

REFERENCE TITLE: cannabis; regulation; taxation

State of Arizona
House of Representatives
Fifty-second Legislature
Second Regular Session
2016

HB 2406

Introduced by
Representatives Mendez, Andrade, Cardenas, Hale, Larkin: Clark, Espinoza,
Gabaldón, Gonzales, Plumlee

AN ACT

AMENDING TITLE 36, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 28.2; AMENDING
TITLE 42, CHAPTER 3, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 13; RELATING
TO THE REGULATION OF CANNABIS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 36, Arizona Revised Statutes, is amended by adding
3 chapter 28.2, to read:

4 CHAPTER 28.2

5 REGULATION OF CANNABIS

6 ARTICLE 1. GENERAL PROVISIONS

7 36-2821. Definitions

8 IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

9 1. "CANNABIS":

10 (a) MEANS ALL PARTS OF THE PLANT OF THE GENUS CANNABIS, THE SEEDS OF
11 THE PLANT, THE RESIN EXTRACTED FROM ANY PART OF THE PLANT AND EVERY COMPOUND,
12 MANUFACTURE, SALT, DERIVATIVE, MIXTURE OR PREPARATION OF THE PLANT, ITS SEEDS
13 OR ITS RESIN, INCLUDING CANNABIS CONCENTRATE.

14 (b) DOES NOT INCLUDE INDUSTRIAL HEMP OR FIBER PRODUCED FROM THE
15 STALKS, OIL OR CAKE MADE FROM THE SEEDS OF THE PLANT, A STERILIZED SEED OF
16 THE PLANT THAT IS INCAPABLE OF GERMINATION OR THE WEIGHT OF ANY OTHER
17 INGREDIENT COMBINED WITH CANNABIS TO PREPARE TOPICAL OR ORAL ADMINISTRATIONS,
18 FOOD, DRINK OR ANOTHER PRODUCT.

19 2. "CANNABIS ACCESSORIES" MEANS ANY EQUIPMENT, PRODUCTS OR MATERIALS
20 OF ANY KIND THAT ARE USED, INTENDED FOR USE OR DESIGNED FOR USE IN PLANTING,
21 PROPAGATING, CULTIVATING, GROWING, HARVESTING, COMPOSTING, MANUFACTURING,
22 COMPOUNDING, CONVERTING, PRODUCING, PROCESSING, PREPARING, TESTING,
23 ANALYZING, PACKAGING, REPACKAGING, STORING, VAPORIZING OR CONTAINING
24 CANNABIS, OR FOR INGESTING, INHALING OR OTHERWISE INTRODUCING CANNABIS INTO
25 THE HUMAN BODY.

26 3. "CANNABIS CULTIVATION FACILITY" MEANS AN ENTITY THAT IS REGISTERED
27 TO CULTIVATE, PREPARE AND PACKAGE CANNABIS AND SELL CANNABIS TO RETAIL
28 CANNABIS STORES, TO CANNABIS PRODUCT MANUFACTURING FACILITIES AND TO OTHER
29 CANNABIS CULTIVATION FACILITIES, BUT NOT TO CONSUMERS.

30 4. "CANNABIS ESTABLISHMENT" MEANS A CANNABIS CULTIVATION FACILITY, A
31 CANNABIS TESTING FACILITY, A CANNABIS PRODUCT MANUFACTURING FACILITY OR A
32 RETAIL CANNABIS STORE.

33 5. "CANNABIS PRODUCT MANUFACTURING FACILITY" MEANS AN ENTITY THAT IS
34 REGISTERED TO PURCHASE CANNABIS, MANUFACTURE, PREPARE AND PACKAGE CANNABIS
35 PRODUCTS AND SELL CANNABIS AND CANNABIS PRODUCTS TO OTHER CANNABIS PRODUCT
36 MANUFACTURING FACILITIES AND TO RETAIL CANNABIS STORES, BUT NOT TO CONSUMERS.

37 6. "CANNABIS PRODUCTS" MEANS CONCENTRATED CANNABIS PRODUCTS AND
38 CANNABIS PRODUCTS THAT ARE COMPOSED OF CANNABIS AND OTHER INGREDIENTS AND
39 THAT ARE INTENDED FOR USE OR CONSUMPTION, INCLUDING EDIBLE PRODUCTS,
40 OINTMENTS AND TINCTURES.

41 7. "CANNABIS TESTING FACILITY" MEANS AN ENTITY THAT IS REGISTERED TO
42 ANALYZE AND CERTIFY THE SAFETY AND POTENCY OF CANNABIS.

43 8. "CONSUMER" MEANS A PERSON WHO IS AT LEAST TWENTY-ONE YEARS OF AGE
44 AND WHO PURCHASES CANNABIS OR CANNABIS PRODUCTS FOR PERSONAL USE OR USE BY

1 PERSONS WHO ARE AT LEAST TWENTY-ONE YEARS OF AGE, BUT NOT FOR RESALE TO
2 OTHERS.

3 9. "DEPARTMENT" MEANS THE DEPARTMENT OF HEALTH SERVICES.

4 10. "INDUSTRIAL HEMP" MEANS THE PLANT OF THE GENUS CANNABIS AND ANY
5 PART OF THAT PLANT, WHETHER GROWING OR NOT, WITH A DELTA-9
6 TETRAHYDROCANNABINOL CONCENTRATION THAT DOES NOT EXCEED THREE-TENTHS PERCENT
7 ON A DRY-WEIGHT BASIS.

8 11. "LOCAL REGULATORY AUTHORITY" MEANS THE OFFICE OR ENTITY THAT IS
9 DESIGNATED BY A LOCALITY TO PROCESS CANNABIS ESTABLISHMENT APPLICATIONS.

10 12. "LOCALITY" MEANS A CITY, TOWN OR COUNTY.

11 13. "PUBLIC PLACE" MEANS ANY PLACE TO WHICH THE GENERAL PUBLIC HAS
12 ACCESS.

13 14. "RETAIL CANNABIS STORE" MEANS AN ENTITY THAT IS REGISTERED TO
14 PURCHASE CANNABIS FROM CANNABIS CULTIVATION FACILITIES AND CANNABIS AND
15 CANNABIS PRODUCTS FROM CANNABIS PRODUCT MANUFACTURING FACILITIES AND TO SELL
16 CANNABIS AND CANNABIS PRODUCTS TO CONSUMERS.

17 36-2822. Cannabis; personal use; forfeiture prohibited

18 A. NOTWITHSTANDING ANY OTHER LAW, EXCEPT AS OTHERWISE PROVIDED IN THIS
19 CHAPTER, A PERSON WHO IS AT LEAST TWENTY-ONE YEARS OF AGE MAY:

20 1. POSSESS, CONSUME, USE, DISPLAY, PURCHASE OR TRANSPORT CANNABIS
21 ACCESSORIES OR ONE OUNCE OR LESS OF CANNABIS.

22 2. POSSESS, GROW, PROCESS OR TRANSPORT NOT MORE THAN FIVE CANNABIS
23 PLANTS AND THE CANNABIS PRODUCED BY THE PLANTS ON THE PREMISES WHERE THE
24 PLANTS WERE GROWN.

25 3. TRANSFER, WITHOUT REMUNERATION, ONE OUNCE OR LESS OF CANNABIS AND
26 NOT MORE THAN FIVE IMMATURE CANNABIS PLANTS TO A PERSON WHO IS AT LEAST
27 TWENTY-ONE YEARS OF AGE.

28 4. ASSIST ANOTHER PERSON WHO IS AT LEAST TWENTY-ONE YEARS OF AGE IN
29 ANY OF THE ACTS DESCRIBED IN THIS SUBSECTION.

30 B. CANNABIS AND CANNABIS ACCESSORIES THAT ARE IN THE POSSESSION OF A
31 PERSON WHO IS AT LEAST TWENTY-ONE YEARS OF AGE PURSUANT TO SUBSECTION A OF
32 THIS SECTION ARE NOT SUBJECT TO SEIZURE OR FORFEITURE IN THIS STATE OR ANY
33 POLITICAL SUBDIVISION OF THIS STATE.

34 36-2823. Personal cultivation; requirements; civil penalty

35 A. IT IS UNLAWFUL FOR A PERSON WHO IS AT LEAST TWENTY-ONE YEARS OF AGE
36 TO CULTIVATE A CANNABIS PLANT UNLESS:

37 1. THE CANNABIS PLANT IS CULTIVATED IN A LOCATION WHERE THE PLANT IS
38 NOT SUBJECT TO PUBLIC VIEW WITHOUT THE USE OF BINOCULARS, AIRCRAFT OR OTHER
39 OPTICAL AIDS.

40 2. THE PERSON TAKES REASONABLE PRECAUTIONS TO ENSURE THAT THE PLANT IS
41 SECURE FROM UNAUTHORIZED ACCESS AND ACCESS BY A PERSON WHO IS UNDER
42 TWENTY-ONE YEARS OF AGE.

43 3. THE CANNABIS CULTIVATION OCCURS ONLY ON PROPERTY THAT IS LAWFULLY
44 IN POSSESSION OF THE CULTIVATOR OR WITH THE CONSENT OF THE PERSON WHO IS IN
45 LAWFUL POSSESSION OF THE PROPERTY.

1 B. A PERSON WHO VIOLATES THIS SECTION IS SUBJECT TO A CIVIL PENALTY OF
2 NOT MORE THAN SEVEN HUNDRED FIFTY DOLLARS.

3 36-2824. Public smoking prohibited; civil penalty

4 IT IS UNLAWFUL FOR A PERSON TO SMOKE CANNABIS IN A PUBLIC PLACE. A
5 PERSON WHO VIOLATES THIS SECTION IS SUBJECT TO A CIVIL PENALTY OF NOT MORE
6 THAN TWO HUNDRED FIFTY DOLLARS.

7 36-2825. False identification; violation; classification

8 A. A PERSON WHO IS UNDER TWENTY-ONE YEARS OF AGE MAY NOT PRESENT OR
9 OFFER TO A CANNABIS ESTABLISHMENT OR THE CANNABIS ESTABLISHMENT'S AGENT OR
10 EMPLOYEE ANY WRITTEN INSTRUMENT OR ORAL EVIDENCE OF AGE THAT IS FALSE,
11 FRAUDULENT OR NOT ACTUALLY THE PERSON'S OWN FOR THE PURPOSE OF EITHER:

12 1. PURCHASING, ATTEMPTING TO PURCHASE OR OTHERWISE PROCURING OR
13 ATTEMPTING TO PROCURE CANNABIS.

14 2. GAINING ACCESS TO A CANNABIS ESTABLISHMENT.

15 B. A PERSON WHO VIOLATES THIS SECTION IS GUILTY OF A CLASS 1
16 MISDEMEANOR.

17 36-2826. Cannabis accessories

18 NOTWITHSTANDING ANY OTHER LAW, IN THIS STATE AND ANY POLITICAL
19 SUBDIVISION OF THIS STATE, A PERSON WHO IS AT LEAST TWENTY-ONE YEARS OF AGE
20 MAY MANUFACTURE, POSSESS AND PURCHASE CANNABIS ACCESSORIES AND DISTRIBUTE AND
21 SELL CANNABIS ACCESSORIES TO A PERSON WHO IS AT LEAST TWENTY-ONE YEARS OF
22 AGE.

23 36-2827. Cannabis establishments; authorization; limitation;
24 forfeiture prohibited

25 A. NOTWITHSTANDING ANY OTHER LAW, A RETAIL CANNABIS STORE WITH A
26 CURRENT AND VALID REGISTRATION OR A PERSON WHO IS AT LEAST TWENTY-ONE YEARS
27 OF AGE AND WHO IS ACTING IN THE PERSON'S CAPACITY AS AN OWNER, EMPLOYEE OR
28 AGENT OF A RETAIL CANNABIS STORE WITH A CURRENT AND VALID REGISTRATION MAY DO
29 ALL OF THE FOLLOWING IN THIS STATE AND ANY POLITICAL SUBDIVISION OF THIS
30 STATE:

31 1. POSSESS, DISPLAY, STORE AND TRANSPORT CANNABIS AND CANNABIS
32 PRODUCTS IF THE CANNABIS AND CANNABIS PRODUCTS ARE NOT DISPLAYED IN A MANNER
33 THAT IS VISIBLE TO THE GENERAL PUBLIC FROM A PUBLIC RIGHT-OF-WAY.

34 2. PURCHASE CANNABIS FROM A CANNABIS CULTIVATION FACILITY.

35 3. PURCHASE CANNABIS AND CANNABIS PRODUCTS FROM A CANNABIS PRODUCT
36 MANUFACTURING FACILITY.

37 4. DELIVER, DISTRIBUTE AND SELL CANNABIS AND CANNABIS PRODUCTS TO
38 CONSUMERS.

39 5. LEASE OR OTHERWISE ALLOW THE USE OF PROPERTY OWNED, OCCUPIED OR
40 CONTROLLED BY ANY PERSON, CORPORATION OR OTHER ENTITY FOR ANY OF THE
41 ACTIVITIES CONDUCTED LAWFULLY PURSUANT TO THIS SUBSECTION.

42 B. NOTWITHSTANDING ANY OTHER LAW, A CANNABIS CULTIVATION FACILITY WITH
43 A CURRENT AND VALID REGISTRATION OR A PERSON WHO IS AT LEAST TWENTY-ONE YEARS
44 OF AGE AND WHO IS ACTING IN THE PERSON'S CAPACITY AS AN OWNER, EMPLOYEE OR
45 AGENT OF A CANNABIS CULTIVATION FACILITY WITH A CURRENT AND VALID

1 REGISTRATION MAY DO ALL OF THE FOLLOWING IN THIS STATE AND ANY POLITICAL
2 SUBDIVISION OF THIS STATE:

- 3 1. CULTIVATE, HARVEST, PROCESS, PACKAGE, TRANSPORT, DISPLAY, STORE AND
4 POSSESS CANNABIS.
- 5 2. DELIVER AND TRANSFER CANNABIS TO A CANNABIS TESTING FACILITY.
- 6 3. DELIVER, DISTRIBUTE AND SELL CANNABIS TO A CANNABIS CULTIVATION
7 FACILITY, A CANNABIS PRODUCT MANUFACTURING FACILITY AND A RETAIL CANNABIS
8 STORE.
- 9 4. RECEIVE AND PURCHASE CANNABIS FROM A CANNABIS CULTIVATION FACILITY.
- 10 5. RECEIVE CANNABIS SEEDS AND IMMATURE CANNABIS PLANTS FROM A PERSON
11 WHO IS AT LEAST TWENTY-ONE YEARS OF AGE.
- 12 6. LEASE OR OTHERWISE ALLOW THE USE OF PROPERTY OWNED, OCCUPIED OR
13 CONTROLLED BY ANY PERSON, CORPORATION OR OTHER ENTITY FOR ANY OF THE
14 ACTIVITIES CONDUCTED LAWFULLY PURSUANT TO THIS SUBSECTION.

15 C. NOTWITHSTANDING ANY OTHER LAW, A CANNABIS PRODUCT MANUFACTURING
16 FACILITY WITH A CURRENT AND VALID REGISTRATION OR A PERSON WHO IS AT LEAST
17 TWENTY-ONE YEARS OF AGE AND WHO IS ACTING IN THE PERSON'S CAPACITY AS AN
18 OWNER, EMPLOYEE OR AGENT OF A CANNABIS PRODUCT MANUFACTURING FACILITY WITH A
19 CURRENT AND VALID REGISTRATION MAY DO ALL OF THE FOLLOWING IN THIS STATE AND
20 ANY POLITICAL SUBDIVISION OF THIS STATE:

- 21 1. PACKAGE, PROCESS, TRANSPORT, MANUFACTURE, DISPLAY AND POSSESS
22 CANNABIS AND CANNABIS PRODUCTS.
- 23 2. DELIVER AND TRANSFER CANNABIS AND CANNABIS PRODUCTS TO A CANNABIS
24 TESTING FACILITY.
- 25 3. DELIVER AND SELL CANNABIS AND CANNABIS PRODUCTS TO A RETAIL
26 CANNABIS STORE AND A CANNABIS PRODUCT MANUFACTURING FACILITY.
- 27 4. PURCHASE CANNABIS FROM A CANNABIS CULTIVATION FACILITY.
- 28 5. PURCHASE CANNABIS AND CANNABIS PRODUCTS FROM A CANNABIS PRODUCT
29 MANUFACTURING FACILITY.
- 30 6. LEASE OR OTHERWISE ALLOW THE USE OF PROPERTY OWNED, OCCUPIED OR
31 CONTROLLED BY ANY PERSON, CORPORATION OR OTHER ENTITY FOR ANY OF THE
32 ACTIVITIES CONDUCTED LAWFULLY PURSUANT TO THIS SUBSECTION.

33 D. NOTWITHSTANDING ANY OTHER LAW, A CANNABIS TESTING FACILITY WITH A
34 CURRENT AND VALID REGISTRATION OR A PERSON WHO IS AT LEAST TWENTY-ONE YEARS
35 OF AGE AND WHO IS ACTING IN THE PERSON'S CAPACITY AS AN OWNER, EMPLOYEE OR
36 AGENT OF A CANNABIS TESTING FACILITY WITH A CURRENT AND VALID REGISTRATION
37 MAY DO ALL OF THE FOLLOWING IN THIS STATE AND ANY POLITICAL SUBDIVISION OF
38 THIS STATE:

- 39 1. POSSESS, CULTIVATE, PROCESS, REPACKAGE, STORE, TRANSPORT OR DISPLAY
40 CANNABIS.
- 41 2. RECEIVE CANNABIS FROM A CANNABIS CULTIVATION FACILITY, A CANNABIS
42 RETAIL STORE, A CANNABIS PRODUCT MANUFACTURING FACILITY OR A PERSON WHO IS AT
43 LEAST TWENTY-ONE YEARS OF AGE.

1 G. THE DEPARTMENT MAY INSPECT CANNABIS ESTABLISHMENTS AND THE BOOKS
2 AND RECORDS MAINTAINED AND CREATED BY CANNABIS ESTABLISHMENTS.

3 36-2829. Underage possession; forfeiture; drug awareness
4 program; civil penalty

5 NOTWITHSTANDING SECTION 13-3405, A PERSON WHO IS UNDER TWENTY-ONE YEARS
6 OF AGE AND WHO IS FOUND TO POSSESS ONE OUNCE OR LESS OF CANNABIS SHALL
7 FORFEIT THE CANNABIS AND COMPLETE NOT MORE THAN FOUR HOURS OF INSTRUCTION IN
8 A DRUG AWARENESS PROGRAM. IF THE PERSON DOES NOT COMPLETE THE DRUG AWARENESS
9 PROGRAM WITHIN ONE YEAR, THE PERSON IS SUBJECT TO A CIVIL PENALTY OF NOT MORE
10 THAN THREE HUNDRED DOLLARS.

11 36-2830. Applicability of chapter

12 THIS CHAPTER DOES NOT:

13 1. REQUIRE AN EMPLOYER TO PERMIT OR ACCOMMODATE THE USE, CONSUMPTION,
14 POSSESSION, TRANSFER, DISPLAY, TRANSPORTATION, SALE OR GROWING OF CANNABIS IN
15 THE WORKPLACE.

16 2. AFFECT THE ABILITY OF EMPLOYERS TO HAVE POLICIES RESTRICTING THE
17 USE OF CANNABIS BY EMPLOYEES OR TO DISCIPLINE EMPLOYEES WHO ARE UNDER THE
18 INFLUENCE OF CANNABIS IN THE WORKPLACE.

19 3. ALLOW DRIVING UNDER THE INFLUENCE OF CANNABIS OR DRIVING WHILE
20 IMPAIRED BY CANNABIS OR SUPERSEDE LAWS RELATED TO DRIVING UNDER THE INFLUENCE
21 OF CANNABIS OR DRIVING WHILE IMPAIRED BY CANNABIS.

22 4. PERMIT THE TRANSFER OF CANNABIS, WITH OR WITHOUT REMUNERATION, TO A
23 PERSON WHO IS UNDER TWENTY-ONE YEARS OF AGE OR ALLOW A PERSON WHO IS UNDER
24 TWENTY-ONE YEARS OF AGE TO PURCHASE, POSSESS, USE, TRANSPORT, GROW OR CONSUME
25 CANNABIS.

26 5. PROHIBIT A PERSON, EMPLOYER, SCHOOL, HOSPITAL, DETENTION FACILITY
27 OR CORPORATION OR ANY OTHER ENTITY THAT OCCUPIES, OWNS OR CONTROLS A PROPERTY
28 FROM PROHIBITING OR OTHERWISE REGULATING THE POSSESSION, CONSUMPTION, USE,
29 DISPLAY, TRANSFER, DISTRIBUTION, SALE, TRANSPORTATION OR GROWING OF CANNABIS
30 ON OR IN THAT PROPERTY.

31 6. LIMIT ANY PRIVILEGES OR RIGHTS OF A MEDICAL MARIJUANA PATIENT,
32 PRIMARY CAREGIVER OR MEDICAL MARIJUANA DISPENSARY UNDER CHAPTER 28.1 OF THIS
33 TITLE.

34 36-2831. Research

35 SCIENTIFIC AND MEDICAL RESEARCHERS WHO HAVE PREVIOUSLY PUBLISHED MAY
36 PURCHASE, POSSESS AND SECURELY STORE CANNABIS FOR PURPOSES OF CONDUCTING
37 RESEARCH. SCIENTIFIC AND MEDICAL RESEARCHERS MAY ADMINISTER AND DISTRIBUTE
38 CANNABIS TO A RESEARCH PARTICIPANT WHO IS AT LEAST TWENTY-ONE YEARS OF AGE
39 AFTER RECEIVING INFORMED CONSENT FROM THE RESEARCH PARTICIPANT.

40 36-2832. Cannabis regulation fund; transfer

41 THE CANNABIS REGULATION FUND IS ESTABLISHED CONSISTING OF FEES AND
42 TAXES COLLECTED AND CIVIL PENALTIES IMPOSED UNDER THIS CHAPTER. THE
43 DEPARTMENT SHALL ADMINISTER THE FUND AND SHALL USE THE MONIES IN THE FUND FOR
44 IMPLEMENTATION AND ENFORCEMENT OF THIS CHAPTER. MONIES IN THE FUND ARE

1 CONTINUOUSLY APPROPRIATED. MONIES IN THE FUND MAY NOT BE TRANSFERRED TO ANY
2 OTHER FUND EXCEPT AS PROVIDED IN SECTION 42-3552.

3 36-2833. Consumer privacy

4 TO ENSURE THAT INDIVIDUAL PRIVACY IS PROTECTED, THE DEPARTMENT MAY NOT
5 REQUIRE A CONSUMER TO PROVIDE A RETAIL CANNABIS STORE WITH PERSONAL
6 INFORMATION OTHER THAN GOVERNMENT-ISSUED IDENTIFICATION TO DETERMINE THE
7 CONSUMER'S AGE, AND A RETAIL CANNABIS STORE IS NOT REQUIRED TO ACQUIRE AND
8 RECORD PERSONAL INFORMATION ABOUT CONSUMERS.

9 Sec. 2. Title 42, chapter 3, Arizona Revised Statutes, is amended by
10 adding article 13, to read:

11 ARTICLE 13. CANNABIS

12 42-3551. Definitions

13 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

14 1. "CANNABIS" HAS THE SAME MEANING PRESCRIBED IN SECTION 36-2821.

15 2. "CANNABIS CULTIVATION FACILITY" HAS THE SAME MEANING PRESCRIBED IN
16 SECTION 36-2821.

17 3. "CANNABIS PRODUCT MANUFACTURING FACILITY" HAS THE SAME MEANING
18 PRESCRIBED IN SECTION 36-2821.

19 4. "RETAIL CANNABIS STORE" HAS THE SAME MEANING PRESCRIBED IN SECTION
20 36-2821.

21 42-3552. Levy and collection of tax on cannabis; disposition of
22 monies

23 A. THERE IS LEVIED AND SHALL BE COLLECTED BY THE DEPARTMENT IN THE
24 MANNER PROVIDED BY THIS CHAPTER A TAX AT THE RATE OF FIFTY DOLLARS PER OUNCE,
25 OR PROPORTIONATE PART THEREOF, ON THE SALE OR TRANSFER OF CANNABIS FROM A
26 CANNABIS CULTIVATION FACILITY TO A RETAIL CANNABIS STORE OR CANNABIS PRODUCT
27 MANUFACTURING FACILITY.

28 B. THE DEPARTMENT OF HEALTH SERVICES MAY ADJUST THE RATE ANNUALLY TO
29 ACCOUNT FOR INFLATION OR DEFLATION BASED ON THE CONSUMER PRICE INDEX
30 PUBLISHED BY THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR
31 STATISTICS.

32 C. NOTWITHSTANDING SECTION 42-3102, THE DEPARTMENT SHALL DEPOSIT,
33 PURSUANT TO SECTIONS 35-146 AND 35-147, MONIES LEVIED AND COLLECTED PURSUANT
34 TO THIS SECTION IN THE CANNABIS REGULATION FUND ESTABLISHED BY SECTION
35 36-2832.

36 D. THE DEPARTMENT OF REVENUE SHALL DISTRIBUTE, EVERY THREE MONTHS,
37 REVENUES GENERATED BY THE TAX IMPOSED PURSUANT TO THIS SECTION IN EXCESS OF
38 THE AMOUNT NEEDED TO IMPLEMENT AND ENFORCE TITLE 36, CHAPTER 28.2 IN ANY
39 FISCAL YEAR AS FOLLOWS:

40 1. THIRTY PERCENT TO THE DEPARTMENT OF EDUCATION.

41 2. TEN PERCENT TO THE DEPARTMENT OF HEALTH SERVICES FOR USE IN
42 VOLUNTARY PROGRAMS FOR THE TREATMENT OF ALCOHOL, TOBACCO AND CANNABIS ABUSE.

43 3. TEN PERCENT TO THE DEPARTMENT OF HEALTH SERVICES FOR A
44 SCIENTIFICALLY AND MEDICALLY ACCURATE PUBLIC EDUCATION CAMPAIGN EDUCATING

1 YOUTH AND ADULTS ABOUT THE HEALTH AND SAFETY RISKS OF ALCOHOL, TOBACCO AND
2 CANNABIS.

3 4. FIFTY PERCENT TO THE STATE GENERAL FUND.

4 Sec. 3. Rulemaking; definition

5 A. Not later than one hundred eighty days after the effective date of
6 this act, the department of health services shall adopt rules necessary for
7 implementation of this act. The rules may not prohibit the operation of
8 cannabis establishments, either expressly or through rules that make the
9 operation of a cannabis establishment unreasonably impracticable. The rules
10 shall include:

11 1. Procedures for the issuance, renewal, suspension and revocation of
12 a registration to operate a cannabis establishment consistent with the
13 requirements of title 41, chapter 6, Arizona Revised Statutes.

14 2. A schedule of application, registration and renewal fees.
15 Application fees may not exceed five thousand dollars, adjusted annually for
16 inflation, unless the department determines a greater fee is necessary to
17 carry out the department's responsibilities under this act.

18 3. Qualifications for registration that are directly and demonstrably
19 related to the operation of a cannabis establishment.

20 4. Security requirements for cannabis establishments, including for
21 the transportation of cannabis by cannabis establishments.

22 5. Requirements to prevent the sale or diversion of cannabis and
23 cannabis products to persons who are under twenty-one years of age.

24 6. Labeling requirements for cannabis and cannabis products that are
25 sold or distributed by a cannabis establishment.

26 7. Health and safety regulations and standards for the manufacture of
27 cannabis products and both the indoor and outdoor cultivation of cannabis by
28 cannabis establishments.

29 8. Restrictions on the advertising and display of cannabis and
30 cannabis products.

31 9. Civil penalties for the failure to comply with rules adopted
32 pursuant to this section.

33 10. Procedures for collecting taxes levied on cannabis cultivation
34 facilities.

35 B. "Unreasonably impracticable" means that the measures necessary to
36 comply with the rules adopted by the department require such a high
37 investment of risk, money, time or any other resource or asset that the
38 operation of a cannabis establishment is not worth being carried out in
39 practice by a reasonably prudent businessperson.

40 Sec. 4. Conforming legislation

41 The legislative council staff shall prepare proposed legislation
42 conforming the Arizona Revised Statutes to the provisions of this act for
43 consideration in the fifty-third legislature, first regular session.

1 Sec. 5. Requirements for enactment: two-thirds vote

2 Pursuant to article IX, section 22, Constitution of Arizona, this act
3 is effective only on the affirmative vote of at least two-thirds of the
4 members of each house of the legislature and is effective immediately on the
5 signature of the governor or, if the governor vetoes this act, on the
6 subsequent affirmative vote of at least three-fourths of the members of each
7 house of the legislature.