

California's marijuana industry needs an intervention to avoid an 'extinction event'

Once, the cannabis industry was poised to become a multibillion-dollar industry in California. Now, it could be heading for what its advocates call an “extinction event.”

An estimated 10,000 marijuana growers could lose their licenses in the coming months if California lawmakers fail to pass a bill designed to grant them an extension, according to Sen. Mike McGuire, D-Healdsburg, who has sponsored Senate Bill 67.

“The bottom line is this: This bill is going to protect thousands of cannabis farmers, in particular, who did the right thing and applied for a state license after the passage of Prop. 64 but their temporary license is about to expire,” McGuire said in a hearing on his bill.

Under Proposition 64, California regulatory agencies were authorized to grant cannabis businesses a temporary license, good for 120 days and eligible for a 90-day extension. In the event of unanticipated delays in becoming compliant with the California Environmental Quality Act, a temporary license holder also could apply for a one-year provisional license.

The idea was that time would let growers operate while working toward getting a full annual license.

But in reality, the state has handed out just a handful of provisional and annual licenses. McGuire said that of the more than 6,900 applications sent to the California Department of Farm and Agriculture, just four provisional licenses were issued. Just 52 full annual licenses have been issued by all California state agencies, McGuire said.

Already, many of those temporary licenses are beginning to expire. And temporary license holders can no longer apply for an extension – the deadline to do so was Dec. 31, 2018.

That means that thousands of temporary license holders will soon be plunged into the black market unless state law changes.

SB 67 would grant a one-year extension to the deadline, setting it at Dec. 31, 2019.

“This is the worst way to transition a multibillion-dollar agricultural crop, which employs thousands of Californians,” McGuire said. “Without legal licenses, there isn’t a legal, regulated market in California.

Jackie McGowan, whose firm K Street Consulting represents the cannabis industry in California, said that the failure to pass SB 67, with a clause to make it retroactive, would mean the end of the legal cannabis industry in California.

“We’ve named these ‘extinction events,’” she said. “This bill is a bill that the industry is very anxious to see passed.”

McGowan said she is concerned that the bill might not pass through the Legislature without the support of the regulatory agencies.

While none of those agencies have weighed in on the bill, several dozen industry groups and other organizations have lent their support to SB 67, according to a bill analysis. No groups have registered their opposition.

Terra Carver, executive director for the Humboldt County Growers Alliance, told lawmakers in a hearing that some growers have already been forced out of business because their temporary license expired before the state got around to issuing a provisional one.

If nothing is done, Carver said, “there will be dire consequences such as imminent market collapse of hundreds of businesses in the region and through the state.”

McGuire’s bill wouldn’t just grant a reprieve to the marijuana industry; SB 67 would require every state licensing agency to provide a monthly report “presented in the aggregate, and by city and county” that lists the number of pending annual applications submitted by temporary and provisional license holders.

It also would require agencies to report the number of temporary license holders who have not submitted an annual license application, the number of temporary licenses that have expired “and any other information that may be relevant to delays in processing annual applications by the licensing authority.”

If nothing is done, more than 1,000 temporary licenses in the state could expire this month alone.

“This also means the flow of legal cannabis is at risk to retailers, which very well could mean an enhanced reliance on black market cannabis at the retail level,” McGuire said.

The senator called that “the exact issue we want to avoid.”

“In a time where the Golden State is working overtime to bring the cannabis industry out of the black market and into the light of a legal regulatory environment,” he said, “we can’t afford to let good actors who want to comply with state law fall out of our regulated market just because timelines are too short and departments have been unable to process applications in time due to the sheer number of applications.”