COMMITTEE ON COMMERCE

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1057 (Reference to Senate engrossed bill)

1	C+nika	avany+hina	2 f + 2 n	+ h ^	onsoting	0121100	าทฝ	incont.
1	SULIKE	everything	arter	une	enacting	Clause	anu	insert:

"Section 1. Subject to the requirements of article IV, part 1, section 1, Constitution of Arizona, section 36-2803.01, Arizona Revised Statutes, is amended to read:

36-2803.01. New dispensary registration certificates: issuance; priority; requirements; definition

- A. EXCEPT AS PROVIDED IN SUBSECTION E OF THIS SECTION, beginning on April 1, 2020, the department shall issue all new nonprofit medical marijuana dispensary registration certificates in the following order of priority based on the dispensary's geographic area as described in the registration certificate application:
- 1. The geographic area had a registered nonprofit medical marijuana dispensary move from the geographic area and the geographic area is at least twenty-five miles from another dispensary that has been issued a dispensary registration certificate.
- 2. The geographic area is at least twenty-five miles from another dispensary that has been issued a dispensary registration certificate.
- 3. According to rule, $\frac{1}{1}$ there are no dispensary registration certificate applications as described in paragraph 1 or 2 of this subsection.
- B. If the department receives multiple applications as described in subsection A, paragraph 1 of this section from previously approved nonprofit medical marijuana dispensary locations, the department shall approve the certificate for the application that serves the most qualifying patients within five miles of the proposed dispensary location. If the department receives multiple applications as described in subsection A,

- paragraph 2 of this section or if there are no applications from previously approved dispensary locations, the department may issue the registration certificate by random drawing.
- C. A nonprofit medical marijuana dispensary that receives a registration certificate pursuant to subsection A, paragraph 1 or 2 OR SUBSECTION E of this section on or after April 1, 2020 must open the dispensary at the approved location within eighteen months after the application is approved or the registration certificate becomes invalid.
- D. A nonprofit medical marijuana dispensary that is issued a registration certificate pursuant to subsection A, paragraph 1 or 2 of this section may relocate only as follows:
- 1. If the dispensary is located within a city or town, only within that city or town.
- 2. If the dispensary is located within an unincorporated area, only within the unincorporated area of the county where the dispensary is located but not within twenty-five miles from another dispensary that has been issued a dispensary registration certificate.
- E. NOTWITHSTANDING ANY OTHER PROVISION OF THIS CHAPTER, THE DEPARTMENT SHALL ISSUE A NONPROFIT MEDICAL MARIJUANA DISPENSARY REGISTRATION CERTIFICATE TO EACH ENTITY THAT IS ISSUED A MARIJUANA ESTABLISHMENT LICENSE PURSUANT TO SECTION 36-2854, SUBSECTION A, PARAGRAPH 1, SUBDIVISION (g) AND ALLOW THESE REGISTRATION CERTIFICATE HOLDERS TO RELOCATE THEIR RETAIL SITE ONLY TO ANOTHER UNSERVED RURAL COMMUNITY IN ACCORDANCE WITH SECTION 36-2857.01.
- E. F. For the purposes of this section, "geographic area" means a city, town or unincorporated area of a county.
- Sec. 2. Subject to the requirements of article IV, part 1, section 1, Constitution of Arizona, section 36-2854, Arizona Revised Statutes, is amended to read:
 - 36-2854. Rules: licensing: early applicants: fees: civil penalty: legal counsel
- A. The department shall adopt rules to implement and enforce this chapter and regulate marijuana, marijuana products, marijuana

establishments and marijuana testing facilities. Those rules shall include requirements for:

- 1. Licensing marijuana establishments and marijuana testing facilities, including conducting investigations and background checks to determine eligibility for licensing for marijuana establishment and marijuana testing facility applicants, except that:
- (a) An application for a marijuana establishment license or marijuana testing facility license may not require the disclosure of the identity of any person who is entitled to a share of less than ten percent of the profits of an applicant that is a publicly traded corporation.
- (b) The department may not issue more than one marijuana establishment license for every ten pharmacies that have registered under section 32-1929, that have obtained a pharmacy permit from the Arizona board of pharmacy and that operate within this state.
- (c) Notwithstanding subdivision (b) of this paragraph, the department may issue a marijuana establishment license to not more than two marijuana establishments per county that contains no registered nonprofit medical marijuana dispensaries, or one marijuana establishment license per county that contains one registered nonprofit medical marijuana dispensary. Any license issued pursuant to this subdivision shall be for a fixed county and may not be relocated outside of that county.
- (d) The department shall accept applications for marijuana establishment licenses from early applicants beginning January 19, 2021 through March 9, 2021. Not later than sixty days after receiving an application pursuant to this subdivision, the department shall issue a marijuana establishment license to each qualified early applicant. If the department has not adopted final rules pursuant to this section at the time marijuana establishment licenses are issued pursuant to this subdivision, licensees shall comply with the rules adopted by the department to implement chapter 28.1 of this title except those that are inconsistent with this chapter.
- (e) After issuing marijuana establishment licenses to qualified early applicants, the department shall issue marijuana establishment

licenses available under subdivisions (b) and (c) of this paragraph by random selection and according to rules adopted pursuant to this section. At least sixty days before any random selection, the department shall prominently publicize the random selection on its website and through other means of general distribution intended to reach as many interested parties as possible and shall provide notice through an email notification system to which interested parties can subscribe.

- (f) Notwithstanding subdivisions (b) and (c) of this paragraph, and not later than six months after the department adopts final rules to implement a social equity ownership program pursuant to paragraph 9 of this subsection, the department shall issue twenty-six additional marijuana establishment licenses to entities that are qualified pursuant to the social equity ownership program.
- (g) NOTWITHSTANDING SUBDIVISIONS (b) AND (c) OF THIS PARAGRAPH, THE DEPARTMENT SHALL ISSUE A MARIJUANA ESTABLISHMENT LICENSE TO EACH ENTITY THAT IS QUALIFIED PURSUANT TO THE RURAL OPPORTUNITY INITIATIVE. THE LICENSES ISSUED PURSUANT TO THIS SUBDIVISION SHALL BE FOR A FIXED COMMUNITY THAT HAS NOT OPTED OUT OF THE RURAL OPPORTUNITY INITIATIVE, AND THE ENTITY'S RETAIL SITE MAY BE RELOCATED ONLY TO AN UNSERVED RURAL COMMUNITY IN ACCORDANCE WITH SECTION 36-2857.01. THE DEPARTMENT MAY NOT ISSUE MORE THAN EIGHTEEN MARIJUANA ESTABLISHMENT LICENSES PURSUANT TO THIS SUBDIVISION.
- (g) (h) Licenses issued by the department to marijuana establishments and marijuana testing facilities shall be valid for a period of two years. A dual licensee's initial renewal date, which will be the ongoing renewal date for both the dual licensee's marijuana establishment license and nonprofit medical marijuana dispensary registration, is the earlier of:
 - (i) The date of the marijuana establishment license renewal.
- (ii) The date of the nonprofit medical marijuana dispensary registration renewal.
- (h) (i) The department may not issue a marijuana establishment or marijuana testing facility license to an applicant who has an ownership

interest in an out-of-state marijuana establishment or marijuana testing facility, or the other state's equivalent, that has had its license revoked by the other state.

- 2. Licensing fees and renewal fees for marijuana establishments and marijuana testing facilities in amounts that are reasonable and related to the actual cost of processing applications for licenses and renewals and that do not exceed five times the fees prescribed by the department to register or renew a nonprofit medical marijuana dispensary.
- 3. The security of marijuana establishments and marijuana testing facilities.
- 4. Marijuana establishments to safely cultivate, process and manufacture marijuana and marijuana products. The department shall require licensees to procure, develop, acquire and maintain a system to track marijuana and marijuana products at all points of cultivation, manufacturing and sale. The system developed and maintained pursuant to this paragraph shall:
- (a) Ensure an accurate accounting and reporting of the production, processing and sale of marijuana and marijuana products.
 - (b) Ensure compliance with rules adopted by the department.
 - (c) Be capable of tracking, at a minimum:
- (i) The propagation of immature marijuana plants and the production of marijuana by a marijuana establishment.
- (ii) The processing of marijuana and marijuana products by a marijuana establishment.
- (iii) The sale and purchase of marijuana and marijuana products between licensees.
- (iv) The transfer of marijuana and marijuana products between premises for which licenses have been issued.
 - (v) The disposal of marijuana waste.
- (vi) The identity of the person making the entry in the system and the time, date and location of each entry into the system, including any corrections or changes to that information.

- (vii) Any other information that the department determines is reasonably necessary to accomplish the duties, functions and powers of the department.
- (d) Contain a transactional stamp to ensure accuracy, provide for chain of custody of the information and foreclose tampering of the data, human error or intentional misreporting.
- 5. Tracking, testing, labeling consistent with section 36-2854.01 and packaging marijuana and marijuana products, including requirements that marijuana and marijuana products be:
- (a) Sold to consumers in clearly and conspicuously labeled containers that contain accurate warnings regarding the use of marijuana or marijuana products.
- (b) Placed in child-resistant packaging on exit from a marijuana establishment.
- 6. Forms of government-issued identification that are acceptable by a marijuana establishment verifying a consumer's age and procedures related to verifying a consumer's age consistent with section 4-241. Until the department adopts final rules related to verifying a consumer's age, marijuana establishments shall comply with the proof of legal age requirements prescribed in section 4-241.
- 7. The potency of edible marijuana products that may be sold to consumers by marijuana establishments at reasonable levels on consideration of industry standards, except that the rules:
- (a) Shall limit the strength of edible marijuana products to not more than ten milligrams of tetrahydrocannabinol per serving or one hundred milligrams of tetrahydrocannabinol per package.
- (b) Shall require that if a marijuana product contains more than one serving, it must be delineated or scored into standard serving sizes and homogenized to ensure uniform disbursement throughout the marijuana product.
- 8. Ensuring the health, safety and training of employees of marijuana establishments and marijuana testing facilities.

- 9. The creation and implementation of a social equity ownership program to promote the ownership and operation of marijuana establishments and marijuana testing facilities by individuals from communities disproportionately impacted by the enforcement of previous marijuana laws.
- 10. Prohibiting a marijuana testing facility from having any direct or indirect familial relationship with or financial ownership interest in a marijuana establishment or related marijuana business entity or management company. The rules shall include prohibiting a marijuana establishment from having any direct or indirect familial relationship with or financial ownership interest in a marijuana testing facility or related marijuana business entity or management company.
- 11. Requiring marijuana establishments to display in a conspicuous location a sign that warns pregnant women about the potential dangers to fetuses caused by smoking or ingesting marijuana while pregnant or to infants while breastfeeding and the risk of being reported to the department of child safety during pregnancy or at the birth of the child by persons who are required to report. The rules shall include the specific warning language that must be included on the sign. The cost and display of the sign required by rule shall be borne by the marijuana establishment.
- 12. ESTABLISHING AND IMPLEMENTING A RURAL OPPORTUNITY INITIATIVE IN ACCORDANCE WITH SECTION 36-2857.01 TO CREATE TAX REVENUE AND ECONOMIC OPPORTUNITIES FOR RURAL COMMUNITIES.
 - B. The department may:
- 1. Subject to title 41, chapter 6, article 10, deny any application submitted or deny, suspend or revoke, in whole or in part, any registration or license issued under this chapter if the registered or licensed party or an officer, agent or employee of the registered or licensed party does any of the following:
- (a) Violates this chapter or any rule adopted pursuant to this chapter.
- (b) Has been, is or may continue to be in substantial violation of the requirements for licensing or registration and, as a result, the health or safety of the general public is in immediate danger.

- 2. Subject to title 41, chapter 6, article 10, and unless another penalty is provided elsewhere in this chapter, assess a civil penalty against a person that violates this chapter or any rule adopted pursuant to this chapter in an amount not to exceed \$2,000 for each violation. Each day a violation occurs constitutes a separate violation. In determining the amount of a civil penalty assessed against a person, the department shall consider all of the factors set forth in section 36-2816, subsection H. All civil penalties collected by the department pursuant to this paragraph shall be deposited in the smart and safe Arizona fund established by section 36-2856.
- 3. At any time during regular hours of operation, visit and inspect a marijuana establishment, marijuana testing facility or dual licensee to determine if it complies with this chapter and rules adopted pursuant to this chapter. The department shall make at least one unannounced visit annually to each facility licensed pursuant to this chapter.
- 4. Adopt any other rules that are not expressly stated in this section and that are necessary to ensure the safe and responsible cultivation, sale, processing, manufacture, testing and transport of marijuana and marijuana products.
- C. Until the department adopts rules allowing and regulating delivery by marijuana establishments pursuant to subsection D of this section, delivery is unlawful under this chapter.
- D. On or after January 1, 2023, the department may, and not later than January 1, 2025 the department shall, adopt rules to allow and regulate delivery by marijuana establishments. The rules shall:
- 1. Require that delivery and the marijuana and marijuana products to be delivered originate from a designated retail location of a marijuana establishment and only after an order is made with the marijuana establishment by a consumer. The rules may not limit the distance between the delivery location and the originating designated retail location of the marijuana establishment.

- 2. Prohibit delivery to any property owned or leased by the United States, this state, a political subdivision of this state or the Arizona board of regents.
- 3. Limit the amount of marijuana and marijuana products based on retail price that may be in a delivery vehicle during a single trip from the designated retail location of a marijuana establishment.
- 4. Prohibit extra or unallocated marijuana or marijuana products in delivery vehicles.
- 5. Require that deliveries be made only by marijuana facility agents in unmarked vehicles that are equipped with a global positioning system or similar location tracking system and video surveillance and recording equipment, and that contain a locked compartment in which marijuana and marijuana products must be stored. The rules may not limit the number of vehicles that a marijuana establishment may use for delivery.
- 6. Require delivery logs necessary to ensure compliance with this subsection and rules adopted pursuant to this subsection.
- 7. Require inspections to ensure compliance with this subsection and rules adopted pursuant to this subsection.
- 8. Include any other provisions necessary to ensure safe and restricted delivery.
- 9. Require dual licensees to comply with the rules adopted pursuant to this subsection.
- E. Except as provided in subsection D of this section, the department may not allow delivery of marijuana or marijuana products under this chapter by any individual or entity. In addition to any other penalty imposed by law, an individual or entity that delivers marijuana or marijuana products in a manner that is not authorized by this chapter shall pay a civil penalty of \$20,000 per violation to the smart and safe Arizona fund established by section 36-2856. This subsection may be enforced by the attorney general.
- F. All rules adopted by the department pursuant to this section shall be consistent with the purpose of this chapter.
 - G. The department may not adopt any rule that:

- 1. Prohibits the operation of marijuana establishments, either expressly or through requirements that make the operation of a marijuana establishment unduly burdensome.
- 2. Prohibits or interferes with the ability of a dual licensee to operate a marijuana establishment and a nonprofit medical marijuana dispensary at shared locations.
- H. Notwithstanding section 41-192, the department may employ legal counsel and make an expenditure or incur an indebtedness for legal services for the purposes of:
 - 1. Defending this chapter or rules adopted pursuant to this chapter.
- 2. Defending chapter 28.1 of this title or rules adopted pursuant to chapter 28.1 of this title.
- I. The department shall deposit all license fees, application fees and renewal fees paid to the department pursuant to this chapter in the smart and safe Arizona fund established by section 36-2856.
- J. On request, the department of health services shall share with the department of revenue information regarding a marijuana establishment, marijuana testing facility or dual licensee, including its name, physical address, cultivation site and transaction privilege tax license number.
 - K. Notwithstanding any other law, the department may:
- 1. License an independent third-party laboratory to also operate as a marijuana testing facility.
 - 2. Operate a marijuana testing facility.
- L. The department shall maintain and publish a current list of all marijuana establishments and marijuana testing facilities by name and license number.
- M. Notwithstanding any other law, the issuance of an occupational, professional or other regulatory license or certification to a person by a jurisdiction or regulatory authority outside this state does not entitle that person to be issued a marijuana establishment license, a marijuana testing facility license, or any other license, registration or certification under this chapter.

- N. Until the department adopts rules as required by subsection A, paragraph 10 of this section:
- 1. A marijuana testing facility is prohibited from having any direct or indirect familial relationship with or financial ownership interest in a marijuana establishment or related marijuana business entity or management company.
- 2. A marijuana establishment is prohibited from having any direct or indirect familial relationship with or financial ownership interest in a marijuana testing facility or related marijuana business entity or management company.
- Sec. 3. Subject to the requirements of article IV, part 1, section 1, Constitution of Arizona, title 36, chapter 28.2, Arizona Revised Statutes, is amended by adding section 36-2857.01, to read:

36-2857.01. Rural opportunity initiative; applicant requirements; opt out; definition

- A. ON OR BEFORE JULY 1, 2026, THE DEPARTMENT SHALL ADOPT RULES ESTABLISHING A RURAL OPPORTUNITY INITIATIVE IN ACCORDANCE WITH THIS SECTION.
- B. ON OR BEFORE AUGUST 1, 2026, THE DEPARTMENT SHALL POST ON THE DEPARTMENT'S PUBLIC WEBSITE A FORM THAT ALLOWS UNSERVED RURAL COMMUNITIES TO COMMUNICATE TO THE DEPARTMENT THE UNSERVED RURAL COMMUNITY'S INTENTION TO OPT OUT OF PARTICIPATION IN THE RURAL OPPORTUNITY INITIATIVE. FOR THE PURPOSES OF THIS SECTION, A COUNTY MAY OPT OUT OF PARTICIPATION ON BEHALF OF CENSUS-DESIGNATED AREAS IN THE COUNTY, NOT INCLUDING CITIES OR TOWNS. AN UNSERVED RURAL COMMUNITY MAY WITHDRAW ITS OPT-OUT FORM AT ANY TIME.
- C. ON OR BEFORE OCTOBER 1, 2026, THE DEPARTMENT SHALL POST AND MAINTAIN ON THE DEPARTMENT'S PUBLIC WEBSITE A CURRENT LIST OF UNSERVED RURAL COMMUNITIES THAT HAVE OPTED OUT OF THE RURAL OPPORTUNITY INITIATIVE.
- D. BEGINNING OCTOBER 1, 2026, THE DEPARTMENT SHALL ACCEPT APPLICATIONS FROM QUALIFIED APPLICANTS. WITHIN SIXTY DAYS AFTER RECEIVING THE FIRST APPLICATION FROM A QUALIFIED APPLICANT THAT SEEKS TO SERVE A SPECIFIC UNSERVED RURAL COMMUNITY, THE DEPARTMENT SHALL ISSUE A MARIJUANA

- ESTABLISHMENT LICENSE PURSUANT TO SECTION 36-2854, SUBSECTION A, PARAGRAPH

 1, SUBDIVISION (g) AND A NONPROFIT MEDICAL MARIJUANA DISPENSARY

 REGISTRATION CERTIFICATE PURSUANT TO SECTION 36-2803.01, SUBSECTION E TO

 THE QUALIFIED APPLICANT THAT FIRST APPLIES TO SERVE THE UNSERVED RURAL
 COMMUNITY.
 - E. TO QUALIFY FOR A LICENSE PURSUANT TO THE RURAL OPPORTUNITY INITIATIVE, AN APPLICANT SHALL COMPLETE AND SUBMIT A DEPARTMENT-APPROVED FORM OR FORMS SHOWING THAT THE APPLICANT HAS A LANDOWNER'S CONSENT TO USE PROPERTY IN THE ELIGIBLE UNSERVED RURAL COMMUNITY FOR A MARIJUANA RETAIL SITE AND A DEPARTMENT-APPROVED FORM OR FORMS SHOWING THE PROPERTY IS IN COMPLIANCE WITH LOCAL ZONING RESTRICTIONS APPLICABLE TO WHERE A RETAIL SITE OPERATING PURSUANT TO BOTH A MARIJUANA ESTABLISHMENT LICENSE AND A NONPROFIT MEDICAL MARIJUANA DISPENSARY REGISTRATION CERTIFICATE AND THIS SECTION MAY BE LOCATED.
 - F. A LANDOWNER MAY NOT EXECUTE OR AGREE TO EXECUTE MULTIPLE LANDOWNER CONSENT FORMS CONCERNING THE SAME PROPERTY ADDRESS FOR THE RURAL OPPORTUNITY INITIATIVE. THE LANDOWNER CONSENT FORM EXECUTED FIRST IN TIME IS THE ONLY VALID LANDOWNER CONSENT FORM.
 - G. NOTWITHSTANDING ANY OTHER PROVISION OF THIS CHAPTER OR CHAPTER 28.1 OF THIS TITLE, EACH ENTITY THAT IS ISSUED A MARIJUANA ESTABLISHMENT LICENSE PURSUANT TO SECTION 36-2854, SUBSECTION A, PARAGRAPH 1, SUBDIVISION (g) AND A NONPROFIT MEDICAL MARIJUANA DISPENSARY REGISTRATION CERTIFICATE PURSUANT TO SECTION 36-2803.01, SUBSECTION E:
 - 1. SHALL BE LICENSED BY THE DEPARTMENT TO OPERATE ONLY ONE RETAIL LOCATION AND ONE OFF-SITE LOCATION AT WHICH THE ENTITY MAY CULTIVATE MARIJUANA AND MANUFACTURE MARIJUANA PRODUCTS.
 - 2. MAY OPERATE AN OFF-SITE LOCATION ONLY AT A PROPERTY WHERE CULTIVATION OPERATIONS WERE CONDUCTED PURSUANT TO THE DEPARTMENT'S APPROVAL FOR AT LEAST ONE DAY DURING THE EIGHTEEN MONTHS IMMEDIATELY PRECEDING THE ENTITY'S DATE OF APPLICATION TO OPERATE AT THE OFF-SITE CULTIVATION LOCATION.
 - 3. IS NOT REQUIRED TO OPERATE THE ENTITY'S RETAIL SITE FOR MORE THAN TWENTY-FOUR HOURS EACH WEEK.

3

4

5

6 7

8

10

11 12

13

14

1516

17

18

19

2021

22

23

24

- 4. SHALL OPEN THE ENTITY'S RETAIL SITE WITHIN EIGHTEEN MONTHS AFTER BEING ISSUED A MARIJUANA ESTABLISHMENT LICENSE PURSUANT TO SECTION 36-2854, SUBSECTION A, PARAGRAPH 1, SUBDIVISION (g) OR THE MARIJUANA ESTABLISHMENT LICENSE BECOMES INVALID.
 - H. NOTWITHSTANDING ANY OTHER PROVISION OF THIS CHAPTER OR CHAPTER 28.1 OF THIS TITLE, ANY ENTITY THAT IS ISSUED A MARIJUANA ESTABLISHMENT LICENSE PURSUANT TO SECTION 36-2854, SUBSECTION A, PARAGRAPH 1, SUBDIVISION (g) AND A NONPROFIT MEDICAL MARIJUANA DISPENSARY REGISTRATION CERTIFICATE PURSUANT TO SECTION 36-2803.01, SUBSECTION E MAY MOVE ITS RETAIL SITE ONLY TO ANOTHER UNSERVED RURAL COMMUNITY THAT HAS NOT OPTED OUT OF THE RURAL OPPORTUNITY INITIATIVE PURSUANT TO THIS SECTION.
 - I. FOR THE PURPOSES OF THIS SECTION, "UNSERVED RURAL COMMUNITY":
 - 1. MEANS A CITY, TOWN OR CENSUS-DESIGNATED AREA THAT HAS A POPULATION OF LESS THAN FIFTY THOUSAND PERSONS AND CONTAINS ONE OR MORE PARCELS OF PROPERTY THAT ARE AT LEAST TWENTY-FIVE MILES FROM A MARIJUANA RETAIL SITE, AS MEASURED FROM THE CLOSEST POINTS OF BOTH PROPERTIES.
 - 2. DOES NOT INCLUDE AN UNINCORPORATED TERRITORY THAT IS SURROUNDED ON ALL SIDES BY AN INDIAN RESERVATION.

Sec. 4. Requirements for enactment; three-fourths vote

Pursuant to article IV, part 1, section 1, Constitution of Arizona, sections 36-2803.01 and 36-2854, Arizona Revised Statutes, as amended by this act, and section 36-2857.01, Arizona Revised Statutes, as added by this act, are effective only on the affirmative vote of at least three-fourths of the members of each house of the legislature."

25 Amend title to conform

And, as so amended, it do pass

JEFF WENINGER CHAIRMAN

1057COMMERCE.docx 03/25/2025 06:09 PM

C: MH