SENATE COMMITTEE ON
BUSINESS, PROFESSIONS AND ECONOMIC DEVELOPMENT
Senator Dr. Aisha Wahab, Chair
2025 - 2026 Regular

Bill No:	AB 2506	**Hearing Date:**	June 29, 2026
Author:	Hart		
Version:	June 25, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Elissa Silva/Yeaphana LaMarr		

Subject: Cannabis: tribal-state agreements

SUMMARY: Authorizes the Governor or their designee to enter into an agreement with a federally recognized Indian tribe to allow for commercial cannabis activity between licensees of the Department of Cannabis Control (DCC) and licensees of the Indian Tribe, if specified conditions are met.

Existing law:

1) Establishes the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) to regulate the cultivation, distribution, transport, storage, manufacturing, processing, and sale of both medicinal cannabis and adult-use cannabis. (Business and Professions Code (BPC) §§ 26000, *et seq.*)

2) Establishes the DCC, under the jurisdiction of the Business, Consumer Services, and Housing Agency to administer and regulate provisions of MAUCRSA. (BPC § 26010)

3) Requires the DCC to make and prescribe reasonable rules and regulations as necessary to implement, administer, and enforce its duties, which must be consistent with the purpose and intent of the Control, Regulate and Tax Adult Use of Marijuana Act. (BPC § 26013)

4) Provides for 23 distinct license types including cultivation, manufacturer, testing laboratory, retailer, distributor, cannabis event organizer, combined activities, distributor, and processor. (BPC § 26050)

5) Prohibits a person from engaging in commercial cannabis activity without a license, which is subject to civil penalties up to three times the amount of the license fee for each violation, as specified. (BPC §§ 26037.5, 26038))

6) Establishes grounds for disciplinary action against cannabis licensees which include, but are not limited to the following:

   a) Failure to comply with the provisions of this division or any rule or regulation adopted pursuant to this division.

   b) Conduct that generally constitutes grounds for denial or discipline of a license of a license for licensing boards.

c) Any other grounds contained in regulations adopted by the DCC.

d) Failure to comply with any state law including, but not limited to, the payment of taxes as required under the Revenue and Taxation Code, except as provided.

e) Knowing violations of any state or local law, ordinance, or regulation conferring worker protections or legal rights on the employees of a licensee.

f) Failure to comply with the requirement of a local ordinance regulating commercial cannabis activity.

g) The intentional and knowing sale of cannabis or cannabis products by an A-licensee to a person under 21 years of age.

h) The intentional and knowing sale of medicinal cannabis or medicinal cannabis products by an M-licensee to a person without a physician's recommendation.

i) Failure to maintain safe conditions for inspection by the DCC.

j) Failure to comply with any operating procedure submitted to the DCC in the application process.

k) Failure to comply with license conditions established for cultivation. (BPC § 26030)

7) Authorizes the DCC to suspend, revoke, place on probation with terms and conditions, or otherwise discipline licenses issued by the DCC and fine a licensee, after proper notice and hearing to the licensee, except in those cases when a license is procured by fraud, then the DCC does not need to wait for a hearing to discipline. (BPC § 26031(a))

8) Authorizes a peace officer, including a DCC peace officer, to seize cannabis, industrial hemp and cannabis products in any of the following circumstances:

a) The cannabis or cannabis product is subject to recall or embargo by the DCC.

b) The cannabis or cannabis product is subject to seizure or destruction.

c) The cannabis or cannabis product is seized related to an investigation or disciplinary action.

d) The industrial hemp or cannabis product is subject to seizure under the Sherman Food, Drug, and Cosmetic Law.

e) The industrial hemp is in violation of United States Domestic Industrial Hemp Program (7 U.S.C. § 990 et seq.), and, if applicable, the California State Regulatory Plan for Hemp Production, or an applicable tribal plan. (BPC § 26039.4)

9) Prohibits a cannabis licensee from selling alcoholic beverages or tobacco products on or at any licensed cannabis premises. (BPC § 26054(a))

10) Requires the DCC to establish a track and trace program for reporting the movement of cannabis, industrial hemp, and cannabis products throughout the distribution chain that utilizes a unique identifier which is capable of providing information that captures at a minimum, the cultivator from which the cannabis or industrial hemp cultivator from which the product originates, the transaction date, unique identifier number, date of retail sale, delivery information, and destruction of any product. (BPC § 26067)

11) Requires the DCC to establish a unique identifier program for cannabis and cannabis products, as specified. (BPC § 26069)

12) Prohibits a licensee from transporting, or distributing cannabis products out of the state, unless specifically allowed. (BPC § 26080(a))

13) Prohibits cannabis, cannabis products, or industrial hemp from being sold unless a representative sample of those products has been tested by a licensed testing laboratory. (BPC § 26100)

14) Prohibits an A-licensee from selling cannabis products to anyone under 21 years of age, as specified. (BPC § 26140)

15) Specifies that MAUCRSA does not supersede or limit the authority of a local jurisdiction to adopt and enforce local ordinances regulating cannabis licensees. (BPC § 26200)

16) Authorizes the Governor to enter into an agreement with another state to allow for medicinal or adult-use commercial cannabis activity between entities licensed under the laws of a contracting state (foreign licensees) and entities licensed by the DCC (state licensees), if specified criteria are met. (BPC § 26301)

17) Prohibits foreign licensees from engaging in commercial cannabis activity within the boundaries of California without a state license and subjects a foreign licensee to the jurisdiction of California for the purpose of actions taken for violation of California commercial cannabis laws and regulations. (BPC § 26302)

18) Requires an interstate cannabis agreement to require that the contracting state impose requirements on foreign licensees regarding cannabis and cannabis products to be sold or otherwise transferred or distributed within this state that meet or exceed the requirements applicable to state licensees, including all the following:

    a) Enforceable public health and safety standards that are equivalent to the requirements of MAUCRSA.

    b) Mandatory participation in a system administered by the state to regulate and track the cultivation, manufacturing, distribution, transportation, sale, and destruction of cannabis and cannabis products from seed to sale.

c) Standards for the testing of cannabis or cannabis products that meet or exceed the standards applicable to testing laboratories licensed under MAUCRSA.

d) Requirements for the packaging and labeling of cannabis and cannabis products that meet or exceed the packaging and labeling requirements established under MAUCRSA.

e) Requirements for quality assurance and inspection of cannabis or cannabis products that meet or exceed the requirements applicable to cannabis or cannabis products cultivated, manufactured, or sold by state licensees.

f) Restrictions on marketing, labeling, and advertising within this state by foreign licensees that meet or exceed the restrictions on state licensees established under MAUCRSA.

g) A process for the identification of adulterated or misbranded cannabis products, and the destruction of those products, using standards that meet or exceed the standards and procedures established under MAUCRSA. (BPC § 26303)

19) Requires an interstate cannabis agreement to require the DCC and the appropriate regulatory authorities of the contracting state to address public health and welfare emergencies concerning cannabis or cannabis products that are sold or intended for sale within California, including for the prompt recall or embargo of adulterated or misbranded cannabis or cannabis products. (BPC § 26304)

20) Requires an interstate cannabis agreement to include provisions determined by the Governor to promote the inclusion and support of individuals and communities in the cannabis industry who are linked to populations or neighborhoods that were negatively or disproportionately impacted by cannabis criminalization. (BPC § 26305)

21) Requires an interstate cannabis agreement to provide for collection of all applicable taxes. (BPC § 26306)

This bill:

1) Defines for purposes of this bill:

a) "Agreement" to mean an agreement relating to commercial cannabis authorized under the provisions of this bill and entered between this state and a federally recognized Indian tribe located in this state.

b) "Contracting tribe" to mean a federally recognized Indian tribe with which the Governor has entered into an agreement.

c) "Tribal license" to mean a commercial cannabis license issued under the laws of a contracting tribe.

d) "State license" to mean a commercial cannabis license issued by a licensing authority.

2) Authorizes the Governor or their designee to enter into an agreement with a federally recognized Indian tribe authorizing medicinal, recreational or both cannabis activities, between entities licensed under the laws of the contracting tribe and entities operating with a state license provided that the following are met:

   a) The commercial cannabis activities are lawful and subject to licensure under laws of the contracting tribe and,

   b) With respect to the transportation of cannabis or cannabis products, the agreement prohibits both of the following:

      i) The transportation of cannabis and cannabis products by any means other than those authorized under both the laws of the contracting tribe and the regulations of the DCC.

      ii) The transportation of cannabis and cannabis products through the jurisdiction of a state, federally recognized Indian tribe, district, commonwealth, territory, or possession of the United States that does not authorize that transportation.

3) States the execution of, and compliance with the terms of the agreement do not constitute a project for purposes of the California Environmental Quality Act, as specified.

4) States that the provisions of this bill do not prohibit a tribe from obtaining a state license.

5) Authorizes a tribal licensee to engage in commercial cannabis activity with a state licensee and a state licensee to engage in commercial cannabis activity with a tribal licensee, subject to the requirements and limitations imposed by the provisions of the agreements.

6) Prohibits a tribal license from engaging in commercial cannabis activity outside of Indian country, as defined in Section 1151 of Title 18 of the United States Code, without a license, permit of other authorization issued by the local jurisdiction, and subjects a tribal licensee to jurisdiction of the state for purposes of actions taken for any violation.

7) Mandates an agreement require the contracting tribe impose requirements on tribal licensees regarding cannabis and cannabis products to be sold or otherwise transferred or distributed within this state that meet or exceed the requirements applicable to state licensees, including all the following:

   a) Enforceable public health and safety standards that are equivalent to the requirements of MAUCRSA.

   b) Mandatory participation in a system to regulate and track the cultivation, manufacturing, distribution, transportation, sale, and destruction of cannabis and cannabis products from seed to sale.

c) Standards for the testing of cannabis or cannabis products that meet or exceed the standards applicable to testing laboratories licensed under MAUCRSA.

d) Requirements for the packaging and labeling of cannabis and cannabis products that meet or exceed the packaging and labeling requirements established pursuant to MAURCRSA.

e) Requirements for quality assurance and inspection of cannabis or cannabis products that meet or exceed the requirements applicable to cannabis or cannabis products cultivated, manufactured, or sold by state licensees.

f) Restrictions on marketing, labeling, and advertising within this state by tribal licensees that meet or exceed the restrictions on state licensees established in MAUCRSA.

g) A process for the identification of adulterated or misbranded cannabis products, and the destruction of those products, using standards that meet or exceed the standards and procedures established pursuant to the requirements of MAUCRSA.

8) Requires an agreement to include the following:

a) The contracting tribe impose restrictions upon advertising, marketing, labeling, or sale within the contracting tribe that meet or exceed the restrictions specified in MAUCRSA.

b) Provisions requiring the department and the appropriate regulatory authorities of the contracting tribe to address public health and welfare emergencies concerning cannabis or cannabis products that are sold or intended for sale within this state, including for the prompt recall or embargo of adulterated.

c) Provisions requiring the appropriate regulatory authorities of each tribe to investigate instances of alleged noncompliance with the commercial cannabis regulatory programs upon request by the state and in accordance with mutually agreed upon procedures.

d) Provisions requiring the contracting tribe to reasonably cooperate with California investigations concerning tribal licensees and requiring the DCC to reasonably cooperate with investigations by the contracting tribe concerning persons on entities holding a state license.

e) Provide for the collection of all taxes.

9) Exempts the Governor from rulemaking procedures and requirements under the Administrative Procedures Act, as specified, provided that the Governor submits the proposed agreement to the Joint Legislative Budget Committee (budget committee) for review, as specified.

10) Prohibits an agreement from taking effect unless one of the following occur:

a) Federal law is amended to allow for the interstate transfer of cannabis or cannabis products between authorized commercial cannabis businesses.

b) Federal law is enacted that specifically prohibits the expenditure of federal funds to prevent the interstate transfer of cannabis or cannabis products between authorized commercial cannabis businesses.

c) The United States Department of Justice issues an opinion or memorandum allowing or tolerating the interstate transfer of cannabis or cannabis products between authorized commercial cannabis businesses.

d) The Attorney General issues a written opinion that state law authorization, under an agreement for medicinal or adult-use commercial cannabis activity, or both, between foreign licensees and state licensees will not result in significant legal risk to the State of California under the federal Controlled Substances Act, based on review of applicable law, including federal judicial decisions and administrative actions.

11) Requires the DCC to notify the Governor and the appropriate policy committees of the Legislature upon the occurrence of an event 10) above and post the notification on the DCC's website.

FISCAL EFFECT: According to the Assembly Committee on Appropriations analysis, the bill will not result in state costs.

COMMENTS:

1. **Purpose.** Twenty-Nine Palms Band of Mission Indians is the sponsor of this bill. According to the Author, "AB 2506 supports tribal sovereignty in California while combating illegal cannabis. This bill builds off existing legislation and similar laws in Oregon and Washington, among others, to give the State the ability to certify that tribal entities can sell cannabis to state licensed retailers. This mirrors the existing structure that allows out-of-state growers to sell into California, requiring the exact same or stronger protections to safeguard consumers. This integration of tribal markets respects their sovereignty while broadening the availability and lowering the price of regulated and safe cannabis products."

2. **Background.**

Department of Cannabis Control and Cannabis Regulation. In 1996, California first legalized cannabis for medical consumption via Proposition 215, also known as the Compassionate Use Act. Proposition 215 protected qualified patients and primary caregivers from prosecution related to the possession and cultivation of cannabis for medicinal purposes. In 2003, the Legislature authorized the formation of medical marijuana cooperatives—nonprofit organizations that cultivate and distribute marijuana for medical uses to their members through dispensaries. In 2015, the Legislature passed the Medical Cannabis Regulation and Safety Act (MCRSA), which established a comprehensive, statewide licensing and regulatory framework for the cultivation, manufacture, transportation, testing, distribution, and sale of medicinal cannabis.

Shortly following the passage of MCRSA in November 2016, California voters passed Proposition 64, the "Control, Regulate and Tax Adult Use of Marijuana Act" (Prop 64), which legalized adult-use recreational cannabis. Less than a year later in June 2017, the California State Legislature passed a budget trailer bill, SB 94 (Committee on Budget and Fiscal Review, Chapter 27, Statutes of 2017), that integrated MCRSA with Prop 64 to create MAUCRSA, the current regulatory structure for both medicinal and adult-use recreational cannabis. Beginning in 2018, adults 21 years of age or older can legally grow, possess, and use cannabis for nonmedical purposes, with certain restrictions. The initial regulatory structure for cannabis required three state agencies' oversight including the Department of Consumer Affairs, Department of Public Health, and Department of Food and Agriculture. In 2020, the Governor proposed to consolidate the three-agency structure and establish a single-regulatory department with enforcement and licensing authority of both medicinal and recreational cannabis.

Today, the DCC is charged with licensing and enforcement of the regulated cannabis marketplace. The DCC has broad enforcement authority to act against both licensed and unlicensed individuals for any violation of MAUCRSA or the DCC's regulations. The mission of the DCC is as follows: *"Through innovative policies and effective implementation, the [DCC] advances and facilitates a well-regulated, legal market that benefits all Californians."* The DCC ensures compliance with state laws through licensing, inspections, and enforcement and works to eliminate the illegal cannabis market by promoting consumer protection and environmental stewardship.

Until January 1, 2028, when industrial hemp is authorized to be integrated into the regulated cannabis marketplace, California currently operates as a closed system. Cannabis or cannabis products are strictly prohibited from being transported outside of California and cannabis sourced in other states is not allowed into California's cannabis marketplace. Cannabis products in California must meet strict regulatory requirements, derived from the voter initiative Prop 64.

California's cannabis products are required to meet safety standards prior to retail sale and are subject to product laboratory testing requirements. Under current law, a separate license is required for every corner of the cannabis market, which includes growing cannabis, transporting cannabis, making cannabis products, testing cannabis products, selling cannabis, processing, and holding an event where cannabis is sold. Each of the license types is distinct and must be approved by both a local jurisdiction and the DCC before operating. A state license for any type of cannabis operations may not be granted unless a local jurisdiction has first approved that specific cannabis activity. Currently, 53% of California's cities and counties do not permit <u>any</u> type of cannabis activity within their jurisdiction.

DCC requires all batches of cannabis and cannabis goods be tested before they can be sold. DCC-licensed testing laboratories test cannabis goods to make sure they are free of contaminants and are labeled with accurate amounts of cannabinoids and terpenes, or other additives. Licensed testing laboratories report results on a Certificate of Analysis, which states whether the batch passes or fails testing for each substance. Upon the integration of industrial hemp into the

cannabis marketplace, those products will be subject to testing requirements, but industrial hemp cultivators will not be subject to cultivator license requirements prior to entry into the cannabis market.

Federal Regulation of Cannabis and Impact on State Regulators. One of the biggest impediments to the legalization of both recreational and medicinal cannabis across the country has been the federal government's classification of cannabis (marijuana) as a schedule 1 drug under the federal Controlled Substance Act. Schedule 1 drugs are the most limited on the schedule and are viewed as having a high potential for abuse, have no currently accepted medical use and a lack of safety use under medical supervision. The schedule 1 status of cannabis under the Controlled Substances Act rendered cultivation and sale of cannabis illegal for recreational purposes as a matter of federal law.

Beginning in 2013, the Obama Administration helped pave the way for states to establish their own cannabis regulations and specified that federal oversight would not be enforced upon the states related to cannabis. This led some states to establish their own regulatory frameworks for legal cannabis. While federal guidance has shifted over the years as to federal enforcement threats or not, there has been an expansion of states that allow for some type of cannabis regulation, whether for medicinal use or recreational or both. There are currently 40 states that allow some form of legal cannabis, 24 states have authorized a recreational cannabis program, and 16 states have authorized a medicinal cannabis program. Because cannabis was deemed illegal at the federal level, cannabis cannot cross state lines without potentially becoming a federal crime.

In late 2025, President Trump issued an executive order which directed the United States Attorney General to complete a rulemaking process to reschedule medicinal cannabis from Schedule 1 to Schedule 3.The reclassification is currently undergoing the federal rulemaking process and will be considered at a formal Drug Enforcement Administration scheduled hearing later this month.

Indian Tribes. In California and across the nation, tribal governments have an inherent right to self-govern. The United States Constitution provides Congress with authority to "regulate Commerce with Indian Tribes." There are currently 109 federally recognized tribes in California and several non-federally recognized tribes currently petitioning for federal recognition through the Bureau of Indian Affairs (BIA). States and tribes' jurisdictions are intertwined in that a tribe's boundaries are contained within a state's boundaries and in some instances, tribal boundaries can overlap between two states. Tribes often pursue economic development initiatives by operating for-profit businesses that fund vital services provided to tribal members, such as healthcare, education, housing, social services, and cultural preservation. These businesses also create jobs for tribal members and non-tribal member residents of nearby communities, which are often in isolated or rural areas with few opportunities for work. Tribes may, but are not required to, register their businesses with the Secretary of State as "foreign corporations." Tribes may choose instead to form a corporation as a tribally chartered corporation under tribal law or as a federally chartered corporation under Section 17 of the Indian Reorganization Act. Regardless of which law the business is formed under, tribes have the right to choose which is best for their businesses.

Tribes, Other States, and California's Legal Cannabis Market. MCRSA and Prop 64 were silent regarding the participation of tribes in the legal framework but specifically prohibited a licensee from transporting or distributing cannabis outside of this state.

Tribes in California may choose to allow a cannabis business within tribal boundaries subject to the laws and regulations of the tribe. Cannabis manufactured, cultivated, sold or distributed within a reservation may be accessible to California consumers so long as the tribe permits retail cannabis activity within its boundaries. The various propositions and regulatory infrastructure for cannabis in California did not contemplate tribe participation and did not include any governance for such activity.

As a closed system in California, licensed cannabis operations regulated by any state outside of California are not authorized to conduct any type of cannabis business in California without first obtaining a California-issued license.

Under the current regulations promulgated by DCC (Title 4, California Code of Regulations § 15009), a tribe is prohibited from obtaining a California cannabis license unless the tribe provides a limited waiver of sovereign immunity. The regulations state:

> "Any applicant or licensee that may fall within the scope of sovereign immunity that may be asserted by a federally recognized tribe or other sovereign entity must *waive any sovereign immunity defense* that the applicant or licensee may have, may be asserted on its behalf, or may otherwise be asserted in any state administrative or judicial enforcement actions against the applicant or licensee, regardless of the form of relief sought, whether monetary or otherwise, under the state laws and regulations governing commercial cannabis activity."

The DCC's regulations impose conditions about what must be included in the waiver and make it mandatory that each participating tribe agree to all the conditions. Some of those conditions include 1) submitting to the personal and subject matter jurisdiction of the California courts; 2) Conduct commercial cannabis activity with other state commercial cannabis licensees only, unless otherwise allowed; and 3) allow access by persons or entities charged with duties under the state laws and regulations governing commercial cannabis activity to any licensed premises or property at which they conduct any commercial cannabis activity, to name a few. Many of the conditions required by such a waiver would likely be unnecessary, as these would be conditions implied in the affirmative act of applying for a state license.

Sovereign Immunity. As government entities, tribes carry a right to sovereign immunity that other governments also enjoy, i.e. this issue is not a singular right granted only to tribes. For violations that qualify as crimes, Congress enacted Public Law 83-280 (67 Stat. 588) (P.L. 280) in 1953 to grant certain states criminal jurisdiction over American Indians and on reservations that previously came under tribal or federal court jurisdiction to be handled by the states to which P.L. 280

applies. California is a P.L. 280 state. Consequently, California maintains criminal jurisdiction over tribal members and others on reservations and rancherias.

Absent a state license, California offers limited opportunity for a tribe to engage in the legal cannabis marketplace outside of a self-governed tribe which permits it within those boundaries. That is why the Author has introduced this bill. The sponsor of this measure is Twenty-Nine Palms Band of Mission Indians of California. Currently, that Tribe has established an independent cannabis regulatory framework on its reservation that is reported to be consistent with many of California's current requirements of licensees.

To address the limited pathway for a tribe to enter California's regulated cannabis market without a state license which currently requires the limited waiver of sovereign immunity, this bill authorizes the Governor or their designee to enter into an "agreement" with a federally recognized Indian tribe in California for purposes of conducting medicinal or recreational cannabis activities between the contracting tribe and state licensees. Essentially, the agreement would permit a non-California licensee (a Tribe) to conduct business with a California licensee if the tribe has formed or established their own independent regulatory model for regulating cannabis.

This bill specifies that a tribe must impose requirements on its own cannabis-tribal licensee for products intended in the state's licensed market that meet or exceed some of the current requirements that state licensees must abide by including health and safety standards, track and trace systems, testing standards, packaging and labeling standards, quality assurance inspections, prohibitions on marketing to children, and means to address adulterated or misbranded products.

State to State Cannabis Operations. As noted earlier, due to federal limitations on cannabis, states with legal cannabis regulatory systems do not conduct interstate cannabis transactions. In preparation that one-day, the federal oversight of the product will change and in an effort to help California producers, in 2018, the Legislature passed, and the Governor signed into law a bill which created a framework for the Governor to enter into "agreements" with other states that would allow for cross-jurisdictional cannabis commerce between licensed cannabis businesses across state lines. SB 1326 (Caballero, Chapter 396, Statutes of 2022) did not necessarily specifically include tribes but was instead focused primarily on state-to-state cannabis conduct. That bill was in preparation if changes at the federal level were to occur. To accommodate any legal quandary that might exist for the Governor to enter into those agreements, that bill included 4 actions, any one of which would need to occur before an agreement could be implemented:

- Federal law is amended to allow for the interstate transfer of cannabis or cannabis products between authorized commercial cannabis businesses.

- Federal law is enacted that specifically prohibits the expenditure of federal funds to prevent the interstate transfer of cannabis or cannabis products between authorized commercial cannabis businesses.

- The United States Department of Justice issues an opinion or memorandum allowing or tolerating the interstate transfer of cannabis or cannabis products between authorized commercial cannabis businesses.

- The California Attorney General issues a written opinion, that state law authorization under an agreement for medicinal or adult-use commercial cannabis activity, or both, between foreign licensees and state licensees will not result in significant legal risk to the State of California under the federal Controlled Substances Act, based on review of applicable law, including federal judicial decisions and administrative actions.

The agreement proposed in this bill mirrors the current statutory authority that exists governing agreements for purposes of cannabis operations between states Similar to the state-to-state agreement, this bill requires the Joint Legislative Budget Committee (budget committee) to review any agreement between a Governor/designee. The budget committee will have 60 days to review the agreement and provide recommendations to the Governor. The Governor can consider those recommendations and make amendments to the agreement but is not required to accept any of the recommendations.

As of today, none of the four "actions" have occurred and there have been no agreements entered into on behalf the Governor with other states. It is unclear if or when the federal reclassification of cannabis for medicinal purposes from schedule 1 to schedule 3 will change the status for states to work together and if agreements will even then be necessary when that does occur for medicinal purposes. Also, if the federal government completely reclassifies cannabis from schedule 1 for recreational purpose, what the implications are going forward. This bill proposes to include the same actions, one of which must occur prior to any agreement taking effect.

Other States. Multiple states have established agreements with tribes for purposes of conducting cannabis business between state licensees and the Tribes including Minnesota, Washington, Nevada, Michigan, and New Mexico.

3. **Related Legislation.** SB 1326 (Caballero, Chapter 396, Statutes of 2022) allows the state to enter into an interstate cannabis agreement to allow cannabis or cannabis products to be transported across state lines. This bill requires the agreement to meet specified requirements, including that participating states must meet or exceed health and safety requirements and allows the state to engage in commercial activities with out-of-state licenses.

   AB 1710 (Wood, Chapter 123, Statutes of 2019) would have authorized the County of Del Norte to enter into an agreement with the Elk Valley Rancheria, a federally recognized Indian tribe, regarding local authorization for the tribe to engage in commercial cannabis activity, with an agreement that the tribe comply with state laws and regulations regarding cannabis. (Status: *This bill was amended to address an unrelated issue).*

   AB 924 (Bonta of 2018) would have required a tribe entering into a tribal cannabis regulatory agreement with the Governor, as ratified by the Legislature, to establish a

tribal cannabis regulatory commission or agency pursuant to the tribe's established governmental process. (Status: *This bill was held on suspense in the Senate Committee on Appropriations).*

AB 1096 (Bonta of 2017) would have authorized the Governor to enter into agreements concerning medical and recreational marijuana with a federally recognized sovereign Indian tribe. (Status: *This bill was amended to address an unrelated topic.)*

AB 2545 (Bonta of 2016) would have authorized the Governor to enter into agreements concerning medical cannabis with federally recognized sovereign Indian tribes, as defined. (Status: *This bill died in Assembly Appropriations)*

4. **Arguments in Support.** Twenty-Nine Palms Band of Mission Indians writes in support and notes, "AB 2506 promotes tribal self-sufficiency and economic development while reducing reliance on illicit cannabis sources by expanding access to regulated, safe cannabis products for retailers and California consumers…

   Additionally, AB 2506 builds upon existing statutory safeguards governing cross-jurisdictional cannabis commerce to establish a practical and commonsense pathway for Tribal participation in California's regulated cannabis industry. By enabling partnerships between California Indian Tribes, the State of California, and the Department of Cannabis Control, the bill will help combat the illicit cannabis market while expanding economic opportunities for Tribal communities and increasing consumer access to regulated cannabis products."

   California NORML writes in support and notes, "The applicable tribal government must impose standards that meet California's existing requirements for cannabis commerce. These include public health, testing, packaging, and marketing standards, among others. This bill will promote tribal self-sufficiency and economic development, while reducing reliance on illegal cannabis sources by broadening the availability of regulated, safe cannabis products for retailers and consumers."

5. **Arguments in Opposition.** The California Cannabis Operators Association writes in opposition and notes, "…Importantly, our concerns are not rooted in any challenge to tribal sovereignty. To the contrary, we believe any framework governing commercial interaction between state licensees and tribal governments must be developed in a manner that respects tribal sovereignty and ensures clarity, consistency, and fairness across the marketplace. We also note that AB 2506 raises broader legal considerations that have yet to be fully addressed. While tribes maintain authority to regulate cannabis activity within their jurisdictions, cannabis remains illegal under federal law. The movement of cannabis across jurisdictional boundaries, particularly where commercial activity extends beyond tribal lands, may implicate federal enforcement risks that could affect both tribal enterprises and state licensees. These risks are not merely theoretical and warrant careful consideration in any framework that contemplates expanded commercial integration. Given these considerations, CaCOA believes the policy questions presented by AB 2506 are significant and would benefit from additional time, stakeholder engagement, and careful refinement."

6. **Implementation Issues for Consideration.**

Integration into the licensed market. This bill would allow the Governor or its designee to enter into an agreement with a tribe that has its own licensing system for cannabis to transact business between the state-licensee and the Tribe's licensees (who do not have a state license). However, while a tribe's cannabis licensee will not be subject to California's cannabis requirements, a DCC-license holder is. This means that all transportation of the product, laboratory testing, packaging and labeling requirements, retail requirements, etc. are to be maintained by the California license holder. The current draft of this bill does not contemplate what that structure might consist of, and it is unclear how, or if, the agreements will resolve this. If the Governor did enter into an agreement, would there be a DCC-licensee willing to engage if their license is ultimately subject to any discipline?

Taxes. Any agreement with a tribe subjects the tribe to the collection of all applicable taxes, but it's unclear what a participating tribe's tax liability would be under the provisions of this bill. Is the tribe subject to taxes for cultivation and delivery for products produced within the Tribe's boundaries or are the taxes meant to be at the point of market integration? Could the unknown tax structure create an imbalance in the cannabis price market?

Local Governments. Under the regulated cannabis market, local jurisdictions have broad discretion to restrict any type of cannabis business within its boundaries, which the exception of delivery. It is presumed that any agreement would be required to take local jurisdictions preference into account, but it's not clear that any agreement would be subject to the current authorization model for cannabis businesses that is required for state licensees. Depending on the Governor or designee, without statutory specification, agreements may be able to bypass local jurisdiction requirements.

Fees. Will there be any costs associated with entering into agreements? There will likely be extensive resources necessary to establish an agreement subject to the provisions of this bill. Will there be a similar fee required (like a state license fee) to address compliance and administrative time?

Unknowns about an Agreement. This bill provides broad authority for the Governor or their designee to determine the specific details of each agreement. This could make each agreement subject to different parameters and raise a few operational questions. What is the length of an agreement? Can a Governor or their designee change the terms of an agreement enacted by a previous Governor?

Reference to Indian Country. The language in this bill is modeled after current law which pertains to agreements for state-state cannabis transactions. Because tribal governments and other states are not identical, some of the provisions that are included in this bill may not be applicable and could likely be confusing. For example, this bill prohibits a tribal licensee from engaging in commercial cannabis activity outside of Indian country without a license, permit or other authorization by the local jurisdiction. Indian country is defined by 18 U.S. Code § 1151 as:

(a) all land within the limits of any Indian reservation under the jurisdiction of the United States Government, notwithstanding the issuance of any patent, and, including rights-of-way running through the reservation,

(b) all dependent Indian communities within the borders of the United States whether within the original or subsequently acquired territory thereof, and whether within or without the limits of a state, and

(c) all Indian allotments, the Indian titles to which have not been extinguished, including rights-of-way running through the same.

Because Indian country encompasses any Indian reservation in the United States, is this language meant to imply that a tribal licensee is permitted to operate on any reservation, rancheria, colony, or tribal community? As sovereign entities, each tribe passes their own laws, and some do not permit cannabis within their boundaries. However, this language potentially contradicts each tribe's right to self-determination. *The Author may wish to clarify these references to align with the bill's intent to preserve tribal sovereignty.*

Should there be other pathways for Tribes to enter the licensed marketplace that do not include waivers of sovereign immunity? This bill establishes eligibility standards for a Tribe to enter into agreement with the Governor. A Tribe must have an established cannabis licensing infrastructure. While some tribes in California may be able to establish a such a regulatory structure, there may be other Tribes who do not have the resources of capabilities to establish such a structure that would meet the requirements of this bill but would like to enter the licensed cannabis market via a DCC-license, without of course stipulating to any waiver requirements.

7. **Suggested Technical Amendment.** On page 6, in line 26, strike the word "~~foreign~~" and replace it with "*tribal*".

SUPPORT AND OPPOSITION:

Support:

Twenty-nine Palms Band of Mission Indians (source)
California Democratic Party Rural Caucus
California NORML

Opposition:

California Cannabis Operators Association

-- END --