ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fourth Legislature - Second Regular Session

COMMITTEE ON REGULATORY AFFAIRS

Report of Special Meeting
Monday, February 10, 2020
House Hearing Room 5 -- 2:15 P.M. OR ON ADJOURNMENT OF THE REGULAR REGULATORY AFFAIRS COMMITTEE MEETING

Convened 3:13 P.M.
Recessed
Reconvened
Adjourned 3:56 P.M.

MINUTES RECEIVED
CHIEF CLERK'S OFFICE
2-12-12

Members Present
Mr. Blackman
Ms. Powers Hannley
Mr. Shah
Mrs. Terán
Mr. Toma
Mr. Roberts, Vice-Chairman
Mr. Grantham, Chairman

Members Absent

Agenda
Original Agenda – Attachment 1

Request to Speak
Report – Attachment 2

Committee Attendance
Report – Attachment 3

Committee Action

Bill	Action	Vote	Attachments
HB2657	DISC/HELD		4,5

Susan Hite
Susan Hite, Committee Secretary
February 12, 2020

(Original attachments on file in the Office of the Chief Clerk; video archives available at http://www.azleg.gov)

Convened 3:13 PM

Adj 3:56 PM

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fourth Legislature - Second Regular Session

SPECIAL MEETING AGENDA

COMMITTEE ON REGULATORY AFFAIRS

DATE Monday, February 10, 2020 ROOM HHR 5 TIME 2:15 P.M. or upon adjournment of the regular Regulatory Affairs Committee meeting

Members:

Mr. Blackman
Ms. Powers Hannley
Mr. Shah
Mrs. Terán
Mr. Toma
Mr. Roberts, Vice-Chairman
Mr. Grantham, Chairman

With permission of the Speaker pursuant to House Rule 9(c)(7)

Bills	Short Title	Strike Everything Title
*HB2657 Disc Held	marijuana; adult use; sale; regulation (Friese) HHS, RA, JUD, RULES	

* For informational purposes only

ORDER OF BILLS TO BE SET BY THE CHAIRMAN

sh
02/06/2020

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032 or through Arizona Relay Service 7-1-1.

Attachment 1

Information Registered on the Request to Speak System

House Regulatory Affairs (2/10/2020)

HB2657, marijuana; adult use; sale; regulation

Testified in support:
Tory Roberg, MITA-AZ

Testified as opposed:
mikel weisser, representing self

Support:
Dianne Post, representing self; David Douthit, representing self

Oppose:
Cynthia Coping, representing self; Ryan Boyd, AZ ASSOCIATION OF COUNTIES

All Comments:
Tory Roberg, MITA-AZ: MITA Supports ALL marijuana legalization efforts and commits to working with the bill sponsor regarding stakeholder concerns.; mikel weisser, Self: I want to list the problems with this bill from a cannabis consumer's perspective.; Cynthia Coping, Self: This bill legalizes recreational use of a mind-altering, motivation-killing substance for which the intensity of intoxication cannot be controlled, measured or pre-determined by the user. It will attract homeless people with drug problems to Arizona.; Ryan Boyd, AZ ASSOCIATION OF COUNTIES: On behalf of Clerks of the Superior Court with administrative concerns on expungement process.

Attachment 2

ARIZONA STATE LEGISLATURE

Fifty-fourth Legislature - Second Regular Session

COMMITTEE ATTENDANCE RECORD

COMMITTEE ON **REGULATORY AFFAIRS**

CHAIRMAN: Travis W. Grantham VICE-CHAIRMAN: Bret Roberts

			SPECIAL		
DATE	1/27 /20	2/10 /20	2/10 /20	/20	/20
CONVENED	2:04 pm	2:34 pm	3:13 pm	m	m
RECESSED					
RECONVENED					
ADJOURNED	~~3:32 pm~~	3:13 pm	3:56 pm		
MEMBERS					
Blackman	✓	✓	✓		
Powers Hannley	✓	✓	✓		
Shah	✓	✓	✓		
Terán	✓	✓	✓		
Toma	✓	✓	✓		
Roberts, Vice-Chairman	✓	✓	✓		
Grantham, Chairman	✓	✓	✓		

√ Present --- Absent exc Excused

Attachment 3

ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fourth Legislature
Second Regular Session

HB 2657: marijuana; adult use; sale; regulation
Sponsor: Representative Friese, LD 9
Committee on Regulatory Affairs

Overview

Adds a new Chapter 4 (Regulation of Marijuana) to Title 4 (Alcoholic Beverages) statutes. Establishes the State Marijuana Board (Board). Outlines the Board's membership and duties regarding the regulation of marijuana.

History

In 2010, Proposition 203, an initiative measure that was approved by the voters, established the Arizona Medical Marijuana Act (Act). The Act established the regulatory requirements for DHS including: rulemaking, registration and certification of a dispensary and dispensary agents, registration of qualifying patients and designated caregivers, issuance of registry identification cards and fingerprinting requirements (Title 36, Chapter 28.1).

Provisions

State Marijuana Board (Sec. 3)

1. Establishes the Board under the Department of Liquor Licenses and Control (Department) consisting of seven members who are appointed by the Governor and approved by the Senate.
2. Prohibits five members of the Board (Members) from being financially interested, directly or indirectly, in business licensed to deal with marijuana (Licensee).
3. Requires two Members to consist of:
   a) One who is currently a Licensee or employee of a Licensee; and
   b) One who is a member of a neighborhood association recognized by a county, city or town.
4. States that a Members term is three years and the term expire on the third Monday in January of the appropriate year.
5. Authorizes the Governor to remove any Member for cause.
6. Prohibits a Member from representing another Licensee before the Board for one year after the conclusion of the Member's service.
7. Requires the Board to annually elect a chairman (Chair) and vice-chairman from its membership.
8. States that a majority of the Board constitutes a quorum and is sufficient for taking action.
   a) If there are unfilled positions on the Board, a majority of the Members serving constitute a quorum.
9. Authorizes the Chair to designate a panel of three members who may take action that the Board is authorized to take including holding hearings and hearing appeals of administrative disciplinary proceedings of licensees.

☒ Prop 105 (45 votes)	☒ Prop 108 (40 votes)	☐ Emergency (40 votes)	☐ Fiscal Note

10. Allows the Chair to add or remove Members from the panel.
11. Permits the Members to receive $50 a day as compensation while engaged in Board business.
12. States that a person may not be appointed to the Board unless the person has been a state resident for five years.
13. Outlines the political party affiliation requirements for the Members.

Duties of the Board (Sec. 3)

14. Requires the Board to:
    a) Grant and deny applications;
    b) Adopt rules; and
    c) Hear appeals and hold hearings.
15. States that a decision issued by the Director of the Department (Director) is not final for purposes of appeal to Superior Court until it is first appealed and ruled on by the Board.
16. Outlines the appeal process for applicants or Licensees to the Board.

Personal Use of Marijuana (Sec. 3)

17. States that, beginning on January 1, 2022, the following acts are lawful and are not a criminal or civil offense under the laws of this state:
    a) Possessing, using, purchasing or transporting marijuana accessories or one ounce or less of marijuana;
        i. Prohibits more than five grams of marijuana concentrate;
    b) Transferring one ounce or less of marijuana in the original sealed packaging to a person who is at least 21 years of age; and
    c) Consuming marijuana in a private residence, unless the residence is a child or adult day care facility or a health care facility.
18. Prohibits a person from:
    a) Possessing, growing, processing or transporting marijuana plants in this state unless otherwise authorized;
    b) Transporting any amount of marijuana that is not in its original sealed packaging unless otherwise authorized;
    c) Driving, flying or boating while impaired by even the slightest degree by marijuana;
    d) Purchasing, possessing, transporting or consuming marijuana or marijuana products (Marijuana) for a person under 21 years of age; and
    e) Consuming Marijuana in a public place.
19. States that, beginning on January 1, 2022, a person who consumes marijuana in public or transports marijuana that is in the original packaging with the seal broken or part of the contents removed is guilty of a class 2 misdemeanor.

Sale of Marijuana (Sec. 3)

20. Allows a liquor store licensee to apply to the Department for a retail marijuana store (Store) registration (Registration) to be located in the liquor store.
21. States that a registered nonprofit medical marijuana dispensary (Dispensary) or an applicant who is not a Licensee may apply to the Department for a Registration.
    a) States that a registered Store cannot collocate with a Dispensary.
22. Authorizes the Department to issue up to 500 Registrations over a 5-year period with liquor store licensees receiving 75% of the Registrations and Dispensary's and non-Licensees receiving 25% of the Registrations.

a) Requires the Department to allocate the licenses throughout the state based on population.

23. States that before a liquor store licensee, Dispensary or non-Licensee applies for a Registration the licensee must apply with the local jurisdiction and receive approval for the location of the Store.

24. Requires the Director to prescribe the application form and fees for an original and renewal Registration.

25. States that a Registration is valid for three years.

26. Requires the Department to inspect a Store at least once a year.

Retail Marijuana Stores (Sec.3)

27. Requires a Store located within a liquor store to be in a secured area that is restricted to persons who are at least 21 years of age.

28. Requires the shelving, display and purchase of the Marijuana to occur within the secured area of the Store.

29. Prohibits a Store from:
    a) Allowing onsite consumption of Marijuana;
    b) Selling any product in the Store that contains both marijuana and alcohol;
    c) Facilitating the delivery of Marijuana;
    d) Soliciting or accepting, or operating a platform that solicits or accepts order for Marijuana;
    e) Selling or advertising Marijuana to children, or with names that resemble or imitate food or drink brands that are marketed to children; and
    f) Selling Marijuana that resembles the form of a human, animal, insect, fruit, toy or cartoon.

30. Permits a Store to engage in advertising if the advertising accurately and legibly identifies, by name and registration number, the Store responsible for the content.

31. Requires the Store to allow an independent third-party laboratory (Lab) to test Marijuana in the Store.

32. Requires the Store to comply with all requests for testing from the Department of Health Services (DHS) and Labs authorized by DHS to test Marijuana.

33. Outlines lawful acts performed by a registered Store relating to: possessing, displaying, storing, delivering, transferring, receiving, purchasing and transporting Marijuana.
    a) States that, beginning January 1, 2022, it is lawful for a Store to sell Marijuana.

34. States that to lease or allow the use of property owned, occupied or controlled by any person, corporation or other entity for any activity conducted lawfully is not a basis for seizure or forfeiture of assets.

35. Authorizes the Department to impose penalties on a Store for violating statute or rules adopted by the Department.

Retail Sale of Marijuana Fund (Sec. 3)

36. Establishes the Retail Sale of Marijuana Fund which is administered by the Director and consists of fees collected relating to the sale of Marijuana.

37. States that monies in the Retail Sale of Marijuana Fund are continuously appropriated and must be used to regulate Stores and enforce the adult use of marijuana.

Automatic Expungement and Sealing of Records for Marijuana Possession (Sec. 4)

38. Mandates the court to expunge the record of a person's arrest, conviction and sentence for possessing marijuana.
    a) A person whose record is expunged must be treated as if the person was never arrested, convicted or sentenced.
39. States that, one year after the effective date, all law enforcement agencies and clerk of the court in each county must identify and seal all records related to a person's arrest, conviction and sentence for possessing marijuana.
40. Outlines the process for court records for an arrest or charge relating to Marijuana possession be sealed or expunged.

Marijuana Cultivator and Manufacturer Registration (Sec. 8)

41. Requires the Director of DHS to issue registration cards (Cards) for cultivating and manufacturing Marijuana to be sold to wholesalers.
42. Authorizes the Director of DHS to issue 285 Cards which are valid for two years. Outlines the order in which Cards are issued by the Director of DHS.
43. Permits a marijuana cultivator and manufacturer to:
    a) Cultivate, produce and process Marijuana;
    b) Transfer Marijuana to Labs for testing; and
    c) Sell, transfer or transport Marijuana to wholesalers.
44. Prohibits a marijuana cultivator and manufacturer from:
    a) Selling Marijuana directly to Stores or consumers;
    b) Manufacturing marijuana products that resemble a human, animal, insect, fruit, toy or cartoon; and
    c) Packaging or labeling Marijuana in a false or misleading manner.
45. Outlines Marijuana packaging, labeling, and serving size and strength requirements.
46. Requires a cultivator and manufacturer to transfer Marijuana to Labs as required.
47. Requires the Director of DHS to adopt rules relating to Cards, fees and cultivating and manufacturing Marijuana.
48. Requires the rules to be consistent with the Arizona Medical Marijuana Act.

Adult Use of Marijuana Fund (Sec. 8)

49. Establishes the Adult Use of Marijuana Fund which is administered by the Director of DHS and consists of fees for Cards.
50. States that monies in the Adult Use of Marijuana Fund are continuously appropriated and must be used to:
    a) Regulate the cultivating and manufacturing of Marijuana for adult use;
    b) Test Marijuana; and
    c) Inspect cultivators and manufacturers.

Marijuana Wholesalers (Sec. 9)

51. Requires the Department of Revenue (DOR) to license Marijuana Wholesalers (Wholesalers) for the purpose of transporting, delivering and selling Marijuana to Stores.
52. Prohibits a Wholesaler from holding a Store registration or Card.

53. Requires DOR in conjunction with the Department to adopt rules regarding qualifications, bond requirements and any other requirements of a Wholesaler.
54. Allows DOR to prescribe and collect fees for a Wholesaler application initial and renewal license.
55. States that a Wholesaler license is valid for two years.
56. Restricts the number of Wholesaler licenses DOR may issue to no more than 10% of the number of Store registrations.
57. Requires each Wholesaler purchasing Marijuana for resale in Arizona to pay the required tax on all Marijuana purchased by Stores and add the amount of the tax to the sale price.
58. Requires each Wholesaler to pay the tax and provide a sworn return with specified information to DOR monthly.
59. Outlines penalties for failing to pay required tax.
60. Levies a tax on Marijuana at the rate of 16% of the wholesale price of each Marijuana container.
61. Requires DOR to deposit the Marijuana tax as follows:
    a) The first $300,000,000 to the Building Renewal Grant Fund; and
    b) The remainder to the state General Fund.

Miscellaneous

62. States that the aforementioned provisions do not restrict the rights of employers to maintain a drug and alcohol-free work place or affect workplace policies restricting the use of marijuana by employees or prospective employees. (Sec. 3)
63. Outlines a local jurisdictions zoning regulation for a Store. (Sec. 3)
64. Authorizes cities and towns to levy a privilege tax and a permit tax or fee for selling marijuana at retail within the city's or town's corporate limits. (Sec. 3)
65. Allows the School Facilities Board to transfer monies deposited in the Building Renewal Grant Fund, that are unencumbered at the end of any fiscal year, to either the New School Facilities Fund or the Emergency Deficiencies Fund. (Sec. 5)
66. Requires DHS to conduct proficiency testing and remediate problems with a Lab that is certified and regulated under the Arizona Medical Marijuana Act. (Sec. 6, 8)
67. Authorizes the Director of DHS to use monies in the Medical Marijuana Fund to renovate the state laboratory to comply with the proficiency testing requirements of Labs. (Sec. 7)
68. Requires the Director of DHS to provide testing or contract with a Lab for testing of Marijuana. (Sec. 8)
69. Requires DHS to inspect, at least annually, a cultivator and manufacturer to determine compliance. (Sec. 8)
70. Requires DOR to inspect, at least annually, each Wholesaler. (Sec. 9)
71. Outlines the requirements for Marijuana tax stamps. (Sec. 9)
72. Requires a Wholesaler to allow a Lab or DHS test Marijuana in their possession. (Sec. 9)
73. Defines pertinent terms. (Sec. 3, 4, 8, 9)
74. Contains an applicability statement. (Sec. 10)

75. Contains a Prop 105 clause. (Sec. 11)

76. Contains a Prop 108 clause. (Sec. 12)

77. Makes technical and conforming changes. (Sec. 1, 2, 7)

Attachment 6

