

State of California
Department of Cannabis Control
California Code of Regulations, Title 4, Division 19
Notice of Proposed Rulemaking Action:
Modifications to A and M Designation

Notice is hereby given that the Department of Cannabis Control (Department) proposes to adopt the amended regulations described below after considering all comments, objections, and recommendations regarding the proposed action.

Public Hearing

The Department will hold a virtual public hearing on **December 15, 2026**, beginning at 10:00 a.m.

Attendees may participate via WebEx online meeting platform or telephone conferencing. To participate via WebEx online meeting platform, please contact Melissa Brokken at (916) 465-9025 or Melissa.Brokken@cannabis.ca.gov by 4:30 p.m. on **December 14, 2026** to request a link to the meeting. A link to the meeting will also be posted on the Department's website no later than 9:00 a.m. the day of the hearing.

As reasonable accommodation, limited in-person seating will be available in the Department Hearing Room, 2920 Kilgore Road, Rancho Cordova, CA 95670. Please contact Melissa Brokken at (916) 465-9025 or Melissa.Brokken@cannabis.ca.gov by 4:30 p.m. on **December 14, 2026** if reasonable accommodation is necessary.

Participants will be given instructions on how to provide oral comment once they have accessed the hearing. The hearing will proceed on the dates noted above until all testimony is submitted or 1:00 p.m., whichever is later. At the hearing, any person may present oral or written statements or arguments relevant to the proposed action described in the Informative Digest. The Department requests, but does not require, that persons who make oral comments at the hearing also submit a written copy of their testimony via email.

Written Comment Period

Any interested person, or the interested person's authorized representative, may submit written comments relevant to the proposed regulatory action by mail or email to:

Department of Cannabis Control
Legal Affairs Division
2920 Kilgore Road
Rancho Cordova, CA 95670
E-mail: publiccomment@cannabis.ca.gov

The written comment period closes on **December 14, 2026**. To be considered by the Department, a comment must be received by **December 14, 2026**.

Authority

Business and Professions Code section 26012 and 26013.

Reference

Business and Professions Code sections 26012 and 26050.

Informative Digest / Policy Statement Overview

Summary of Existing Laws and Effect of the Proposed Action

The Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) (Bus. & Prof. Code, § 26000 et seq.) generally governs commercial cannabis activity in California. Business and Professions Code (BPC) section 26050, subsection (b) requires that all non-laboratory licenses issued by the Department have either a Medicinal or Adult-Use designation. Currently, a single license is authorized to bear both designations. There is currently no provision that would allow a licensee who holds a single license with both designations to instead be issued separate licenses each bearing a different designation, without requiring withdrawal of the original license, submitting two new applications, and investing a substantial amount of time.

BPC section 26012 authorizes the Department with the sole authority to create, issue, deny, renew, discipline, condition, suspend, or revoke licenses for commercial cannabis activity.

This rulemaking action would implement minor changes to the Department's licensing process to allow for existing licensees who hold a license with both a medicinal and Adult-Use designation to be issued separate Medicinal and Adult-Use licenses. The proposed regulations would develop a process that would facilitate the issuance of these licenses in an expedited manner. The proposed regulations would also allow existing licensees to have the separate licenses issued to a different legal entity from

the entity holding the existing license, so long as certain requirements are met. To maintain the integrity of the existing licensing system, certain conditions will be placed on any new licenses issued under this process to ensure that the resulting medical cannabis businesses continue to comply with all existing requirements.

Currently, there is very little guidance provided by the United States Department of Justice, Drug Enforcement Administration (DEA) regarding the specific requirements for registration for state licensed medical cannabis businesses existing in a regulatory system that currently allows for both medicinal and adult-use commercial cannabis activity. As such, the Department aims to provide licensees who plan to apply for DEA registration with flexibility in their licensing options that may allow the licensees to select the option that they feel may be the most optimal for their specific situation. The proposed regulations provide licensees who may be interested in exploring licensing options that are not currently available if these licensees determine that the newly provided licensing configuration may benefit them.

Evaluation of Inconsistency with Federal Laws

The proposed regulations are not inconsistent with federal regulation or statute as they relate to medicinal cannabis or cannabis products subject to a state issued medicinal cannabis license. The Order reschedules these items from Schedule I to Schedule III, allowing them to be imported or exported pursuant to a permit. Thus, medicinal commercial cannabis activity will no longer be considered illegal under federal law.

However, the Order did not reschedule adult-use cannabis or cannabis products from Schedule I to Schedule III. Therefore, adult-use commercial cannabis activity and businesses engaged solely in adult-use commercial cannabis activity are still illegal under federal law. However, California, through MAUCRSA and other laws, has decriminalized the cultivation, sale, and possession of cannabis goods for persons aged 21 or older.

Objectives and Anticipated Benefits of the Proposed Regulations

The objectives of this proposed regulatory action are providing a pathway for California commercial cannabis businesses to take advantage of the potential opportunities presented by the federal rescheduling of medicinal cannabis. The April 28, 2026, DEA Order reschedules cannabis to Schedule III of the CSA, thereby opening the possibility that commercial cannabis products created in California may comply with the Controlled Substances Act by registering with the DEA. It is in the best interest of California cannabis licensees and the State's regulated cannabis market to allow for medical cannabis businesses to apply for and receive DEA registration. California medical cannabis businesses that obtain a DEA registration will be able to lawfully manufacture, distribute, or dispense cannabis under federal law. Applicants who receive DEA registration authorization will be more clearly exempted from the deduction disallowance

imposed by Section 280E of the Internal Revenue Code, in addition to potentially being eligible for other benefits which at this time cannot be fully quantified. The proposed changes will further the stated intent of MAUCRSA by providing Department licensees flexibility in their operations so that they may pursue DEA registration, which would expand their opportunities in the regulated commercial cannabis industry. Added flexibility for retail operators will also aid the state in its goal of reducing the illicit cannabis market by limiting opportunities for diversion to the unlicensed market, while bringing more people into the regulated marketplace.

Evaluation of Inconsistency/Incompatibility with Existing State Regulations

After careful evaluation, the Department has determined that the proposed changes are not inconsistent or incompatible with existing regulations.

Disclosures Regarding the Proposed Action

The Department has made the following initial determinations:

- Mandate on local agencies or school districts: None.
- Cost or savings to any state agency: The Department does foresee a potential increase in its licensing division operations as licensees interested in taking advantage of the proposed relief provided by the Order submit modification requests to split their medicinal and adult-use designations into separate licenses. However, the staff's workload associated with processing the modifications under these regulations can be absorbed by existing staff.
- Cost to any local agency or school district required to be reimbursed in accordance with Government Code sections 17500 through 17630: None.
- Other nondiscretionary cost or savings imposed upon local agencies: None.
- Cost or savings in federal funding to the state: None.
- Significant, statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states: None. This proposal will not have a significant, statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states.
- Cost impacts on a representative private person or business: Any eligible licensee may incur costs attributed to the request, including minor administrative costs related to creation of business formation records for the separated M-license, additional license records, and licensee review of modification forms and request forms for license changes. However, many of these costs are likely to be

absorbed by current operating costs attributable to the single-dual designation license, resulting in a near net zero cost to businesses per year.

- Effect on housing costs: None.

Small Business Determination

The proposed regulations would affect approximately 1,600 licensees, approximately 97 percent of which are estimated by the Department to be small businesses. These businesses include licensed retailers and microbusinesses.

Results of the Economic Impact Assessment

Creation or Elimination of Jobs in California: Unknown. The number of jobs, if any, that may be created or eliminated cannot be quantified as it is uncertain how many eligible businesses will submit requests to modify or change their licenses as the choice to modify a single dual-designated license to two separate A and M licenses is voluntary.

Creation or Elimination of New Businesses in California: Unknown. It is unclear how many of the eligible businesses will submit requests to modify or change their licenses as the choice to modify a single dual-designated license to two separate A and M licenses is voluntary.

Expansion of Businesses Currently Doing Business within California: None. The proposed regulations apply to existing licensed commercial cannabis businesses under a single dual-designated license for adult-use and medicinal commercial cannabis business. The proposed regulations allow a licensee to split their single dual-designated license into two separate A and M licenses; however, the business is not operating any differently than it did under its single dual-designated license.

Benefits of the Regulation to the Health and Welfare of California Residents, Worker Safety, and the State's Environment: The proposed regulations create a flexible pathway for commercial cannabis licensees to modify their single dual-designated license into separate A and M licenses which better positions them to obtain DEA registration which may allow them to be more clearly exempt from the deduction disallowance imposed by Section 280E of the Internal Revenue Code, in addition to potentially being eligible for other benefits which at this time cannot be fully quantified due to a lack of further guidance and information from the federal government, as explained in previous sections.

Consideration of Alternatives

In accordance with Government Code section 11346.5, subdivision (a)(13), the Department must determine that no reasonable alternative it considered or that has

otherwise been identified and brought to its attention would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policies or other provisions of law.

Contact Persons

Inquiries concerning the proposed rulemaking action may be directed to:

Melissa Brokken
Department of Cannabis Control
2920 Kilgore Road
Rancho Cordova, CA 95670
916-465-9025
Regulations@cannabis.ca.gov

The backup contact person for these inquiries is:

Kaila Fayne
Department of Cannabis Control
2920 Kilgore Road
Rancho Cordova, CA 95670
916-251-4544
Kaila.Fayne@cannabis.ca.gov

Availability of Statement of Reasons, Text of Proposed Regulations, and Rulemaking File

The Department will make the entire rulemaking file available for inspection and copying throughout the rulemaking process at its office at the above address. As of the date this notice is published in the Notice Register, the rulemaking file consists of the Notice of Proposed Action, the proposed text of the regulations, the Initial Statement of Reasons, and the STD. 399. Please direct requests to inspect or copy the rulemaking file to the contact person(s) listed above.

Availability of Changed or Modified Text

After considering all timely and relevant comments received, the Department may adopt the proposed regulations substantially as described in this notice. If the Department makes modifications that are sufficiently related to the originally proposed text, it will make the modified text (with the changes clearly indicated) available to the public for at least 15 days before adopting the regulations as revised. Please direct requests for copies of any modified regulations to the contact person(s) listed above. The

Department will accept written comments on the modified regulations for the duration of the period of public availability.

Availability of The Final Statement of Reasons

Upon its completion, the Department will make copies of the Final Statement of Reasons available. Please direct requests for copies to the contact person(s) listed above.

Availability of Documents on the Internet

Copies of the Notice of Proposed Action, the Initial Statement or Reasons, and the text of the regulations with modifications highlighted, as well as the Final Statement of Reasons, when completed, and modified text and notices thereof, if any, may be accessed via the Department's website at <https://www.cannabis.ca.gov/cannabis-laws/rulemaking/>.