

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

**Final Statement of Reasons**

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

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

**Background**

---

On September 23, 2021, Governor Gavin Newsom signed California Senate Bill 166. This chaptered bill, codified in Business and Professions Code (BPC) section 26249, requires the Department to develop and implement a program to provide waivers and deferrals for licensing fees, with at least 60 percent of the total amount of fee waivers and deferrals allocated to local equity applicants and licensees. Specifically, BPC section 26249 requires the Department to implement a fee waiver program by January 1, 2022, and a fee deferral program by January 1, 2023. The bill also establishes criteria for the Department's granting of fee waivers and deferrals, and is designed to assist commercial cannabis license applicants and licensees who have been harmed by the War on Drugs.

The Department implemented a fee waiver program through an emergency rulemaking process, which established the framework for the Department's issuance of fee waivers. The emergency rulemaking was filed with the Office of Administrative Law (OAL) on December 10, 2021, approved by OAL and filed with the Secretary of State on December 20, 2021 and became effective immediately. The Department's readoption of the emergency regulation was approved by OAL on June 6, 2022, and filed with the Secretary State the same day, making it effective immediately.

This proposed action to adopt the equity fee relief program through California Code of Regulations, title 4, section 15014.1 provides Department applicants and licensees the opportunity to receive license fee deferrals in addition to license fee waivers. Throughout this process, Department staff has conducted significant outreach with licensees and other stakeholders towards the development of the Department's equity fee relief program, which would enable the Department to issue both waivers and deferrals for required licensing fees. Outreach included meetings with stakeholders; an April 25, 2022, listserv email requesting stakeholder input; and an informal informational session for the public on April 27, 2022.

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 2, 2022. The Department received a number of comments, both oral and written, on the proposed regulation. 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 provisions.

**Final Statement of Reasons**

This included clarifications related to the number of fee deferrals that qualified equity applicants or licensees may be eligible for; clarifications related to the requirements related to proof of income; and clarifications to residency requirements identified in the proposed regulations. Pursuant to Government Code section 11346.8, subdivision (c) and California Code of Regulations, title 1, section 44, the Department made substantive and sufficiently related changes to the proposed regulations and circulated them to the public for a public comment period of at least 15 days (15-day comment period) beginning on September 2, 2022, and ending on September 19, 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 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

### **Final Statement of Reasons**

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.

## 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 Comments Received During 45-Day Comment Period	Department Response
15014.1	2	Commenter offers their support for the fee waiver program. Specifically, commenter asks the Department to keep the fee waiver program; it has been helping them keep their business in operation.	The Department agrees with this comment. Through this rulemaking, the Department intends to permanently adopt its emergency regulations to provide license fee waivers and to implement deferrals under the Department's equity fee relief program subject to funding by the California Legislature.
15014.1	6	Commenter offers their support for fee waivers and deferrals, but believes that small businesses that do not otherwise qualify under the Department's equity fee relief program under the equity criteria (e.g., women, small businesses), should also qualify for relief. Commenter requests more flexibility in the criteria for deferrals and waivers so that small businesses in need of relief are able to obtain relief.	The Department agrees with this comment in part. However, Business and Professions Code (BPC) section 26249 identifies the eligibility criteria for the Department's granting of fee waivers and deferrals under the equity fee relief program, which is designed to assist commercial cannabis license applicants and licensees who have been harmed by the War on Drugs. The Department does not have the authority to change the Department's equity fee relief program eligibility criteria, which are enumerated in statute.
15014.1	10	Commenter thanks Department for the opportunity to comment on the proposed regulations, and indicates that they offer comments to improve the	The Department agrees with this comment and notes commenter's desire to provide feedback on the equity fee relief program.

## Final Statement of Reasons

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
		equity fee relief program and bring the program into alignment with statutory intent.	
15014.1	17	Commenter expresses appreciation for the Department's effort to restore equity at the state licensing level in alignment with municipal programs. Commenter believes that supporting these businesses will lead to a more robust and healthy market for all, and that the proposed regulation brings the State closer to that goal.	The Department agrees with this comment.
15014.1	22	Commenter supports the regulation and indicates that the proposed regulation adds clarity and much needed streamlining to the existing Department equity fee relief program.	The Department agrees with this comment.
15014.1	24	Commenter provides support for the regulation and recognizes that the proposed section provides clarity around the eligibility period and expectations for both fee waivers and deferrals. Commenter indicates that there are mentions of attempting to keep unnecessary strains on administrative staff to a minimum. Doing so will be a benefit by decreasing outreach for what should be considered basic information and allows prospective fee waiver requestors to make the most educated and comprehensive business decisions.	The Department agrees with this comment.

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
15014.1	32	<p>Commenter thanks the Department for its dedicated and tireless work on the regulations. Commenter expresses their appreciation for the continued work by the Department to improve the California cannabis industry and its recent efforts to focus on equity in its regulations. Commenter indicates that as more urban equity retail operators come online, it will be important to distinguish between the disproportionate effects of the drug war that were caused by racial discrimination versus criminalization of the plant itself when dividing resources and that they intend on providing additional recommendations in the future.</p>	<p>The Department agrees with this comment in part. However, to the extent commenter believes it is important to distinguish between the disproportionate effects of the drug war that were caused by racial discrimination versus criminalization of the plant itself, the Department notes this comment and commenter's willingness to provide future recommendations. BPC section 26249 identifies the eligibility criteria for the Department's granting of fee waivers and deferrals under the equity fee relief program, which is designed to assist commercial cannabis license applicants and licensees who have been harmed by the War on Drugs, in both contexts. The Department does not have the authority to change the Department's equity fee relief program eligibility criteria, which are enumerated in statute.</p>
15014.1	40	<p>Commenter expresses interest in the proposed revision to the social equity definition determining eligibility for state fee waivers and advocates for the expansion of that definition to drive eligibility for a statewide equity program. Commenter stresses the need to establish a statewide definition that accurately defines what prospective cannabis business operators were disproportionately harmed by the War on Drugs to level the playing field. Commenter indicates that the commercial cannabis market is heavily taxed and regulated, rendering the establishment</p>	<p>The Department agrees with this comment in part. However, BPC section 26249 identifies the eligibility criteria for the Department's granting of fee waivers and deferrals under the equity fee relief program, which is designed to assist commercial cannabis license applicants and licensees who have been harmed by the War on Drugs. The Department does not have the authority to change the Department's equity fee relief program eligibility criteria, which are enumerated in statute. While not on the proposed action, the Department notes commenter's concerns regarding taxation. The Department does not have the authority to establish or modify</p>

**Final Statement of Reasons**

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
		of businesses cost prohibitive.	tax rates, or create regulations regarding the collection of taxes. The California Legislature is responsible for establishing cannabis tax rates, and CDTFA is the department responsible for promulgating regulations regarding the collection of taxes by commercial cannabis licensees.
15014.1	43	<p>Commenter indicates that the Mendocino Cannabis Alliance’s assessment identified that Mendocino has the second highest occurrence of paramilitary activity in the state related to cannabis eradication second to Humboldt County. Commenter indicates that locally, there are over 200 operators that have been designated as equity operators in their county. Commenter believes that the circumstances their operators have faced makes them worthy of continued equity funding in this program.</p>	<p>The Department notes the commenter’s observation of equity operators in their jurisdiction and those operators’ ability to qualify under their local jurisdiction’s standards. However, BPC section 26249 identifies the eligibility criteria for the Department’s granting of fee waivers and deferrals under the equity fee relief program, which is designed to assist commercial cannabis license applicants and licensees who have been harmed by the War on Drugs. The Department’s emergency fee waiver regulations were intended to provide clarification regarding the criteria enumerated in statute. Based on feedback from Department stakeholders, including written public comments, the Department was informed that its initial clarifications were too broad and thus equity fee relief was not properly targeted under the statutory criteria. In response, the Department refined the language in its proposed regulations to ensure that equity fee relief is more narrowly targeted towards low-income populations in jurisdictions that were directly impacted by cannabis criminalization policies implemented during the War on Drugs. The Department</p>

**Final Statement of Reasons**

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
			acknowledges this commenter's feedback and will consider it as the Department monitors the implementation and effectiveness of the fee waiver program.
15014.1	44	Commenter indicates that Nevada County's equity assessment includes rural farmers that were significantly negatively impacted by the war on drugs and indicates that the definition of equity at a local level should be able to apply at the state level for fee waivers.	The Department disagrees with this comment. BPC section 26249 identifies the eligibility criteria for the Department's granting of fee waivers and deferrals under the equity fee relief program, which is designed to assist commercial cannabis license applicants and licensees who have been harmed by the War on Drugs. The Department does not have the authority to change the equity fee relief program eligibility criteria, which are enumerated in statute.
15014.1	53, 54	<p>Commenter indicates that the ability to join the hearing was not included on the notices. Commenter indicated that they had a difficult time finding the link to the hearing. Commenter indicated that attendance is not a failure of people to attend or failure of caring, but a failure of access.</p> <p>Another commenter indicated that they were not able to access the hearing via telephone. They indicated that many in the commercial cannabis industry have technological limitations which require access to public meetings via telephone or mobile phone. Commenter asks that hearings be more easily accessible.</p>	The Department welcomes public participation in rulemaking hearings and will consider the commenters' remarks when arranging future hearings. The Department disagrees with commenters' concerns regarding the hearing. The Department provided notice of the virtual hearing on June 17, 2022, consistent with the requirements of the Administrative Procedures Act and the Office of Administrative Law's implementing regulations. The Department indicated that the link to the hearing would be posted on the Department's website no later than 9:00 a.m. on the day of the hearing; consistent with the Department's notice, a link was posted on the Department's website. Attendees were also provided a Department point of contact for information regarding access to the hearing. The Department also provided a contact person for the public to

**Final Statement of Reasons**



Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
			request a reasonable accommodation. Finally, to ensure that interested members of the public had sufficient time to provide public comment, the public hearing was scheduled to last three hours or until after all testimony was submitted, whichever was later. The Department also encouraged persons wishing to comment submit a written copy of their testimony.
15014.1(a)	1	Commenter asks whether the fee waiver only applies to equity applicants, or whether they can request a waiver as a "regular" applicant that is victimized by regular break-ins and robbery.	BPC section 26249 identifies the eligibility criteria for the Department's granting of fee waivers and deferrals under the equity fee relief program, which is designed to assist commercial cannabis license applicants and licensees who have been harmed by the War on Drugs. The Department does not have the authority to change the equity fee relief program eligibility criteria, which are enumerated in statute.
15014.1(a)	23	Commenter supports the allowance of those who qualify but are not active equity license holders to apply for waivers and deferrals because it takes into account that not all jurisdictions have established equity programs. Commenter also indicates that the proposed language acknowledges that there are applicants and existing license holders who may have chosen to operate outside of equity program confines even if they do qualify.	The Department agrees with this comment.
15014.1(a)(2)	39	Commenter suggests clarifying the regulations to allow operators to qualify for	The Department disagrees with commenter's suggestion that once a local jurisdiction institutes

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
		<p>equity fee relief under their local equity program guidelines in addition to qualifying for equity fee relief after official designation as an equity applicant or licensee by a local licensing program. The provision could indicate that once a local jurisdiction institutes a local equity program, the fee relief recipient be responsible for paying previously waived or deferred fees if they are later determined by their local jurisdiction to not qualify for the local equity program.</p>	<p>a local equity program, the fee relief recipient should be responsible for paying back previously waived or deferred fees if they are later determined by their local jurisdiction to not qualify for the local equity program. If a qualified equity applicant or licensee is able to qualify for equity fee relief at the time of their request, the Department will grant them the appropriate relief.</p>
15014.1(a)(2)(C)	11, 18, 48	<p>Commenters suggest that the Department allow eligibility based on enrollment in local jurisdiction's qualifications, without requirements of additional conditions from the Department. Commenters indicate that local jurisdictions are best suited to determine how state and federal policies have impacted residents. Commenters indicate that for a local equity applicant to be ignored or disqualified by the state's own support program, which is intended to counter the impact of the War on Drugs, is a disservice to those victims and their families. Additional conditions should only be required for those who do not have local equity programs to qualify them.</p>	<p>The Department disagrees with this comment. BPC section 26249 identifies the eligibility criteria for the Department's granting of fee waivers and deferrals under the equity fee relief program, which is designed to assist commercial cannabis license applicants and licensees who have been harmed by the War on Drugs. The Department does not have the authority to change the equity fee relief program eligibility criteria, which are enumerated in statute.</p>
15014.1(b)(2)	7	<p>Commenter indicates that the subsection defines how an applicant or licensee must verify their financial eligibility for a fee waiver, by submitting a copy of their state tax return. They indicate that an</p>	<p>The Department disagrees with commenter's statement that the proposed regulation does not provide guidance as to what can be used to verify gross revenue. The proposed regulation provides tax returns as example</p>

**Final Statement of Reasons**

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
		<p>applicant for an equity license or a licensee in the first year of the license will not have a state tax return to demonstrate gross revenue that is less than or equal to \$5 million. Commenter indicates that by stating that documentation "may include but is not limited to" a state tax return, the draft regulation provides no further guidance as to what satisfactory documentation would be. Commenter suggests the subsection should provide further guidance as to how an applicant in the first year of their operation can comply with this requirement.</p>	<p>documentation. The proposed regulation allows for additional forms of documentation to provide flexibility to applicants and licensees in establishing that they meet this criterion. The proposed regulation's gross revenue documentation requirements are consistent with the gross revenue requirements in sections 15014(c) and 15020(d)(4) of the Department's regulations and is considered as a calculation more easily performed by applicants and licensees that may be easily verified by the Department.</p>
15014.1(b)(2)	33	<p>Commenter suggests that the gross revenue threshold for qualifying for fee waivers should be \$10 million. Commenter indicates that analysts at GreenGrowth CPAs estimate that licensed cannabis retailers make a profit margin of only 5-10% if their gross revenues are under \$10 million, and that those with an annual gross revenue of higher than \$10 million have profit margins that jump to 15-20%. Commenter indicates that gross revenues for businesses are highly dependent on the commercial cannabis activity in which the business is involved; although setting a threshold at the same rate for all license types may be easier for the department to process, it is not equitable for licensees.</p>	<p>The Department disagrees with this comment. Based on feedback from Department licensees, the Department determined that an expected gross revenue less than or equal to \$5,000,000 more accurately corresponds to licenses held by equity cannabis business operators. This subsection is necessary to ensure that fee waivers are appropriately allocated to the range of equity businesses, including retailers, which often have larger gross receipts. It also maximizes the number of licensees that may avail themselves of a fee waiver under the proposed regulations.</p>

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
15014.1(b)(2)	47	<p>Commenter indicates that the requirement to prove income for a year's license when that time has not even occurred yet is burdensome and may be considered impossible, especially for small applicants, who do not have the ability to produce perfect documentation in advance of license expiration.</p>	<p>The Department disagrees with commenter regarding the burdens of demonstrating income. The proposed regulation provides tax returns as example documentation. The proposed regulation allows for additional forms of documentation to provide flexibility to applicants and licensees in establishing that they meet this criterion. The proposed regulation's gross revenue documentation requirements are consistent with the gross revenue requirements in sections 15014(c) and 15020(d)(4) of the Department's regulations and is considered as a calculation more easily performed by applicants and licensees that may be easily verified by the Department.</p>
15014.1(b)(3)	34, 41	<p>Commenter indicates that one of the goals of cannabis equity programs is to ensure the uplifting and protection of underrepresented entrepreneurs who are not afforded the same opportunities as their more affluent counterparts due to reasons such as systematic racism and prejudice. One way to attain this goal is to incentivize or require equity applicants and licensees to hold majority power in a business. Commenter indicates that ownership of 50 percent as enumerated in the regulation does not provide the majority vote necessary to make significant operational or managerial decisions of a business. Commenter recommends revising this ownership requirement to 51 percent.</p>	<p>The Department disagrees with this comment. The Department does not have the authority to change the ownership percentage requirement in regulation. This statutory requirement is contained in BPC section 26249(c)(2).</p>

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
		<p>One commenter indicates that a qualified equity applicant or licensee should have at least 51 percent ownership or have at least a 51 percent majority ownership held by one or more equity applicants or operators.</p>	
15014.1(b)(4)(B)	15	<p>Commenter suggests that the Department remove or shorten the requirement for fee waivers to be submitted 60 days from the date of license expiration. Commenter indicates that preparing materials, including income verification, two months in advance of the expiration date is onerous, which should not fall to small businesses. Many of the smallest operators are on a bi-yearly or quarterly rhythm with bookkeeping and accounting support, due to the lack of need for more frequent updates for any other purpose.</p>	<p>The Department disagrees with this comment. The proposed regulation requires that a complete application for licensure, in accordance with section 15002, or renewal requirements of section 15020 must be satisfied prior to obtaining equity fee relief. Notably, licensure renewals must be submitted no earlier than 60 calendar days before expiration of the license. This enables the fee relief requestor to be fully apprised of their request for relief at the time of licensure renewal. Moreover, the Department has determined that, for administrative efficiency, requiring this submittal at least 60 days before license expiration allows the Department an appropriate amount of time to complete its review for equity fee relief prior to license expiration.</p>
15014.1(b)(4)(B)	35	<p>Commenter indicates that the proposed regulation requires submission of a request for equity fee relief at least 60 days prior to the expiration of the license. Commenter indicates that, as written, equity licensees would need to conduct two processes for renewal or complete the renewal and the equity fee relief request at the same time. Commenter suggests that the Department send out</p>	<p>The Department disagrees with commenter's suggestion that the submission date for equity fee relief requests be 30 days prior to the expiration of the license. Notably, the proposed regulation requires that a complete application for licensure, in accordance with section 15002, or renewal requirements of section 15020 must be satisfied prior to obtaining equity fee relief. Licensure renewals must be submitted no earlier than 60</p>

**Final Statement of Reasons**

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
		<p>courtesy reminders about renewals 90 days prior to the expiration of the license. Commenter also suggests that the submission date for equity fee waivers be changed to at least 30 days prior to expiration of the license.</p>	<p>calendar days before expiration of the license. This enables the fee relief requestor to be fully apprised of their request for relief at the time of licensure renewal. Moreover, the Department has determined that, for administrative efficiency, requiring this submittal at least 60 days before license expiration allows the Department an appropriate amount of time to complete its review for equity fee relief prior to license expiration. The Department notes commenter's suggestion to send out courtesy reminders. The proposed regulations do not prevent the Department from sending out courtesy reminders, and the Department routinely sends out courtesy reminders to its applicants and licensees.</p>
15014.1(b)(4)(B)	25	<p>Commenter supports the language providing refunds if fee waivers are granted after a licensee pays annual licensure fees and indicates that the Department is making a good faith effort, recognizing the complexities of operating boutique and equity operated commercial cannabis businesses.</p>	<p>The Department agrees with this comment.</p>
15014.1(b)(4)(B)	36	<p>Commenter appreciates the provision related to refunds on license fees under specified conditions. However, commenter requests that the regulations require the Department to provide such refunds in a timely manner so as to not impose a significant negative impact on the fiscal status of the business due a refund. Specifically, commenter requests Department include</p>	<p>The Department disagrees with this comment. The Department does intend to provide refunds in a timely manner. However, the specific facts and circumstances of each specific fee waiver request may differ. Therefore, the Department believes it would not be appropriate to include a timeline within the regulation.</p>

**Final Statement of Reasons**

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
		language requiring the Department to provide a refund within 30 days of a determination of eligibility.	
15014.1(c)	37	Commenter requests that the Department create and publish a form for equity fee relief requests.	The Department notes commenter's suggestion to create and publish a form for equity fee relief requests. The proposed regulations do not prevent the Department from creating a form to gather the required information from fee waiver requestors.
15014.1(c)(4)	38	<p>Commenter appreciates the simplicity of the requirement for an attestation that the qualified equity applicant or licensee owns no less than 50 percent of the commercial cannabis business applying for fee relief. However, commenter indicates that this is an important factor in ensuring that bona fide equity entrepreneurs have the authority to make decisions about a business.</p> <p>Accordingly, commenter believes that it is critical for all owners listed on the business application submit an attestation that the qualified equity applicant or licensee owns no less than 51 percent of the commercial cannabis business.</p>	The Department disagrees with this comment. Applicants and licensees are already required to attest to the accuracy of their application information, including information on owners and financial interest holders that has been provided as part of a complete application for licensure. The Department has determined that requiring additional attestations from all owners as part of a request for equity fee relief would be duplicative of existing regulatory requirements. Moreover, the Department does not have the authority to change the ownership percentage requirement in regulation. This statutory requirement is contained in BPC section 26249(c)(2).
15014.1(d)	26	<p>Commenter indicates that the original requirements for data to be submitted was heavily redundant and that it would have been a huge barrier for submissions and a burden to administrative staff.</p> <p>Commenter supports the limited number of verification items for qualified and locally</p>	The Department agrees with this comment.

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
		verified equity applicants and licensees for expedited review and indicates that the mandate of attestations placed on the licensee will ensure that information is up-to-date and not misrepresented.	
15014.1(d)	42	<p>Commenter suggests that a qualified equity applicant or licensee meet one of the two following criteria: (a) that the qualified equity applicant or licensee has, or has an immediate family member who has, a prior arrest or conviction related to the sale, possession, use, manufacture, or cultivation of cannabis. "Immediate family member" should include spouses or domestic partners, siblings, parents, and children; and (b) Residence in a low-income household for at least 5 years in an area disproportionately impacted by past criminal justice policies on cannabis. Commenter suggests that "low-income" mean an income of 80 percent or less of the area median income for the city or county of the local jurisdiction.</p>	<p>The Department disagrees with this comment. BPC section 26249 identifies the eligibility criteria for the Department's granting of fee waivers and deferrals under the equity fee relief program, which is designed to assist commercial cannabis license applicants and licensees who have been harmed by the War on Drugs. Specifically, BPC section 26249(c)(3)(C) specifies that one of the criteria is that the equity applicant or licensee reside in a household with a household income less than or equal to 60 percent of the area median income for the applicable jurisdiction. The Department does not have the authority to change the Department's equity fee relief program eligibility criteria, which are enumerated in statute.</p> <p>The Department believes that its current definition of "immediate family member" appropriately identifies particular family members whose cannabis arrests or convictions generally have a direct impact on household income and stability of family structures.</p>
15014.1(d)(3)	12, 19, 49	Commenters suggest that the Department's regulations allow all addresses, including post office boxes, if used for official records. Commenters	The Department disagrees with this comment. BPC section 26249 identifies the eligibility criteria for the Department's granting of fee waivers and



Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
		<p>indicate that rural farmers have lived and continue to live in areas without postal delivery. Their locations are only identified by assessor parcel numbers. P.O. Box mailing addresses are generally used by such individuals on all official documents, including driver's licenses and tax forms. Commenters indicate that it is discriminatory to disqualify equity farmers because their farm residence does not have direct postal service.</p> <p>One commenter suggests it also impacts business operators who have intentionally avoided having their business operations connected to their physical residence, or who may not have had an option of having documentation during the required timeframe.</p>	<p>deferrals under the Department's equity fee relief program, and is designed to assist commercial cannabis license applicants and licensees who have been harmed by the War on Drugs. Specifically, BPC section 26249(c)(3)(C) specifies that one of the criteria is that the equity applicant or licensee reside in a household with a household income less than or equal to 60 percent of the area median income for the applicable jurisdiction. Post office boxes generally do not correspond with the location an individual "resides", as required by statute. The Department does not have the authority to change the Department's equity fee relief program eligibility criteria, which are enumerated in statute.</p>
15014.1(d)(3)	27	<p>Commenter supports the regulation's added clarity around residential requirements so that P.O. Boxes do not suffice for proof of residency. Commenter also supports the five-years of required residency taking place during the timeframe of elevated disparate treatment and impact from the enforcement of the war on drugs. Commenter indicates that gentrification and displacement have made many communities unrecognizable. Those who have suffered through the height of the harm should be placed in the best position for</p>	<p>The Department agrees with this comment.</p>

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
		relief. This language takes a well-known loophole into consideration.	
150104.1(d)(4)	13, 20	<p>Commenters suggest that the Department create a fifth qualifier to separate census tract or immediate family member eligibility requirements from the areas disproportionately impacted by the War on Drugs. Commenters provide maps depicting areas that do not qualify for the fee waiver program. Commenters indicate that these areas were prime targets of the State and Federal Government's Campaign Against Marijuana Program (CAMP). Commenters indicate that equity eligible candidates who suffered the injustice of government raids for decades are no longer qualify for the program.</p>	<p>The Department disagrees with this comment. BPC section 26249 identifies the eligibility criteria for the Department's granting of fee waivers and deferrals under the Department's equity fee relief program, and is designed to assist commercial cannabis license applicants and licensees who have been harmed by the War on Drugs. The Department does not have the authority to create additional equity fee relief program eligibility criteria, which are enumerated in statute. BPC section 26249(c)(3)(D) specifies that one of the criteria is that the equity applicant or licensee reside in an area with a population disproportionately impacted by past criminal justice policies implementing cannabis prohibition. As the statute remains silent regarding what constitutes "an area with a population disproportionately impacted by past criminal justice policies implementing cannabis prohibition", the Department's emergency fee waiver regulations provided clarification regarding this criterion. However, the Department received feedback from Department stakeholders, including written public comments, which indicated that its clarifications were too broad and thus equity fee relief was not properly targeted under the criterion. In response, the Department refined the language of this subsection to ensure that equity fee relief is appropriately targeted towards low-income</p>

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
			populations in jurisdictions that were directly impacted by cannabis criminalization policies implemented during the War on Drugs.
15014.1(d)(4)	14	Commenter suggests that the Department add a sixth category for licensees who qualified for priority review under former BPC section 26054.2. Commenter indicates that the qualification for priority review status when applying for licenses included a requirement to show that the business was in operation prior to 2016. This documentation is already within a license holder's state record, and furthers the intent of both the priority review section of the Medicinal and Adult-Use Cannabis Regulation and Safety Act and the equity fee waiver program.	The Department disagrees with this comment. BPC section 26249 identifies the eligibility criteria for the Department's granting of fee waivers and deferrals under the Department's equity fee relief program, and is designed to assist commercial cannabis license applicants and licensees who have been harmed by the War on Drugs. The Department does not have the authority to create additional equity fee relief program eligibility criteria, which are enumerated in statute.
15014.1(d)(4)	46	Commenter indicates that the Department's decision to narrow who may qualify under criterion (d)(4) has effectively removed neighborhoods such as Salmon Creek that were impacted by the war on drugs. Those applicants and licensees are now unable to access fee waivers and deferrals based on their neighborhood.	The Department disagrees with this comment. BPC section 26249(c)(3)(D) specifies that one of the criteria is that the equity applicant or licensee reside in an area with a population disproportionately impacted by past criminal justice policies implementing cannabis prohibition. As the statute remains silent regarding what constitutes "an area with a population disproportionately impacted by past criminal justice policies implementing cannabis prohibition", the Department's emergency fee waiver regulations provided clarification. However, the Department received feedback from Department stakeholders, including written public

**Final Statement of Reasons**

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
			<p>comments, which indicated that its clarifications were too broad and equity fee relief was not properly targeted. In response, the Department refined the language of this subsection to ensure that equity fee relief is appropriately targeted towards low-income populations in jurisdictions that were directly impacted by cannabis criminalization policies implemented during the War on Drugs.</p>
15014.1(d)(4)	50	<p>Commenter suggests that the criterion in (d)(4)(A) and (d)(4)(B) be separated to create a fifth criterion for separate census tract and immediate family member eligibility.</p>	<p>The Department disagrees with this comment. BPC section 26249 identifies the eligibility criteria for the Department's granting of fee waivers and deferrals under the Department's equity fee relief program, and is designed to assist commercial cannabis license applicants and licensees who have been harmed by the War on Drugs. The Department does not have the authority to create additional equity fee relief program eligibility criteria, which are enumerated in statute.</p>
15014.1(e)	8, 16, 21, 45	<p>Commenter indicates that when processing a license application, the Department advises applicants if an application is incomplete and requests the items that are missing in order to issue the license; the application is not automatically denied nor is the applicant advised that they must resubmit. The commenter argues that the Department should take the same approach with an application for a fee deferral or waiver: advise the applicant of the missing items and urge them to submit the</p>	<p>The Department disagrees with this comment. The Department has received a large number of fee requests. The proposed subsection sets forth, in plain language, that the Department will deny an incomplete request for equity fee relief. This is intended for administrative efficiency and because the Department is unable to determine whether prospective equity fee relief requestors satisfy the requirements of BPC section 26249 without review of all of the requested information. This requirement also allows the Department to focus its</p>

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
		<p>items so that the request can be processed and granted. Requiring the denied applicant to submit a new request adds a burden on the equity business. This provision should be modeled after existing section 15012, which provides a mechanism of providing written notice to the applicant that their application is incomplete and identifying the information that is missing from the application.</p> <p>One commenter suggests that the Department remove the expectation for “perfection” from a segment of businesses that most likely do not have the internal support staff to prepare documentation.</p> <p>One commenter suggests deficiency letters, similar to licensure reviews, should be provided to equity fee relief requestors who have submitted an incomplete request.</p> <p>One commenter indicates that no applications are perfect, and they shouldn’t have to be completed 60-days in advance of license expiration.</p>	<p>resources on complete applications, without preventing an applicant or licensee from submitting a new complete request. Moreover, the proposed regulation requires that a complete application for licensure, in accordance with section 15002, or renewal requirements of section 15020 must be satisfied prior to obtaining equity fee relief. Licensure renewals must be submitted no earlier than 60 calendar days before expiration of the license. This enables the fee relief requestor to be fully apprised of their request for relief at the time of licensure renewal. Moreover, the Department has determined that, for administrative efficiency, requiring this submittal at least 60 days before license expiration allows the Department an appropriate amount of time to complete its review for equity fee relief prior to license expiration.</p>
15014.1(h)	9	<p>Commenter indicates that the subsection does not provide opportunities for another deferral at the end of the six-month deferral period, even though subdivision (b) provides for "unlimited fee deferrals." In addition, an applicant that receives a deferral because there were insufficient state funds for a</p>	<p>The Department disagrees with this comment. The Department determined that licensees must pay the balance of their license fees no later than six months after the issuance or renewal of the license because this provides licensees an economical way to meet their payment deadline requirements and plan their business finances on a biannual</p>

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
		<p>fee waiver must pay the deferred fees within 6 months instead of being allowed to apply again for a fee waiver or, at least, another deferral. Equity businesses that have been granted a fee deferral should be allowed to resubmit for a fee waiver or fee deferral instead of paying the deferred fees in full at six months.</p>	<p>basis. Due to the administrative burdens associated with licensure renewal processing, all annual licensing fees are due in full six months after the issuance or renewal of the license, ensuring all annual licensing fees are remitted as required by the Act, but ensures that licensees do not put themselves in the position of creating large "balloon" payments over time. However, the Department recognizes that the term "unlimited" in this context could result in confusion in the future regarding the intent of this section. Accordingly, the Department proposes rewording the section to clarify that qualified equity applicants and licensees may avail themselves of one fee waiver applied to the license of their choosing, and one fee deferral for each additional license held by the qualified equity applicant or licensee during the calendar year. The substance and intent of the section will not change.</p>

**Summary and Response to Comments Not Relevant to the Proposed Action Received During the 45-Day Comment Period**

---

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
Taxes	3	<p>Commenter indicates that taxes are too high and indicates that the 30% tax rate should be adjusted to 10%.</p>	<p>While not on the proposed action, the Department notes commenter's suggestion. The Department does not have the authority to create regulations regarding the collection of taxes. CDTFA is the department</p>

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
			responsible for promulgating regulations regarding the collection of taxes by commercial cannabis licensees.
Cannabis Advisory Committee	4	Commenter also 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. The Cannabis Advisory Committee members were selected to represent a diversity of viewpoints and experiences, including equity operators. New members are chosen via an application process and are appointed by the Department Director. Members of the public may submit an application for the Cannabis Advisory Committee for future consideration.
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 commenter's suggestion. The Department does not regulate retailer prices. However, Department licensees are responsible for complying with all applicable laws and regulations, including those related to false advertising.
Testing Laboratories	28	Commenter expresses their appreciation for the Department's endeavor to improve laboratory testing in the interest of public health and indicates that much of the language is sound. The commenter expresses concerns over the identified Standard Operating Procedures.	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 rulemaking packages.
Type 5 Licenses	29	Commenter indicates that the consideration of large Type 5 licenses should begin with the text	While not on the proposed action, the Department notes commenter's

**Final Statement of Reasons**

Section of Regulation	Comment Numbers	Summary of Comments Received During 45-Day Comment Period	Department Response
		<p>of Proposition 64 and indicates that the intention of California voters to establish a cultivation system based on small and medium-sized businesses has not materialized. Commenter indicates that the proposed Type 5 regulations and the resulting downward pressure on regulatory costs for large producers will disadvantage small- and medium-sized farmers as the cost savings for large farms will result in an enhanced ability to out-compete smaller farms, which may result in reversion of such smaller farms to the unlicensed market. Commenter suggests that it is unclear how large licenses will reduce the size of the unregulated market and argues that it may increase activity in the unregulated market. Commenter also questions the claim in the findings that the number of jobs in California will increase. Commenter questions the actual cost savings from the creation of Type 5 licenses.</p>	<p>suggestion and looks forward to working with stakeholders on the development of policies for future rulemaking packages.</p>
OSHA Requirement	30	<p>Commenter indicates that they have a robust safety program and people who are OSHA certified. They support stringent safety requirements for the industry. However, commenter indicates that the OSHA requirement is cumbersome and getting someone certified is difficult. Commenter indicates that there are few opportunities for in-person OSHA certification, and many people learn better on online offerings.</p>	<p>While not on the proposed action, the Department notes commenter's suggestion. BPC section 26051.5 requires applicants to employ one supervisor and one employee who have successfully completed a Cal-OSHA 30-hour general industry outreach course within one year of receiving or renewing a license. The Department does not have authority to change this statutory requirement.</p>
Shared-Use Manufacturing Licenses	31	<p>Commenter asks that the Department consider providing Type S licenses the same benefits of provisional licensing as Equity license applicants enjoy. Specifically, they recommend</p>	<p>While not on the proposed action, the Department notes commenter's suggestion. BPC section 26050.2 does not allow the Department to continue to</p>

**Final Statement of Reasons**



<b>Section of Regulation</b>	<b>Comment Numbers</b>	<b>Summary of Comments Received During 45-Day Comment Period</b>	<b>Department Response</b>
		allowing the issuance of Type S licenses until June 30, 2023. Commenter indicates that as a Type S facility, they plan on having 30 Type S licenses tied to their facility. There is no need for the state to complete California Environmental Quality Act (CEQA) review for such licenses.	issue Type S provisional licenses until June 30, 2023, unless the provisional license is issued to an equity applicant. Regarding commenter's CEQA concerns, the Department is unable to change statutory requirements related to CEQA compliance.
Taxes	51, 52	Commenter expresses support for alleviating taxes but indicates that taxes should be eliminated. The commenter indicates that commercial cannabis businesses are paying so much in taxes and fees that a waiver would not make the industry work correctly in the long haul.	While not on the proposed action, the Department notes commenter's suggestion. The Department does not have the authority to establish or modify tax rates, or create regulations regarding the collection of taxes. The California Legislature is responsible for establishing cannabis tax rates, and CDTFA is the department responsible for promulgating regulations regarding the collection of taxes by commercial cannabis licensees.

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

<b>Section of Regulation</b>	<b>Comment Numbers</b>	<b>Summary of Comments Received During 15-Day Comment Period</b>	<b>Department Response</b>
15014.1(b)	7	Commenter indicates they have received one fee waiver last year and that they hold two cultivation licenses. They were told that they can only obtain one fee waiver, but would like to know whether they can request a second waiver for their other license. Commenter indicates a second waiver would really help cultivators. Commenter feels that distributors and retailers get to	Comment noted by the Department. Proposed regulation, section 15014.1(b) provides that commercial cannabis business is only eligible for one fee waiver. The Department determined it was necessary to establish a limit on the number of fee

**Final Statement of Reasons**

		make up their own rules, to the detriment of cultivators. Commenter asks what the Department is planning to do to ensure that all licensees succeed, and that small farmers are not taken over by large corporations.	waivers a commercial cannabis business may be eligible for due to limited funding. Accordingly, one fee waiver per commercial cannabis business was selected to limit the potential for abuse and ensure that fee waivers may be issued to as many eligible commercial cannabis businesses as possible. Once one fee waiver has been issued to a commercial cannabis business, the licensee may obtain one fee deferral for each subsequent license in their possession.
--	--	---	--

**Summary and Response to Comments Not Relevant to the Proposed Action Received During the 15-Day Comment Period**

<b>Section of Regulation</b>	<b>Comment Numbers</b>	<b>Summary of Comments Received During 15-Day Comment Period</b>	<b>Department Response</b>
Taxes/ Maintaining Licensure During Periods of Inactivity	1	Commenter asks Department to allow licensees to keep their licenses despite not cultivating for a year or two. The commenter indicates that the current market favors large scale grows and is putting smaller grows out of business. The commenter indicates that it is not the cultivation tax that is harming the industry, but the sales tax. Large scale grows should be held accountable for taxes and fair employment wages.	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 rulemaking. The Department does not have the authority to establish or modify tax rates or create regulations regarding the collection of taxes. The California Legislature is responsible for establishing cannabis tax rates, and CDTFA is the department responsible for promulgating regulations regarding the collection of

			taxes by commercial cannabis licensees.
Licensee Networking	2	Commenter thanks the Department for its efforts aiding those impacted by the war on drugs and provides information on how the war on drugs affected their family. Commenter indicates that they will apply for licensure and inquires as to whether the Department will connect cultivators with retailers and/or whether there are groups that facilitate licensee networking.	While not on the proposed action, the Department notes commenter's remarks. The Department's online license search is available to the public and provides information regarding all state-licensed cannabis businesses.
Plant Tagging	3	Commenter indicates that plant tagging should be done on a per-batch basis, not a per-plant basis. Commenter indicates that individual plant tagging has created environmentally impacted garbage.	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.
Equity Qualified Certification	4	Commenter requests that equity licenses be able to obtain equity qualified certification. Such certification should be displayed in public, similar to their state commercial cannabis license or local permits.	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.
California Department of Fish and Wildlife	5	Commenter requests that the California Department of Fish and Wildlife be stopped from removing ponds in Northern California. Commenter indicates that there is an unending drought and fire protection is needed. Commenter indicates that pond removal causes environmental damage and kills existing animal species. Commenter indicates that plastic water tanks are expensive and they break quickly, melting in fires.	While not on the proposed action, the Department notes the commenter's suggestion.
Drying Shed Construction	6	Commenter asks that drying shed construction be allowed under provisional licenses. Commenter indicates that they have been unable to advance their business for 7 years while in provisional status and that they need infrastructure to operate.	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.

## Final Statement of Reasons

New License Type	8	Commenter proposes the creation of a new license type that would have low environmental effects and ensure production for good quality cannabis that includes: light greenhouse structures; no mixed light; no light deprivation; no heater; and the same scale of surfaces as the outdoor licenses (for a single production cycle a year).	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.
Ownership	9	Commenter proposes to allow 49% of a license's ownership to be from foreign sources.	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.

**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, nor would be as effective and less burdensome to affected private persons and equally effective in implementing the statutory policy or other provision of law.

The amendments adopted by the Department are the only regulatory provisions identified by the Department that would accomplish the goal of implementing an equity fee relief program through the issuance of fee waivers and deferrals of licensing fees. The final regulations are organized in a manner that allows applicants and licensees to easily navigate the regulations to review the process of requesting equity fee relief, ensuring clarity and consistency in the equity fee relief request process.