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## **OLR Bill Analysis**

### **sHB 5351**

#### ***AN ACT CONCERNING THE SOCIAL EQUITY COUNCIL'S RECOMMENDATIONS REGARDING CANNABIS REGULATION.***

#### **SUMMARY**

This bill makes several changes related to the Social Equity Council, including:

1. allowing the council to conduct investigations it deems needed to carry out its duties;
2. specifically prohibiting the change of ownership and control of equity joint ventures and social equity applicants for seven and three years after final licensure, respectively, but letting the council allow otherwise through policies and procedures and regulations;
3. consolidating reporting requirements by eliminating the monthly report to the Black and Puerto Rican Caucus (BPRC) and instead adding them to the required quarterly report; and
4. allowing an applicant or provisional licensee that is a social equity applicant to replace an original backer, as long as the backer is not a social equity applicant.

The bill also makes various minor, technical, and conforming changes, including correcting certain statutory citations.

EFFECTIVE DATE: Upon passage

#### **CHANGE IN OWNERSHIP OR CONTROL**

Under existing law, cultivators, producers, dispensary facilities, and micro-cultivators are prohibited from increasing their ownership in an equity joint venture by more than 50% for seven years after receiving final licensure. The law also requires the Social Equity Council to

develop criteria for evaluating ownership and control of any equity joint venture. The bill specifically prohibits a sale or change in ownership or control of a cannabis establishment license awarded to a social equity applicant for the seven-year period beginning when the equity joint venture is licensed, unless the council's policies and procedures or regulations allow it.

The bill (1) codifies the prohibition in changing ownership or control of a social equity applicant for three years following final licensure and (2) allows the council to make exceptions through policies and procedures or regulations. Existing law requires the council to adopt regulations and issue policies and procedures to prevent these changes.

Additionally, the bill requires the council to adopt regulations to implement these provisions. Regardless of the Uniform Administrative Procedure Act's regulation adoption process, to carry out this provision and before adopting the required regulations, the council must issue policies and procedures, by October 1, 2026, to implement the bill's provisions. These policies and procedures have the force and effect of law. At least 15 days before the policies and procedures take effect, the bill requires the council to post them on its website and submit them to the secretary of the state (SOTS) to be posted on the eRegulations system. A policy or procedure is no longer effective once SOTS codifies the final regulation or, if the regulations have not been submitted to the Regulation Review Committee, October 1, 2027, whichever occurs earlier.

Under the bill, the council may refer any violation of these policies or procedures or regulations to the Department of Consumer Protection (DCP) for administrative enforcement action, which may result in a fine of up to \$10 million or action against the cannabis establishment's license.

By law, a "cannabis establishment" is a cannabis producer, dispensary facility, cultivator, micro-cultivator, retailer, hybrid retailer (one licensed to sell both recreational cannabis and medical marijuana), food and beverage manufacturer, product manufacturer or packager,

delivery service, or transporter.

## **REPORT CONSOLIDATION**

Under current law, the Social Equity Council must submit (1) a monthly report to the BPRC and (2) quarterly reports to the governor, legislative leaders, and Appropriations and General Law chairpersons.

The bill consolidates the reporting by eliminating the monthly reporting requirement and instead adds the BPRC to the quarterly report. These reports have similar requirements, except the monthly report requires the council to report on planned expenditures for the following month while the quarterly report covers expenditures already made. The monthly report also requires the pending social equity applicant applications to be broken down by municipality, assembly district, and senate district, while the quarterly report requires pending social equity applicant applications, social equity plans, and workforce development plans to be broken down by how long they have been pending.

## **ADDING BACKERS OR PROVISIONAL LICENSEES**

Existing law generally prohibits additional backers from being added to a cannabis establishment application between the lottery entry or initial license application and when the final license is awarded.

The bill allows an applicant or provisional licensee that is a social equity applicant to apply to the DCP commissioner, in a way he prescribes, for a one-time replacement of an original backer, if the backer is not a social equity applicant.

## **BACKGROUND**

### ***Social Equity Council***

By law, the Social Equity Council is charged with, among other duties, promoting and encouraging full participation in the cannabis industry by people from communities disproportionately harmed by cannabis prohibition.

***Related Bill***

sHB 5350, § 54, favorably reported by the General Law Committee, generally prohibits a social equity applicant issued a cannabis license from changing ownership or control for three years after final licensure.

**COMMITTEE ACTION**

General Law Committee

Joint Favorable

Yea 16    Nay 5    (03/16/2026)