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12th Senate District

SB 1326 – Cannabis Commerce

SUMMARY

SB 1326 would allow the cross jurisdictional import and export to other states, of cannabis and cannabis products by authorizing the Governor to enter into an agreement to provide lawful interstate commerce. This would allow the transportation and delivery of cannabis across state lines by cannabis producers and wholesalers. SB 1326 requires the agreement to include public health, safety, and labeling standards, a system to regulate and track cannabis items, collection of applicable taxes, and that out of state cannabis items delivered to California be tested, packaged, and labeled in compliance with California state law.

BACKGROUND

California legalized cannabis for both medicinal and adult-use through the passage of Prop 64 (2016). However, state law currently limits commercial cannabis activities within California's borders, and prohibits California's cannabis licensees from engaging in interstate commerce. Historically, most of the cannabis grown in California was exported, up to 80% by some estimates, and this prohibition has consequently left many California cannabis growers with no viable pathway into the legal, regulated market.

In 2019, Oregon enacted Senate Bill 582, authorizing their Governor to enter into agreements with other states that have legalized cannabis in order to permit "cross-jurisdictional" cannabis commerce. If other states adopt a similar approach, including states that have historically net importers of cannabis, this may provide a solution to cannabis oversupply in producing regions.

Federal law currently prohibits all cannabis activities - personal or commercial - and does not distinguish between interstate activities and those occurring entirely within one state's borders. However, this does not prevent a state from choosing to legalize some or all cannabis activities under its own state laws, regardless of where those activities occur. As many as 18 states have legalized recreational use of cannabis, and 37 states allow medicinal use. Despite the bipartisan momentum to decriminalize and legalize cannabis at the federal level, none have gained traction. Coordinated action by states that have legalized cannabis, and the development of a sensible and secure

multi-state legal cannabis market, can provide support for a policy shift and help guide the federal conversation in future years.

PROBLEM

California is home to the nation's oldest and largest cannabis industry in the US, with wide consensus that California produces more cannabis than it consumes. California's consumer market appetite for cannabis is estimated at roughly 2.3 million pounds, with current legal production capacity of over six million pounds. California's legal cultivators grow more than three times as much cannabis as is sold in the legal retail marketplace. Five years after the passage of Prop 64, the cannabis industry is experiencing over production and a steep drop in prices, oversaturation of products, and cannabis businesses struggling to survive. Without considerable market expansion as part of the solution to stabilize the industry, California risks the collapse of portions of the legal industry, including cultivation and equity licensees.

SOLUTION

SB 1326 provides a relief valve for the oversupply of cannabis, an opportunity to grow California's brand and market share, support job creation and gives the state a competitive advantage as federal policy develops.

SB 1326 is an essential step to ensure that California can fully capitalize on, and remain a leader in, the forthcoming national cannabis market. California should lay the groundwork for a multi-state legal cannabis market. Not only can this strategy be replicated on a national scale, it can give California a competitive advantage.

SUPPORT

Rural County Representatives of California (RCRC)
Cannabis Distribution Association (CDA)

CONTACT

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