestion. The Department does not have the authority to create regulations regarding the collection of taxes. CDTFA is the department responsible for promulgating regulations regarding the collection of taxes by commercial cannabis licensees.
Cannabis Advisory Committee	4	Commenter indicates that a more diverse array of Cannabis Advisory Committee members is needed, including individuals who are cannabis users or members of cannabis collectives. Commenter expresses their desire to be a member of the Cannabis Advisory Committee.	While not on the proposed action, the Department notes commenter's suggestion.
Discounts / Advertising	5	Commenter suggests that consumers who may purchase medicinal cannabis should be eligible for a discount and licensees who falsely advertise such discounts which are not honored, should be fined, and shut down.	While not on the proposed action, the Department notes the commenters suggestion. The Department does not regulate retailer prices; such prices are considered a business decision for the licensee to determine. However,

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			Department licensees are responsible for complying with all applicable laws and regulations, including those related to false advertising.
Protection of People and Environment	6	Commenter does not provide any information and instead asks for information regarding the actions being taken by the Department to protect people and the environment.	While not on the proposed action, the Department notes commenters' suggestion and looks forward to working with stakeholders on the development of policies for future rulemakings.
	8	Commenter does not provide any information. Comment only includes a single question mark.	This comment provides no information or context which would allow the Department to formulate a substantive response.
Outdoor Medium Size Limit	14, 29	Commenters suggest changing the maximum size limit for an outdoor medium cultivation license from 1 acre (43,560 sq. ft.) to 44,000 sq. ft. or 43,500 sq. ft. This would make it simpler for medium cultivation licensees to place structures on their cultivation site.	While not on the proposed action the Department notes commenters' suggestion and looks forward to working with stakeholders on the development of policies for future rulemakings.
Fallowing	15, 30	Commenters suggest that cultivation licenses be provided a process for fallowing a portion of the licensed premises, resting a portion of the cultivation premises to allow for improvement of soil health, and allowing cultivators to	While not on the proposed action the Department notes commenters' suggestion and looks forward to working with stakeholders on the development of policies for future rulemakings.

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		identify rotational plots.	
Premises	16, 17, 31, 32	Commenters suggest allowing a licensee who holds multiple cultivation licenses to process cannabis at any of the licensed premises for any of the cultivation licenses held without needing to obtain a processing license.	While not on the proposed action the Department notes commenters' suggestion and looks forward to working with stakeholders on the development of policies for future rulemakings.
Multiple Licenses	18, 33	Commenter suggests prohibiting businesses that do not already hold a commercial cannabis license from obtaining a new commercial cannabis license. Commenter also requests prohibiting existing cultivation licensees from expanding their cultivation operations.	While not on the proposed action the Department notes commenters' suggestion and looks forward to working with stakeholders on the development of policies for future rulemakings.
15048.4	35, 60, 81	Commenters request the elimination of the requirement that each individual cannabis plant be tagged with an RFID enabled plastic tag. The current requirements result in added costs and is harmful for the environment.	While not on the proposed action the Department notes commenters' suggestion and looks forward to working with stakeholders on the development of policies for future rulemakings.
Small Businesses	40	Commenter indicates that not enough is being done to protect small cannabis businesses and combat the illegal market.	While not on the proposed action the Department notes commenter's suggestion and looks forward to working with stakeholders on the development of policies for future rulemakings.
OSHA Requirement	58	Commenter requests a change to the OSHA employee training	While not on the proposed action the Department notes

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		requirements due to the difficulty in getting certification. Commentor recommends a California based safety certification requirement in its place.	commenter's suggestion and looks forward to working with stakeholders on the development of policies for future rulemakings.
General	66, 67	Commenter does not provide specific comments for the regulation package. Commenter provides general comments regarding the state of the industry, including the difficulty small businesses are experiencing in competing with larger businesses, restrictions on cannabis cooperative associations, the ability for large operators to engage in vertical licensing, and producer's inability to sell directly to consumers.	While not on the proposed action the Department notes commenter's suggestion and looks forward to working with stakeholders on the development of policies for future rulemakings.
Small Businesses	78	Commenter requests that the Department make more of an effort to transition the medical market into the regulated industry. The current economic climate and wildfires have been very challenging for small cannabis businesses.	While not on the proposed action the Department notes commenter's suggestion and looks forward to working with stakeholders on the development of policies for future rulemakings.
Small Businesses	79	Commenter indicates that the microbusiness does not help small farmers.	While not on the proposed action the Department notes commenter's suggestion and looks forward to working with stakeholders on the development of policies for future rulemakings.

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Federal Law	86	Commenter expresses concern regarding a federal bill that would classify cannabis as a pharmaceutical, not agriculture. This would result in cultivators losing their agricultural culture and a change in regulating agencies.	While not on the proposed action the Department notes commenter's suggestion and looks forward to working with stakeholders on the development of policies for future rulemakings.

Summary and Response to Relevant Comments Received During the 15-Day Comment Period

Section of Regulation	Comment Numbers	Summary of Relevant Comments Received During 15-Day Comment Period	Department Response
15027.1	7	Commenter indicates that regulation section is not clear regarding whether conversion allows a licensee to increase their square footage.	The Department disagrees with this comment. The proposed regulation section is clear regarding this issue. Extending the size of the licensed premises to include areas that have not previously been licensed would not qualify for conversion and would require a new license application.
15014.2	15	Commenter requests changing the large cultivation licensee fee structure to allow for up to 40 acres for \$13,990 and then a \$640 fee for each additional acre after that in order to be more consistent with traditional agriculture.	The Department disagrees with this comment. All other cultivation licensing fees are determined on a square foot basis. The same measurement is applied to Type 5 large cultivation licenses for

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Section of Regulation	Comment Numbers	Summary of Relevant Comments Received During 15-Day Comment Period	Department Response
		<p>Commenter disagrees with the 2,000 square foot increments used in determining license fees.</p>	<p>consistency in fees between license types. Additionally, the proposed fee schedule reflects the regulatory costs associated with the increase in size of the commercial cannabis operation.</p>
16300.1	17	<p>Commenter believes that the restriction preventing large cultivation licensees from holding Type 11 distribution license will lead to greater consolidation and moving the industry backwards.</p>	<p>Comment noted by the Department. The restriction on a licensee holding a Type 5 large cultivation license and a Type 11 distribution license is found in BPC section 26061, subsection (d). As the restriction is explicitly in statute, the Department does not have the authority to remove the restriction. The Department believes that the proposed amendments to the regulation section clarifies the statutory provision and is in line with the intent of the restriction found in BPC section 26061, subsection (d).</p>
16300.1	18, 20	<p>Commenter indicates that the amendments to section 16300.1 which clarifies that owners and financial interest holders of large cultivation licenses are prohibited from applying for and holding a Type 8, Type 11, or Type 12 license goes beyond the</p>	<p>The Department disagrees with this comment. The Department believes that the proposed amendments to the regulation section clarifies the statutory provision and is in line</p>

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Section of Regulation	Comment Numbers	Summary of Relevant Comments Received During 15-Day Comment Period	Department Response
		language of the statute which indicates that licensees are prohibited from holding these other license types.	with the intent of the restriction found in BPC section 26061, subsection (d).
15027.1	21	Commenter requests that licensees who obtain a large cultivation license not be required to re-tag all plants in the middle of a harvest cycle. Commenter recommends allowing licensees to utilize existing plant tags from previous licenses and only require new tags for newly cultivated plants following the conversion.	The Department agrees with this comment. The proposed regulations do not explicitly require licensees who convert into a medium or large license to immediately re-tag all their existing plants. The Department plans to work with licensees regarding the appropriate plant tagging requirements following a conversion.
16300.1	22	Commenter indicates that the restriction on owners, and financial interest holders of a large cultivation license also obtaining a type 8, type 11, or type 12 license will reduce investment into the industry, eliminate some operators from being able to obtain a large cultivation license, and prevent some operators from achieving economies of scale. Commenter adds that the restriction does not provide a discernable benefit to the state.	Comment noted by the Department. The restriction on a licensee holding a Type 5 large cultivation license and a Type 11 distribution license is found in BPC section 26061, subsection (d). As the restriction is explicitly in statute, the Department does not have the authority to remove the restriction. The Department believes that the proposed amendments to the regulation section clarifies the statutory provision and is in line with the intent of the restriction found in BPC section 26061,

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Section of Regulation	Comment Numbers	Summary of Relevant Comments Received During 15-Day Comment Period	Department Response
			subsection (d).

Summary of Nonrelevant Comments Received During the 15-Day Comment Period

Section of Regulation	Comment Numbers	Summary of Nonrelevant Comments Received During 15-Day Comment Period	Department Response
Licenses	1	Commenter requests that the Department rescind all large and medium cultivation licenses. Large corporations are not struggling, and the success of large growers is harming small cultivators.	While not on the proposed action, the Department notes commenter’s comment and looks forward to working with stakeholders on the development of policies for future rulemakings. Large and medium licenses are created in the Medicinal and Adult-Use Cannabis Regulation and Safety Act. The Department does not have the authority to rescind these license types.
Licenses	2, 3	Commenters request that the Department immediately reduce the size of cultivation sites and cap cultivation licenses to prevent harming small vulnerable communities	While not on the proposed action, the Department notes commenters’ comment and looks forward to working with stakeholders on the development of policies for future rulemakings. The allowable canopy sizes for cultivation licenses is found in Medicinal and Adult-Use Cannabis

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Section of Regulation	Comment Numbers	Summary of Nonrelevant Comments Received During 15-Day Comment Period	Department Response
			Regulation and Safety Act. The Department does not have the authority to alter these allowable cultivation sizes.
Fees	4	Commenter is requesting a break on license fees for cultivation.	While not on the proposed action, the Department notes commenter's comment regarding license fees and looks forward to working with stakeholders on the development of policies for future rulemakings.
Time off	5	Commenter is requesting the ability to take a year off for health or family reasons.	While not on the proposed action, the Department notes commenter's comment regarding the ability to take time off from cultivating and looks forward to working with stakeholders on the development of policies for future rulemakings.
Fees	6	Commenter indicates that removing the fees from distribution on flower and trim only benefits the retail and distribution licensees and does not benefit farmers.	While not on the proposed action, the Department notes commenter's comment and looks forward to working with stakeholders on the development of policies for future rulemakings.
Type 5 large cultivation licenses	8	Commenter requests that the department wait to allow large cultivation licenses until supply and demand in the state balances out.	While not on the proposed action, the Department notes commenter's comment and looks forward to working with

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Section of Regulation	Comment Numbers	Summary of Nonrelevant Comments Received During 15-Day Comment Period	Department Response
			stakeholders on the development of policies for future rulemakings. The authority for large and timing of its availability is found in Medicinal and Adult-Use Cannabis Regulation and Safety Act. The Department does not have the authority to rescind these license types.
License Types	9	Commenter indicates that there is no method for small cultivators to change license types or sizes.	While not on the proposed action, the Department notes commenter's comment regarding the ability to change license types and looks forward to working with stakeholders on the development of policies for future rulemakings.
Furlough	10	Commenter requests a furlough program for small cultivators that will allow them to pause cultivation.	While not on the proposed action, the Department notes commenter's comment regarding the ability to change license types and looks forward to working with stakeholders on the development of policies for future rulemakings.
Environment	11	Commenter indicates that small cultivators engage in more environmentally friendly practices when compared to large cultivation operations.	While not on the proposed action, the Department notes commenter's comment and looks forward to working with stakeholders on the

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Section of Regulation	Comment Numbers	Summary of Nonrelevant Comments Received During 15-Day Comment Period	Department Response
			development of policies for future rulemakings.
Limit Cultivation	12	Commenter requests a cap be placed on indoor cultivation and cultivation in general.	While not on the proposed action, the Department notes commenter's comment and looks forward to working with stakeholders on the development of policies for future rulemakings. The allowable canopy sizes for cultivation licenses is found in Medicinal and Adult-Use Cannabis Regulation and Safety Act. The Department does not have the authority to alter these allowable cultivation sizes.
New License Type	13	Commenter proposes creating a new cultivation license type that requires light greenhouse structures, prohibits mixed light, prohibits light deprivation, prohibits heaters, and has similar size options as existing outdoor cultivation licenses. Commenter also proposes allowing the license to be obtained by associations with 49% foreign funds.	While not on the proposed action, the Department notes commenter's comment regarding a new license type and looks forward to working with stakeholders on the development of policies for future rulemakings.
15048.4	16	Commenter requests that the requirements for individual plant tagging be removed to reduce costs and waste.	While not on the proposed action, the Department notes commenter's comment regarding plant tagging and looks forward to

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			working with stakeholders on the development of policies for future rulemakings.
Questions	19	Commenter indicates that the Department lacks proactive communication leaving operators struggling due to uncertainty. Commenter requests an opportunity to submit a list of questions for which the Department will provide a list of answers.	While not on the proposed action, the Department notes commenter’s comment and looks forward to working with stakeholders on the development of policies for future rulemakings.

Alternatives That Would Lessen the Adverse Economic Impact on Small Business

No alternative proposed to the Department that would lessen any adverse economic impact on small businesses were rejected by the Department.

Alternatives Determination

The Department determined that no alternatives it considered or that was otherwise identified and brought to its attention would be more effective in carrying out the purpose for which the regulation is proposed, would be as effective and less burdensome to affected private persons and equally effective in implanting the statutory policy or other provision of law.

The amendments adopted by the Department are the only regulatory provisions identified by the Department that accomplish the goal of providing applicants and licensees with clear guidance regarding the cultivation license conversion process and the requirements for obtaining and operating under a large cultivation license.

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