
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2537 (Chen) - Cannabis Enforcement Accountability and Public Health Prioritization Act of 2026

Version: June 24, 2026
Urgency: No
Hearing Date: August 3, 2026

Policy Vote: B., P. & E.D. 10 - 0
Mandate: No
Consultant: Janelle Miyashiro

Bill Summary: AB 2537 requires the Department of Cannabis Control (DCC) to adopt and publish an enforcement prioritization policy; prioritize regulatory oversight, investigations, inspections, and enforcement and disciplinary actions in a manner consistent with this policy, as specified; and include additional enforcement data in its annual report to the Legislature.

Fiscal Impact: DCC estimates total costs of \$1.4 million (Cannabis Control Fund). This estimate includes:

- Approximately \$800,000 for legal staff to develop the required enforcement prioritization framework, and to revise existing inspection and investigation procedures and disciplinary guidance.
- Approximately \$600,000 for IT system modifications and data collection enhancements to integrate data across existing enforcement systems, as well as ongoing system maintenance.
- Unknown, potentially significant additional legal workload to address an expected increase in administrative appeals and litigation challenging the department's categorization of violations or its application of the prioritization framework. DCC estimates that up to three additional Attorney III positions would be required to address this workload.

Background: Established in 2022, the DCC's *recommended uniform disciplinary guidelines* aim to provide statewide consistency for formal discipline (revocation, suspension, probation, or fines). The guidelines do not apply to standard administrative citations and fines. When determining penalties, the DCC evaluates the following elements:

- Nature and Gravity: The severity and type of the act, offense, or crime and any mitigating evidence.
- Harm: Actual or potential harm to the public or consumers.
- History: Prior disciplinary/administrative record and overall criminal history.
- Current Violations and Timing: The number and variety of active violations, and time elapsed since the act(s) or offense(s) occurred.
- Rehabilitation and Compliance: Evidence of fitness for licensure (under Penal Code section 4852.01) and compliance with court-ordered sentences or probation.

The guidelines recommend penalties based on the severity of the violation, which are categorized in Tier 1-Tier 3:

- Tier 1 violations encompass acts that are potentially harmful to the public or consumers. There are over 40 specific violations within this category, including unauthorized inventory storage, failure to properly display name tags, advertising and marketing infractions, improper age verification, and the unauthorized use of pesticides on cannabis plants. For these offenses, the recommended minimum penalty is a stayed revocation, a 5- to 15-day suspension, a fine, or a combination of a suspension and fine. The maximum penalty for a Tier 1 violation is full license revocation.
- Tier 2 violations are reserved for actions that carry a serious potential for harm or demonstrate a greater disregard for public safety. This category also contains over 40 violations, ranging from holding an interest in a licensed testing laboratory or subletting a retail premises to track-and-trace failures, inventory accounting discrepancies, poor laboratory practices, and prohibited attire or conduct. The recommended penalties for Tier 2 mirror those of Tier 1: a minimum of a stayed revocation, a 5- to 15-day suspension, a fine, or a combination thereof, with a maximum penalty of revocation.
- Tier 3 encompasses the most severe infractions, specifically targeting licensees who knowingly or willfully violate commercial cannabis laws or commit fraudulent business acts. There are fewer than 30 violations in this category, which include the retail sale of untested cannabis goods, conducting business with non-licensees, making false statements or omissions on an application, failing to pay taxes, and violating an embargo. The recommended minimum penalty for a Tier 3 violation is a stayed revocation, a 45-day suspension, a fine, or a combination of a suspension and fine, while the maximum penalty is a suspension.

Violations specific to cultivators are handled separately and divided into three distinct categories:

- Minor: Violations unlikely to pose serious health or environmental risks.
- Moderate: Violations that undermine law enforcement, are likely to cause public or environmental harm, or repeat a minor violation within a designated timeframe.
- Serious: Violations that significantly interfere with enforcement, involve major deceptive business practices, carry high potential for public or environmental harm, or repeat a moderate violation within a specified timeframe.

Proposed Law:

- Establishes the Cannabis Enforcement Accountability and Public Health Prioritization Act of 2026.
- Beginning January 1, 2028, requires the department 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 priority: serious violations, moderate violations, and minor violations.
- Adopt and publish an enforcement prioritization policy to implement this section that does, at a minimum, all of the following:
 - Ensures personnel and resources are allocated in a manner consistent with the priority of violations, as specified.
 - Establishes the enforcement and disciplinary actions for each category of violation.
 - Provides for documentation of enforcement actions involving all violations.
- Provides that the Act does not limit the department's enforcement authority and applicable regulations, and that the department's disciplinary framework or guidelines for disciplinary action shall not conflict with the Act.
- Beginning March 1, 2028, and by March 1st annually thereafter, requires the department to include the following additional information, broken down by geographic distribution and categorized by minor, moderate, or serious violations, in its annual report to the Legislature:
 - Investigations and Enforcement: The number of investigations, inspections, and enforcement actions opened, closed, and conducted.
 - Petitions Filed: The number of petitions filed, as specified, against unlicensed persons.
 - Injunctions and Restitution: The number of injunctions or other appropriate restitution orders restraining unlicensed persons.
 - Citations and Collections: The number and dollar amount of citations issued and collected against unlicensed persons.
 - Civil Penalties: The number and dollar amount of civil penalties imposed and collected against unlicensed persons, persons aiding and abetting unlicensed commercial cannabis activity, and persons engaged in commercial cannabis property.
- Provides definitions for purposes of the Act, including:
 - "Enforcement prioritization policy" means an enforcement framework that aligns the department's regulatory oversight, investigations, inspections, and enforcement and disciplinary actions pursuant to this division with the level of risk of harm.

- “Minor violation” means conduct or conditions prohibited by this division and applicable regulations that create a negligible risk of harm, including, but not limited to, technical or administrative violations.
- “Moderate violation” means conduct or conditions prohibited by this division and applicable regulations that create a risk of harm, including, but not limited to, the following:
 - Negligent failure to maintain accurate testing results, track and trace data, or required regulatory documentation.
 - Negligent violation of laws related to workplace safety or wage protection.
 - Manufacture, distribution, or sales of cannabis or cannabis products that are adulterated or misbranded in a manner unlikely to cause illness or bodily injury.
- “Risk of harm” means the likelihood of any of the following:
 - Interference with enforcement of any state law.
 - False, misleading, or deceptive business practices.
 - Adversely affecting the environment or the health, safety, or welfare of the public.
- “Serious violation” means conduct or conditions prohibited by this division and applicable regulations that create a significant risk of harm, including, but not limited to, the following:
 - Unlicensed persons engaging in commercial cannabis activity.
 - Licensees diverting cannabis or cannabis products to unlicensed persons.
 - Licensees inverting cannabis or cannabis products from unlicensed persons into the licensed market.
 - Licensees engaging in the manufacture, distribution, or sale of synthetic cannabinoids.
 - 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.
 - Manufacture, distribution, or sales of cannabis or cannabis products that are adulterated or misbranded in a manner likely to cause illness or bodily injury.
 - Degradation of water resources, public lands, or wildlife habitat.

- Reckless or repeated failure to maintain accurate testing results, track and trace data, or required regulatory documentation.
 - Reckless or repeated violation of laws related to workplace safety or wage protections.
- States legislative findings and declarations.

Related Legislation: AB 1826 (Lackey, 2026) requires the DCC to provide a licensee with an opportunity to have an informal conference pertaining to a citation, a recall or an embargo, as specified. AB 1826 is pending in this committee.

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