

REFERENCE TITLE: marijuana; dual licensees; rural communities

State of Arizona
Senate
Fifty-seventh Legislature
First Regular Session
2025

SB 1713

Introduced by
Senator Gowan

AN ACT

AMENDING SECTION 36-2854, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 28.2, ARIZONA REVISED STATUTES, BY ADDING SECTION 36-2857.01; RELATING TO MARIJUANA.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Subject to the requirements of article IV, part 1,
3 section 1, Constitution of Arizona, section 36-2854, Arizona Revised
4 Statutes, is amended to read:

5 36-2854. Rules; licensing; early applicants; fees; civil
6 penalty; legal counsel

7 A. The department shall adopt rules to implement and enforce this
8 chapter and regulate marijuana, marijuana products, marijuana
9 establishments and marijuana testing facilities. Those rules shall
10 include requirements for:

11 1. Licensing marijuana establishments and marijuana testing
12 facilities, including conducting investigations and background checks to
13 determine eligibility for licensing for marijuana establishment and
14 marijuana testing facility applicants, except that:

15 (a) An application for a marijuana establishment license or
16 marijuana testing facility license may not require the disclosure of the
17 identity of any person who is entitled to a share of less than ten percent
18 of the profits of an applicant that is a publicly traded corporation.

19 (b) The department may not issue more than one marijuana
20 establishment license for every ten pharmacies that have registered under
21 section 32-1929, that have obtained a pharmacy permit from the Arizona
22 board of pharmacy and that operate within this state.

23 (c) Notwithstanding subdivision (b) of this paragraph, the
24 department may issue a marijuana establishment license to not more than
25 two marijuana establishments per county that contains no registered
26 nonprofit medical marijuana dispensaries, or one marijuana establishment
27 license per county that contains one registered nonprofit medical
28 marijuana dispensary. Any license issued pursuant to this subdivision
29 shall be for a fixed county and may not be relocated outside of that
30 county.

31 (d) The department shall accept applications for marijuana
32 establishment licenses from early applicants beginning January 19, 2021
33 through March 9, 2021. Not later than sixty days after receiving an
34 application pursuant to this subdivision, the department shall issue a
35 marijuana establishment license to each qualified early applicant. If the
36 department has not adopted final rules pursuant to this section at the
37 time marijuana establishment licenses are issued pursuant to this
38 subdivision, licensees shall comply with the rules adopted by the
39 department to implement chapter 28.1 of this title except those that are
40 inconsistent with this chapter.

41 (e) After issuing marijuana establishment licenses to qualified
42 early applicants, the department shall issue marijuana establishment
43 licenses available under subdivisions (b) and (c) of this paragraph by
44 random selection and according to rules adopted pursuant to this section.
45 At least sixty days before any random selection, the department shall

1 prominently publicize the random selection on its website and through
2 other means of general distribution intended to reach as many interested
3 parties as possible and shall provide notice through an email notification
4 system to which interested parties can subscribe.

5 (f) Notwithstanding subdivisions (b) and (c) of this paragraph, and
6 not later than six months after the department adopts final rules to
7 implement a social equity ownership program pursuant to paragraph 9 of
8 this subsection, the department shall issue twenty-six additional
9 marijuana establishment licenses to entities that are qualified pursuant
10 to the social equity ownership program.

11 (g) NOTWITHSTANDING SUBDIVISIONS (b) AND (c) OF THIS PARAGRAPH, THE
12 DEPARTMENT SHALL ISSUE MARIJUANA ESTABLISHMENT LICENSES AND NONPROFIT
13 MEDICAL MARIJUANA DISPENSARY REGISTRATION CERTIFICATES TO ENTITIES THAT
14 ARE QUALIFIED PURSUANT TO THE RURAL OPPORTUNITY INITIATIVE. THE LICENSES
15 AND CERTIFICATES ISSUED PURSUANT TO THIS SUBDIVISION SHALL BE FOR A FIXED
16 COMMUNITY THAT HAS NOT OPTED OUT OF THE RURAL OPPORTUNITY INITIATIVE, AND
17 THE DUAL LICENSEE'S RETAIL SITE MAY BE RELOCATED ONLY TO AN UNSERVED RURAL
18 COMMUNITY IN ACCORDANCE WITH SECTION 36-2857.01.

19 (h) Lenses issued by the department to marijuana
20 establishments and marijuana testing facilities shall be valid for a
21 period of two years. A dual licensee's initial renewal date, which will
22 be the ongoing renewal date for both the dual licensee's marijuana
23 establishment license and nonprofit medical marijuana dispensary
24 registration, is the earlier of:

25 (i) The date of the marijuana establishment license renewal.
26 (ii) The date of the nonprofit medical marijuana dispensary
27 registration renewal.

28 (iii) (i) The department may not issue a marijuana establishment or
29 marijuana testing facility license to an applicant who has an ownership
30 interest in an out-of-state marijuana establishment or marijuana testing
31 facility, or the other state's equivalent, that has had its license
32 revoked by the other state.

33 2. Licensing fees and renewal fees for marijuana establishments and
34 marijuana testing facilities in amounts that are reasonable and related to
35 the actual cost of processing applications for licenses and renewals and
36 that do not exceed five times the fees prescribed by the department to
37 register or renew a nonprofit medical marijuana dispensary.

38 3. The security of marijuana establishments and marijuana testing
39 facilities.

40 4. Marijuana establishments to safely cultivate, process and
41 manufacture marijuana and marijuana products. The department shall
42 require licensees to procure, develop, acquire and maintain a system to
43 track marijuana and marijuana products at all points of cultivation,
44 manufacturing and sale. The system developed and maintained pursuant to
45 this paragraph shall:

1 (a) Ensure an accurate accounting and reporting of the production,
2 processing and sale of marijuana and marijuana products.

3 (b) Ensure compliance with rules adopted by the department.

4 (c) Be capable of tracking, at a minimum:

5 (i) The propagation of immature marijuana plants and the production
6 of marijuana by a marijuana establishment.

7 (ii) The processing of marijuana and marijuana products by a
8 marijuana establishment.

9 (iii) The sale and purchase of marijuana and marijuana products
10 between licensees.

11 (iv) The transfer of marijuana and marijuana products between
12 premises for which licenses have been issued.

13 (v) The disposal of marijuana waste.

14 (vi) The identity of the person making the entry in the system and
15 the time, date and location of each entry into the system, including any
16 corrections or changes to that information.

17 (vii) Any other information that the department determines is
18 reasonably necessary to accomplish the duties, functions and powers of the
19 department.

20 (d) Contain a transactional stamp to ensure accuracy, provide for
21 chain of custody of the information and foreclose tampering of the data,
22 human error or intentional misreporting.

23 5. Tracking, testing, labeling consistent with section 36-2854.01
24 and packaging marijuana and marijuana products, including requirements
25 that marijuana and marijuana products be:

26 (a) Sold to consumers in clearly and conspicuously labeled
27 containers that contain accurate warnings regarding the use of marijuana
28 or marijuana products.

29 (b) Placed in child-resistant packaging on exit from a marijuana
30 establishment.

31 6. Forms of government-issued identification that are acceptable by
32 a marijuana establishment verifying a consumer's age and procedures
33 related to verifying a consumer's age consistent with section 4-241.
34 Until the department adopts final rules related to verifying a consumer's
35 age, marijuana establishments shall comply with the proof of legal age
36 requirements prescribed in section 4-241.

37 7. The potency of edible marijuana products that may be sold to
38 consumers by marijuana establishments at reasonable levels on
39 consideration of industry standards, except that the rules:

40 (a) Shall limit the strength of edible marijuana products to not
41 more than ten milligrams of tetrahydrocannabinol per serving or one
42 hundred milligrams of tetrahydrocannabinol per package.

43 (b) Shall require that if a marijuana product contains more than
44 one serving, it must be delineated or scored into standard serving sizes

1 and homogenized to ensure uniform disbursement throughout the marijuana
2 product.

3 8. Ensuring the health, safety and training of employees of
4 marijuana establishments and marijuana testing facilities.

5 9. The creation and implementation of a social equity ownership
6 program to promote the ownership and operation of marijuana establishments
7 and marijuana testing facilities by individuals from communities
8 disproportionately impacted by the enforcement of previous marijuana laws.

9 10. Prohibiting a marijuana testing facility from having any direct
10 or indirect familial relationship with or financial ownership interest in
11 a marijuana establishment or related marijuana business entity or
12 management company. The rules shall include prohibiting a marijuana
13 establishment from having any direct or indirect familial relationship
14 with or financial ownership interest in a marijuana testing facility or
15 related marijuana business entity or management company.

16 11. Requiring marijuana establishments to display in a conspicuous
17 location a sign that warns pregnant women about the potential dangers to
18 fetuses caused by smoking or ingesting marijuana while pregnant or to
19 infants while breastfeeding and the risk of being reported to the
20 department of child safety during pregnancy or at the birth of the child
21 by persons who are required to report. The rules shall include the
22 specific warning language that must be included on the sign. The cost and
23 display of the sign required by rule shall be borne by the marijuana
24 establishment.

25 12. ESTABLISHING AND IMPLEMENTING A RURAL OPPORTUNITY INITIATIVE IN
26 ACCORDANCE WITH SECTION 36-2857.01 TO CREATE TAX REVENUE AND ECONOMIC
27 OPPORTUNITIES FOR RURAL COMMUNITIES.

28 B. The department may:

29 1. Subject to title 41, chapter 6, article 10, deny any application
30 submitted or deny, suspend or revoke, in whole or in part, any
31 registration or license issued under this chapter if the registered or
32 licensed party or an officer, agent or employee of the registered or
33 licensed party does any of the following:

34 (a) Violates this chapter or any rule adopted pursuant to this
35 chapter.

36 (b) Has been, is or may continue to be in substantial violation of
37 the requirements for licensing or registration and, as a result, the
38 health or safety of the general public is in immediate danger.

39 2. Subject to title 41, chapter 6, article 10, and unless another
40 penalty is provided elsewhere in this chapter, assess a civil penalty
41 against a person that violates this chapter or any rule adopted pursuant
42 to this chapter in an amount not to exceed \$2,000 for each violation.
43 Each day a violation occurs constitutes a separate violation. In
44 determining the amount of a civil penalty assessed against a person, the
45 department shall consider all of the factors set forth in section 36-2816,

1 subsection H. All civil penalties collected by the department pursuant to
2 this paragraph shall be deposited in the smart and safe Arizona fund
3 established by section 36-2856.

4 3. At any time during regular hours of operation, visit and inspect
5 a marijuana establishment, marijuana testing facility or dual licensee to
6 determine if it complies with this chapter and rules adopted pursuant to
7 this chapter. The department shall make at least one unannounced visit
8 annually to each facility licensed pursuant to this chapter.

9 4. Adopt any other rules that are not expressly stated in this
10 section and that are necessary to ensure the safe and responsible
11 cultivation, sale, processing, manufacture, testing and transport of
12 marijuana and marijuana products.

13 C. Until the department adopts rules allowing and regulating
14 delivery by marijuana establishments pursuant to subsection D of this
15 section, delivery is unlawful under this chapter.

16 D. On or after January 1, 2023, the department may, and not later
17 than January 1, 2025 the department shall, adopt rules to allow and
18 regulate delivery by marijuana establishments. The rules shall:

19 1. Require that delivery and the marijuana and marijuana products
20 to be delivered originate from a designated retail location of a marijuana
21 establishment and only after an order is made with the marijuana
22 establishment by a consumer. The rules may not limit the distance between
23 the delivery location and the originating designated retail location of
24 the marijuana establishment.

25 2. Prohibit delivery to any property owned or leased by the United
26 States, this state, a political subdivision of this state or the Arizona
27 board of regents.

28 3. Limit the amount of marijuana and marijuana products based on
29 retail price that may be in a delivery vehicle during a single trip from
30 the designated retail location of a marijuana establishment.

31 4. Prohibit extra or unallocated marijuana or marijuana products in
32 delivery vehicles.

33 5. Require that deliveries be made only by marijuana facility
34 agents in unmarked vehicles that are equipped with a global positioning
35 system or similar location tracking system and video surveillance and
36 recording equipment, and that contain a locked compartment in which
37 marijuana and marijuana products must be stored. The rules may not limit
38 the number of vehicles that a marijuana establishment may use for
39 delivery.

40 6. Require delivery logs necessary to ensure compliance with this
41 subsection and rules adopted pursuant to this subsection.

42 7. Require inspections to ensure compliance with this subsection
43 and rules adopted pursuant to this subsection.

44 8. Include any other provisions necessary to ensure safe and
45 restricted delivery.

1 9. Require dual licensees to comply with the rules adopted pursuant
2 to this subsection.

3 E. Except as provided in subsection D of this section, the
4 department may not allow delivery of marijuana or marijuana products under
5 this chapter by any individual or entity. In addition to any other
6 penalty imposed by law, an individual or entity that delivers marijuana or
7 marijuana products in a manner that is not authorized by this chapter
8 shall pay a civil penalty of \$20,000 per violation to the smart and safe
9 Arizona fund established by section 36-2856. This subsection may be
10 enforced by the attorney general.

11 F. All rules adopted by the department pursuant to this section
12 shall be consistent with the purpose of this chapter.

13 G. The department may not adopt any rule that:

14 1. Prohibits the operation of marijuana establishments, either
15 expressly or through requirements that make the operation of a marijuana
16 establishment unduly burdensome.

17 2. Prohibits or interferes with the ability of a dual licensee to
18 operate a marijuana establishment and a nonprofit medical marijuana
19 dispensary at shared locations.

20 H. Notwithstanding section 41-192, the department may employ legal
21 counsel and make an expenditure or incur an indebtedness for legal
22 services for the purposes of:

23 1. Defending this chapter or rules adopted pursuant to this
24 chapter.

25 2. Defending chapter 28.1 of this title or rules adopted pursuant
26 to chapter 28.1 of this title.

27 I. The department shall deposit all license fees, application fees
28 and renewal fees paid to the department pursuant to this chapter in the
29 smart and safe Arizona fund established by section 36-2856.

30 J. On request, the department of health services shall share with
31 the department of revenue information regarding a marijuana establishment,
32 marijuana testing facility or dual licensee, including its name, physical
33 address, cultivation site and transaction privilege tax license number.

34 K. Notwithstanding any other law, the department may:

35 1. License an independent third-party laboratory to also operate as
36 a marijuana testing facility.

37 2. Operate a marijuana testing facility.

38 L. The department shall maintain and publish a current list of all
39 marijuana establishments and marijuana testing facilities by name and
40 license number.

41 M. Notwithstanding any other law, the issuance of an occupational,
42 professional or other regulatory license or certification to a person by a
43 jurisdiction or regulatory authority outside this state does not entitle
44 that person to be issued a marijuana establishment license, a marijuana

1 testing facility license, or any other license, registration or
2 certification under this chapter.

3 N. Until the department adopts rules as required by subsection A,
4 paragraph 10 of this section:

5 1. A marijuana testing facility is prohibited from having any
6 direct or indirect familial relationship with or financial ownership
7 interest in a marijuana establishment or related marijuana business entity
8 or management company.

9 2. A marijuana establishment is prohibited from having any direct
10 or indirect familial relationship with or financial ownership interest in
11 a marijuana testing facility or related marijuana business entity or
12 management company.

13 Sec. 2. Subject to the requirements of article IV, part 1,
14 section 1, Constitution of Arizona, title 36, chapter 28.2, Arizona
15 Revised Statutes, is amended by adding section 36-2857.01, to read:

16 36-2857.01 Rural opportunity initiative; applicant
17 requirements; definition

18 A. ON OR BEFORE JULY 1, 2026, THE DEPARTMENT SHALL ADOPT RULES
19 ESTABLISHING A RURAL OPPORTUNITY INITIATIVE IN ACCORDANCE WITH THIS
20 SECTION.

21 B. ON OR BEFORE AUGUST 1, 2026, THE DEPARTMENT SHALL POST ON THE
22 DEPARTMENT'S PUBLIC WEBSITE A FORM THAT ALLOWS UNSERVED RURAL COMMUNITIES
23 TO COMMUNICATE TO THE DEPARTMENT THE COMMUNITY'S INTENTION TO OPT OUT OF
24 PARTICIPATION IN THE RURAL OPPORTUNITY INITIATIVE. FOR THE PURPOSES OF
25 THIS SECTION, A COUNTY MAY OPT OUT OF PARTICIPATION ON BEHALF OF
26 CENSUS-DESIGNATED AREAS IN THE COUNTY, NOT INCLUDING CITIES OR TOWNS. AN
27 UNSERVED RURAL COMMUNITY MAY WITHDRAW ITS OPT-OUT FORM AT ANY TIME.

28 C. ON OR BEFORE OCTOBER 1, 2026, THE DEPARTMENT SHALL POST AND
29 MAINTAIN ON THE DEPARTMENT'S PUBLIC WEBSITE A CURRENT LIST OF UNSERVED
30 RURAL COMMUNITIES THAT HAVE OPTED OUT OF THE RURAL OPPORTUNITY INITIATIVE.

31 D. BEGINNING OCTOBER 1, 2026, THE DEPARTMENT SHALL ACCEPT
32 APPLICATIONS FROM QUALIFIED APPLICANTS. WITHIN SIXTY DAYS AFTER RECEIVING
33 THE FIRST APPLICATION FROM A QUALIFIED APPLICANT THAT SEEKS TO SERVE A
34 SPECIFIC UNSERVED RURAL COMMUNITY, THE DEPARTMENT SHALL AWARD AND ALLOCATE
35 A MARIJUANA ESTABLISHMENT LICENSE AND A NONPROFIT MEDICAL MARIJUANA
36 DISPENSARY REGISTRATION CERTIFICATE TO THE QUALIFIED APPLICANT THAT FIRST
37 APPLIES TO SERVE THE UNSERVED RURAL COMMUNITY.

38 E. TO QUALIFY FOR A LICENSE PURSUANT TO THE RURAL OPPORTUNITY
39 INITIATIVE, AN APPLICANT SHALL COMPLETE AND SUBMIT A DEPARTMENT-APPROVED
40 FORM OR FORMS SHOWING THAT THE APPLICANT HAS A LANDOWNER'S CONSENT TO USE
41 PROPERTY IN THE ELIGIBLE UNSERVED RURAL COMMUNITY FOR A MARIJUANA RETAIL
42 SITE AND A DEPARTMENT-APPROVED FORM OR FORMS SHOWING THE PROPERTY IS IN
43 COMPLIANCE WITH LOCAL ZONING RESTRICTIONS APPLICABLE TO WHERE A DUAL
44 LICENSEE MAY BE LOCATED.

1 F. A LANDOWNER MAY NOT EXECUTE OR AGREE TO EXECUTE MULTIPLE
2 LANDOWNER CONSENT FORMS CONCERNING THE SAME PROPERTY ADDRESS FOR THE RURAL
3 OPPORTUNITY INITIATIVE. THE LANDOWNER CONSENT FORM EXECUTED FIRST IN TIME
4 IS THE ONLY VALID LANDOWNER CONSENT FORM.

5 G. NOTWITHSTANDING ANY OTHER PROVISION OF THIS CHAPTER OR CHAPTER
6 28.1 OF THIS TITLE, ENTITIES THAT BECOME A DUAL LICENSEE PURSUANT TO THIS
7 SECTION:

8 1. SHALL BE LICENSED BY THE DEPARTMENT TO OPERATE ONLY ONE RETAIL
9 LOCATION AND ONE OFF-SITE LOCATION AT WHICH THE DUAL LICENSEE MAY
10 CULTIVATE MARIJUANA AND MANUFACTURE MARIJUANA PRODUCTS.

11 2. MAY OPERATE AN OFF-SITE LOCATION ONLY AT A PROPERTY WHERE
12 CULTIVATION OPERATIONS WERE CONDUCTED PURSUANT TO THE DEPARTMENT'S
13 APPROVAL FOR AT LEAST ONE DAY DURING THE EIGHTEEN MONTHS IMMEDIATELY
14 PRECEDING A DUAL LICENSEE'S DATE OF APPLICATION TO OPERATE AT THE OFF-SITE
15 CULTIVATION LOCATION.

16 3. ARE NOT REQUIRED TO OPERATE THE DUAL LICENSEE'S RETAIL SITE FOR
17 MORE THAN TWENTY-FOUR HOURS EACH WEEK.

18 H. ANY ENTITY THAT BECOMES A DUAL LICENSEE PURSUANT TO THIS SECTION
19 MAY MOVE ITS RETAIL SITE ONLY TO ANOTHER UNSERVED RURAL COMMUNITY THAT HAS
20 NOT OPTED OUT OF THE RURAL OPPORTUNITY INITIATIVE PURSUANT TO THIS
21 SECTION.

22 I. FOR THE PURPOSES OF THIS SECTION, "UNSERVED RURAL COMMUNITY"
23 MEANS A CITY, TOWN OR CENSUS-DESIGNATED AREA THAT HAS A POPULATION OF LESS
24 THAN FIFTY THOUSAND PERSONS AND CONTAINS ONE OR MORE PARCELS OF PROPERTY
25 THAT ARE AT LEAST TWENTY-FIVE MILES FROM A MARIJUANA RETAIL SITE, AS
26 MEASURED FROM THE CLOSEST POINTS OF BOTH PROPERTIES.

27 Sec. 3. Requirements for enactment: three-fourths vote

28 Pursuant to article IV, part 1, section 1, Constitution of Arizona,
29 section 36-2854, Arizona Revised Statutes, as amended by this act, and
30 section 36-2857.01, Arizona Revised Statutes, as added by this act, are
31 effective only on the affirmative vote of at least three-fourths of the
32 members of each house of the legislature.