

Date of Hearing: April 14, 2026

ASSEMBLY COMMITTEE ON BUSINESS AND PROFESSIONS
Marc Berman, Chair
AB 2537 Chen – As Amended April 9, 2026

SUBJECT: Cannabis Enforcement Accountability and Public Health Prioritization Act of 2026.

SUMMARY: Requires the Department of Cannabis Control (DCC) to prioritize its enforcement and disciplinary actions based on the seriousness of a violation, develop a policy pursuant to those priorities, and include specified enforcement data points in its annual activities report.

EXISTING LAW:

- 1) Regulates the cultivation, distribution, transport, storage, manufacturing, processing, and sale of medicinal and adult-use cannabis under the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) and establishes the DCC to administer and enforce the act. (Business and Professions Code (BPC) §§ 26000-26260)
- 2) Prohibits a person or entity from engaging in commercial cannabis activity without a state license issued by the DCC. (BPC § 26037.5)
- 3) Establishes 20 types of cannabis licenses, including subtypes, for cultivation, manufacturing, testing, retail, distribution, and microbusiness. (BPC § 26050)
- 4) Lists the following grounds for license disciplinary action, which is not exhaustive:
 - a) Failure to comply with the provisions of this division or any rule or regulation adopted pursuant to this division. (BPC § 26030(a))
 - b) Conduct that generally constitutes grounds for denial or discipline of a license of a license for licensing boards. (BPC §§ 26030(b); 480-489; 490-494.6)
 - c) Any other grounds contained in regulations adopted by the DCC. (BPC § 26030(c))
 - 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. (BPC § 26030(d))
 - e) Knowing violations of any state or local law, ordinance, or regulation conferring worker protections or legal rights on the employees of a licensee. (BPC § 26030(e))
 - f) Failure to comply with the requirement of a local ordinance regulating commercial cannabis activity. (BPC § 26030(f))
 - g) The intentional and knowing sale of cannabis or cannabis products by an A-licensee to a person under 21 years of age. (BPC § 26030(g))
 - 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. (BPC § 26030(h))
 - i) Failure to maintain safe conditions for inspection by the DCC. (BPC § 26030(i))

- j) Failure to comply with any operating procedure submitted to the DCC in the application process. (BPC § 26030(j))
- k) Failure to comply with license conditions established for cultivation. (BPC § 26030(k))
- 5) Authorizes the DCC to issue a citation to a licensee or unlicensed person for violating MAUCRSA or DCC regulations; authorizes administrative fines of up to \$5,000 per violation by a licensee and up to \$30,000 per violation by an unlicensed person; and requires the DCC in assessing a fine to give due consideration to the appropriateness of the amount of the fine with respect to factors the DCC determines to be relevant, including: (1) the gravity of the violation by the licensee or person, (2) the good faith of the licensee or person, and (3) the history of previous violations. (BPC § 26031.5(a))
- 6) 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, if the licensee is found to have committed any of the acts or omissions constituting grounds for disciplinary action. (BPC § 26031)
- 7) Establishes various civil penalties for unlicensed commercial cannabis activity, including civil penalties of up to three times the amount of the relevant license fee for each violation. (BPC § 26038(a)(1))
- 8) Requires the DCC, by March 1 of each year, to prepare and submit to the Legislature an annual report on the DCC's activities, post the report on the DCC website, and include in the report specified licensing and enforcement information for the previous fiscal year. (BPC § 26200)

THIS BILL:

- 1) Creates the Cannabis Enforcement Accountability and Public Health Prioritization Act of 2026.
- 2) Defines the following:
 - a) "Enforcement prioritization policy" means an enforcement framework that aligns the DCC's regulatory oversight, investigations, inspections, and enforcement and disciplinary actions pursuant to MAUCRSA with the level of risk of harm.
 - b) "Minor violation" means a technical or administrative violation of this division and applicable regulations that creates a negligible risk of harm.
 - c) "Moderate violation" means a violation of MAUCRSA and applicable regulations that creates a risk of harm and includes, but is not necessarily limited to falsification of testing results, track and trace data, or required regulatory documentation.
 - d) "Risk of harm" means conduct, practices, or conditions that create a reasonably foreseeable risk of significant harm to public health, public safety, environmental protection, workplace safety, or the integrity of the licensed market, including, but not limited to, any of the following: are reasonably expected to do any of the following:
 - i) Interfere with enforcement of any state law.

- ii) Involve false, misleading, or deceptive business practices.
 - iii) Adversely affect the public or environment.
- e) “Serious violation” means a violation of this division and applicable regulations that creates a serious or significant risk of harm and includes, but is not necessarily limited to, the following:
- i) Unlicensed persons engaging in the retail sale or delivery of cannabis, cannabis products, or synthetic cannabinoids to customers or children.
 - ii) Unlicensed persons engaging in the distribution or manufacture of synthetic cannabinoids.
 - iii) Unlicensed persons engaging in the cultivation or manufacture of cannabis, cannabis products, or synthetic cannabinoids where the activity results in significant degradation of water resources, public lands, or wildlife habitat.
 - iv) Unlicensed persons engaging in commercial cannabis activity not otherwise described in subparagraphs (A) to (C), inclusive.
 - v) Licensees diverting cannabis or cannabis products to unlicensed persons.
 - vi) Licensees inverting cannabis or cannabis products from unlicensed persons into the licensed market.
 - vii) Licensees engaging in the manufacture, distribution, or sale of synthetic cannabinoids.
 - viii) Licensees engaging in the distribution or sales of cannabis or cannabis products to children or that are marketed or packaged in a manner attractive to children.
 - ix) Manufacture, distribution, or sales of cannabis or cannabis products that are adulterated or misbranded in a manner likely to cause illness or bodily injury.
 - x) Degradation of water resources, public lands, or wildlife habitat.
 - xi) Repeated or intentional violations of laws or regulations related to workplace safety or wage protections.
- 3) Requires the DCC to prioritize regulatory oversight, investigations, inspections, and enforcement and disciplinary actions in a manner consistent with an enforcement prioritization policy based on the following categories, which are listed in order from highest to lowest:
- a) Serious violations.
 - b) Moderate violations.
 - c) Minor violations.

- 4) Requires the DCC to adopt and publish an enforcement prioritization policy consistent with this section that does all of the following:
 - a) Ensures personnel and resources are allocated in a manner consistent with the DCC's enforcement prioritization.
 - b) Establishes risk-based enforcement categories.
 - c) Provides for documentation of enforcement actions involving all violations.
- 5) Prohibits the DCC's disciplinary framework or guidelines for disciplinary action from conflicting with the priorities established pursuant to the provisions of this bill.
- 6) Clarifies that the prioritization requirement does not limit the DCC's authority to enforce MAUCRSA and applicable regulations.
- 7) Requires the DCC to include the following information in its annual report in relation to the violation severity categories established under this bill:
 - a) The number and geographic distribution of investigations opened and closed.
 - b) The number and geographic distribution of inspections conducted.
 - c) The number and geographic distribution of enforcement actions conducted.
 - d) The number and geographic distribution of court petitions filed against unlicensed persons.
 - e) The number and geographic distribution of injunctions or other appropriate orders restraining unlicensed persons.
 - f) The number, geographic distribution, and dollar amount of citations issued and collected against unlicensed persons.
 - g) The number, geographic distribution, and dollar amount of civil penalties imposed and collected against unlicensed persons, persons aiding and abetting unlicensed commercial cannabis activity, and specified owners or managers of property used for unlicensed commercial cannabis activity.
- 8) Makes various legislative findings and declarations.

FISCAL EFFECT: Unknown; this bill is keyed fiscal by the Legislative Counsel.

COMMENTS:

Purpose. This bill is sponsored by the *California Cannabis Operator's Association*. According to the author:

[This bill] strengthens California's cannabis enforcement framework by directing regulators to prioritize violations that pose meaningful risks to public health, safety, and market integrity. It... requires the Department of Cannabis Control

(DCC) to implement a risk-based enforcement approach that focuses resources on the most serious violations while maintaining full regulatory authority over all violations.

Background. The Medicinal and Adult Use Cannabis Regulation and Safety Act (MAUCRSA), which incorporates prior cannabis laws, authorizes a person who obtains a state license under MAUCRSA to engage in commercial adult-use cannabis activity under that license and any applicable local ordinances. The DCC is the state agency that licenses and regulates commercial cannabis activity. Specifically, the DCC regulates:

- 1) Growing of cannabis plants.
- 2) Manufacture of cannabis products.
- 3) Transportation and tracking of cannabis goods throughout the state.
- 4) Sale of cannabis goods.
- 5) Events where cannabis is sold or used.
- 6) Labeling of goods sold at retail.

Enforcement. The DCC overarching directive is to protect the public from the harms of unregulated cannabis. It does so by enforcing the requirements of MAUCRSA. To that end, its primary enforcement function is ensuring licensee compliance with licensing and other regulatory requirements. The DCC is also tasked with deterring unlicensed activity. However, because it is not a law enforcement entity, it must work with state and local law enforcement to investigate and prosecute the more severe violations in the unlicensed market.

License Discipline. As the issuer of cannabis licenses, the DCC has direct authority to regulate and take action against the holders of the license. The administrative actions the DCC can take include warnings, citations, fines, orders of abatement. It can also take formal disciplinary action of a license, including probation, suspension, and ultimately revocation. The DCC has promulgated regulations and a document titled *Disciplinary Guidelines for all Commercial Cannabis Licenses* (amended July 2022) to inform licensees of the process and to standardize enforcement actions and outcomes. This bill aims to incentivize the DCC to utilize its limited workload to prioritize the more severe violations.

Unlicensed Market. Regulators and stakeholders continue to raise significant concerns over cannabis operations that do business outside of the regulatory scheme. They can avoid fees and taxes while competing with lawful businesses. They also create the potential for consumer and environmental harm, avoiding testing and agricultural requirements.

Normally, licensing agencies regulate problematic licensed and unlicensed activity by imposing administrative penalties against an existing license (the strongest of which is revocation of the license), or by withholding the issuance of a license until any problems or deficiencies are addressed. However, the difficulty in regulating unlicensed businesses that do not plan to obtain a license, including unlicensed cannabis businesses, is that there is no incentive to comply with the administrative penalties because the license is irrelevant to them.

As a result, MAUCRSA includes various civil penalties that are sought in court and are not tied to the licensing process, which can be brought by the DCC, the Attorney General, or local public attorneys. There are individual penalties of up to three times the amount of the required license fee (which vary based on gross annual revenue, up to \$300,000 for a microbusiness with gross annual revenue of \$80,000,000). There are also civil penalties of up to \$30,000 per day of operation for aiding and abetting unlicensed cannabis activity, which means a person encouraged, aided, or facilitated, the activity (not just mere knowledge of the activity). The sponsor notes that another aim of this bill is to ensure the DCC dedicates sufficient resources towards the deterrence and prosecution of unlicensed activity.

Current Related Legislation. AB 1826 (Lackey) would make various changes to the DCC's enforcement process, including authorizing licensees to engage in a "meet and confer" with DCC staff during the enforcement process; modifying DCC enforcement procedures; modifying enforcement notice requirements; limiting the use of liability waivers during settlements between the DCC and licensees; and adding an "administrative error" category of licensee violations. *AB 1826 is pending in this Committee.*

ARGUMENTS IN SUPPORT:

The *California Cannabis Operators Association* (sponsor) writes in support:

The scale of California's illicit market underscores the urgency of prioritizing enforcement resources where they will have the greatest impact. Recent analysis commissioned by the Department of Cannabis Control (DCC) indicates that the majority of cannabis consumed in California is still supplied by the illicit market.

In the California Cannabis Market Outlook, researchers estimate that only about 40% of cannabis consumed in California is supplied through the licensed market, while roughly 60% remains attributable to illicit production and sales. Of the approximately 3.8 million pounds of

cannabis consumed annually in the state, only about 1.4 million pounds move through the licensed supply chain, leaving roughly 2.4 million pounds outside the regulated system.¹

This dynamic creates significant risks for public health, consumer safety, environmental compliance, and the viability of licensed businesses operating under California's rigorous regulatory framework.

At the same time, licensed operators across the state have reported increasing concern regarding the allocation of enforcement resources. Over the past year, many operators have experienced enforcement actions, often referred to by the Department as "compliance actions," that appear focused on minor or highly technical compliance issues, including the reopening of previously resolved matters, notices issued weeks after inspections that initially yielded no violations, and corrective actions based on factual inaccuracies or inconsequential administrative issues. Addressing these matters often requires substantial time and financial resources for businesses already operating under significant financial strain.

In May 2025, a broad coalition representing a majority of California’s licensed cannabis operators formally raised these concerns in correspondence to the DCC, urging the Department to reassess its compliance and enforcement strategies and refocus resources on the most pressing threats to public health and market integrity. These threats include diversion into and from the legal market, product safety and testing compliance, unlawful sales to minors, and illegal retail activity that undermines the state’s regulated supply chain and associated tax revenue. When enforcement resources are finite, clear statutory direction regarding enforcement priorities becomes essential.

ARGUMENTS IN OPPOSITION:

There is no opposition on file.

POLICY ISSUES FOR CONSIDERATION:

Violation Priorities. This bill categorizes violations in order of priority and risk of harm. However, there may be differences of opinion as to how the violations should be categorized. In addition, the interaction between these priorities and the violations listed as “grounds for discipline,” to the extent that list is also intended to express priority under Proposition 64, may need to be clarified or reconciled. If this bill passes this Committee, the author and sponsor may wish to continue to work with interested parties to verify consensus on the categorization and interaction with existing laws.

IMPLEMENTATION ISSUES:

Drafting Clean-Up. The April 9, 2026, author’s amendments updated the bill’s structure and terminology to better align with the DCC’s current regulations and disciplinary guidelines. Additional technical changes are needed to address syntax and terminology issues. Clarifying changes are recommended under the Amendments section of this analysis to address some of those issues.

AMENDMENTS:

- 1) To resolve circular definitions, address a severity mismatch with violations involving falsification, provide additional examples of a moderate violation, address the syntax issues in the definition of risk of harm related to conduct and conditions, combine the various examples of unlicensed activity into the catch-all, and reinforce the distinctions between negligence, repeated acts, and recklessness, and make other conforming and technical changes, amend the bill as follows:

On pages 3-5, lines 37 to 7:

(2) “Minor violation” means ~~a technical or administrative violation of~~ *conduct or conditions prohibited* by this division and applicable regulations that ~~creates~~ *create* a negligible risk of ~~harm—harm, including, but not limited to, technical or administrative violations.~~

(3) “Moderate violation” means ~~a violation of~~ *conduct or conditions prohibited by* this division and applicable regulations that ~~creates-creates~~ a risk of ~~harm-and includes, but is not necessarily~~ *harm, including, but not* limited to, the following:

(A) ~~Falsification of~~ *Negligent failure to maintain accurate* testing results, track and trace data, or required regulatory documentation.

(B) Negligent violation of laws related to workplace safety or wage protection.

(C) Manufacture, distribution, or sales of cannabis or cannabis products that are adulterated or misbranded in a manner unlikely to cause illness or bodily injury.

(4) “Risk of harm” means ~~conduct, practices, or conditions that are reasonably expected to do~~ *the likelihood* of any of the following:

(A) ~~Interfere~~ *Interference* with enforcement of any state law.

(B) ~~Involve false,~~ *False*, misleading, or deceptive business practices.

(C) Adversely ~~affect the public or environment.~~ *affecting the environment or the health, safety, or welfare of the public.*

(5) “Serious violation” means ~~a violation of~~ *conduct or conditions prohibited by* this division and applicable regulations that ~~creates-creates~~ a ~~serious or~~ significant risk of ~~harm-and includes, but is not necessarily~~ *harm, including, but not* limited to, the following:

~~(A) Unlicensed persons engaging in the retail sale or delivery of cannabis, cannabis products, or synthetic cannabinoids to customers or children.~~

~~(B) Unlicensed persons engaging in the distribution or manufacture of synthetic cannabinoids.~~

~~(C) Unlicensed persons engaging in the cultivation or manufacture of cannabis, cannabis products, or synthetic cannabinoids where the activity results in significant degradation of water resources, public lands, or wildlife habitat.~~

~~(D)(A) Unlicensed persons engaging in commercial cannabis activity. activity not otherwise described in subparagraphs (A) to (C), inclusive.~~

~~(E)(B) Licensees diverting cannabis or cannabis products to unlicensed persons.~~

~~(F)(C) Licensees inverting cannabis or cannabis products from unlicensed persons into the licensed market.~~

~~(G)(D) Licensees engaging in the manufacture, distribution, or sale of synthetic cannabinoids.~~

~~(H)(E) Licensees engaging in the distribution or sales of cannabis or cannabis products to children or that are marketed or packaged in a manner attractive to children.~~

~~(F)~~(F) Manufacture, distribution, or sales of cannabis or cannabis products that are adulterated or misbranded in a manner likely to cause illness or bodily injury.

~~(G)~~(G) Degradation of water resources, public lands, or wildlife habitat.

(H) Reckless or repeated failure to maintain accurate testing results, track and trace data, or required regulatory documentation.

~~(K)(I) Repeated or intentional violations of laws or regulations~~ *Reckless or repeated violation of laws related* to workplace safety or wage protections.

2) Technical and conforming changes to the prioritization policy requirement:

(c) *(1)* In implementing this chapter, the department shall prioritize regulatory oversight, investigations, inspections, and enforcement and disciplinary actions in a manner consistent with an enforcement prioritization policy based on the following categories, which are listed in order from highest to lowest ~~level of risk of harm:~~ *priority*:

~~(1)~~ *(A)* Serious violations.

~~(2)~~ *(B)* Moderate violations.

~~(3)~~ *(C)* Minor violations.

~~(4)~~ *(2)* The department shall adopt and publish an enforcement prioritization policy ~~consistent with this to implement this~~ section that ~~does does, but is not limited to~~, all of the following:

~~(1)~~ *(A)* Ensures personnel and resources are allocated in a manner consistent with ~~subdivision (e):~~ *the priority of violations in paragraph (1).*

~~(2)~~ *(B)* Establishes *the enforcement and disciplinary actions for each category of violation in paragraph (1).* ~~risk-based enforcement categories.~~

~~(3)~~ *(C)* Provides for documentation of enforcement actions involving all violations.

~~(e)~~ *(d)* The department's disciplinary framework or guidelines for disciplinary action shall not conflict with this section.

~~(4)~~ *(e)* This section does not limit the department's authority to enforce this division and applicable regulations.

REGISTERED SUPPORT:

California Cannabis Operators Association (sponsor)
California Cannabis Industry Association
Catalyst
Cannabis Distribution Association
CannaCraft

Catalyst Cannabis Co.
Good Farmers Great Neighbors
Kiva Brands
March and Ash
Mammoth
Nug
United Cannabis Business Association

REGISTERED OPPOSITION:

There is no opposition on file.

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