SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2506 (Hart) - Cannabis: tribal-state agreements

Version: June 30, 2026	**Policy Vote:** B., P. & E.D. 11 - 0
Urgency: No	**Mandate:** No
Hearing Date: August 3, 2026	**Consultant:** Janelle Miyashiro

Bill Summary: AB 2506 authorizes the Governor 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.

Fiscal Impact: DCC estimates:
- Costs of $1.2 million in Fiscal Year 2027-28 and $901,000 annually ongoing (Cannabis Control Fund). This estimate includes support for four positions to develop and administer tribal-state agreements, prepare and manage agreement records, coordinate and support compliance reviews, and serve as dedicated liaisons for government-to-government tribal engagement.
- A one-time cost of $150,000 (Cannabis Control Fund) for track and trace system updates to support integration with tribal track and trace systems.

Background: California's foundational cannabis laws, Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) and Proposition 64, established a closed commercial market that explicitly prohibited out-of-state distribution but remained entirely silent on the participation of Native American tribes. Consequently, while tribes have the authority to permit and regulate cannabis businesses, including retail access for California consumers, within their sovereign boundaries, the state's initial regulatory infrastructure lacked any framework to govern these tribal operations. Because California operates as a closed system, any cannabis entity regulated by an outside jurisdiction cannot legally conduct business within the state without first securing a California-issued license.

To integrate into this closed state market, tribes are currently bound by DCC regulations (Title 4, California Code of Regulations § 15009), which stipulate that a tribe cannot obtain a state cannabis license without providing a limited waiver of sovereign immunity. This mandatory rule requires the tribal applicant or licensee to expressly surrender any sovereign immunity defense in state administrative or judicial enforcement actions concerning commercial cannabis regulations, regardless of whether the state is seeking monetary or other forms of relief.

The DCC dictates strict, mandatory conditions that must be included within this waiver. Participating tribes must formally submit to the personal and subject matter jurisdiction of California courts, restrict their commercial cannabis activity exclusively to other state licensees (unless exceptions apply), and grant state regulatory personnel full access to inspect any licensed premises. Despite these stringent mandates, many of these explicit conditions are arguably redundant, as they outline standard compliance and oversight expectations that are already naturally implied by the affirmative act of applying for a state license.

Proposed Law:

- Authorizes the Governor, or their designee, to enter into an agreement with a federally recognized Indian tribe authorizing medicinal or adult-use commercial cannabis activity, or both, between entities licensed under the laws of the contracting tribe and entities operating with a state license, provided both of the following criteria are met:
    - The commercial cannabis activities are lawful and subject to licensure under the laws of the contracting tribe.
    - Regarding the transportation of cannabis or cannabis products, the agreement prohibits both of the following:
        - Transportation by any means other than those authorized under both the laws of the contracting tribe and DCC regulations.
        - Transportation through the jurisdiction of a state, federally recognized Indian tribe, district, commonwealth, territory, or possession of the United States that does not authorize such transportation.
- 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.
- States that the provisions of this bill do not prohibit a tribe from obtaining a state license.
- Authorizes reciprocal commercial cannabis activity between tribal licensees and state licensees, subject to the requirements and limitations imposed by the terms of the agreements.
- Prohibits a tribal licensee from engaging in commercial cannabis activity outside of designated Indian country without a license, permit, or other authorization issued by the local jurisdiction, and subjects the tribal licensee to state jurisdiction for any violations.
- Mandates that the agreement require the contracting tribe to impose standards on tribal licensees for cannabis and cannabis products sold, transferred, or distributed within this state. These standards must meet or exceed those applicable to state licensees, including all of the following:
    - Enforceable public health and safety standards equivalent to the requirements of MAUCRSA.
    - Mandatory participation in a seed-to-sale track-and-trace system regulating the cultivation, manufacturing, distribution, transportation, sale, and destruction of cannabis and cannabis products.

- Testing standards for cannabis and cannabis products that meet or exceed those applicable to MAUCRSA-licensed testing laboratories.
- Packaging and labeling requirements that meet or exceed those established under MAUCRSA.
- Quality assurance and inspection requirements that meet or exceed those for products cultivated, manufactured, or sold by state licensees.
- Restrictions on marketing, labeling, and advertising within the state that meet or exceed those established for state licensees under MAUCRSA.
- A process for identifying and destroying adulterated or misbranded products, using standards that meet or exceed MAUCRSA procedures.

- Requires the agreement to include the following provisions:
  - A mandate that the contracting tribe impose restrictions on advertising, marketing, labeling, or sales within its jurisdiction that meet or exceed MAUCRSA specifications.
  - Procedures for the Department of Cannabis Control (DCC) and tribal regulatory authorities to address public health and welfare emergencies regarding products sold or intended for sale within the state, including the prompt recall or embargo of adulterated products.
  - A requirement that tribal regulatory authorities investigate alleged noncompliance with commercial cannabis regulatory programs upon the state's request, in accordance with mutually agreed-upon procedures.
  - A mutual cooperation clause requiring the contracting tribe to reasonably assist with California investigations of tribal licensees, and requiring the DCC to reasonably assist with tribal investigations of persons or entities holding a state license.
  - Mechanisms for the collection of all applicable taxes.
- Exempts the Governor from rulemaking procedures under the Administrative Procedure Act, provided the proposed agreement is submitted to the Joint Legislative Budget Committee for review, as specified.
- Prohibits an agreement from taking effect unless one of the following occurs:
  - Federal law is amended to allow the interstate transfer of cannabis or cannabis products between authorized commercial cannabis businesses.
  - Federal law is enacted specifically prohibiting the expenditure of federal funds to prevent such interstate transfers.

- The U.S. Department of Justice issues an opinion or memorandum allowing or tolerating the interstate transfer of cannabis between authorized businesses.

- The California Attorney General issues a written opinion stating that authorization of commercial cannabis activity between tribal licensees and state licensees will not result in significant legal risk to the State of California under the federal Controlled Substances Act.

- Requires the DCC to notify the Governor and appropriate legislative policy committees upon the occurrence of any event allowing an agreement to take effect, and to post this notification on the DCC website.

Staff Comments: This bill proposes a framework for tribal cannabis agreements that loosely resembles the tribal gaming compact process. However, the federal Indian Gaming Regulatory Act (IGRA) allows tribes to operate casinos on their lands when gambling is otherwise illegal in the state, but cannabis is already legal in California under MAUCRSA. Therefore, it is unclear how well this framework fits the DCC regulatory framework for commercial cannabis.

For example, it is unclear what the mechanism for state cost recovery to integrate tribal cannabis operations will take. Under IGRA, states are strictly limited to seeking compensation for direct regulatory costs, and tribes, as sovereign nations, are exempt from state taxation. Additionally, it is unknown how evolving state regulatory mandates would interact with these tribal agreements. To the extent that changes in cannabis laws require formal renegotiations of individual tribal agreements, there may be a related impact on the state's legal and administrative costs. The actual fiscal impact of implementing this framework will depend on the number of tribes that choose to enter agreements and the structural complexity of subsequent negotiations.

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