



ARIZONA STATE SENATE
Fifty-Fifth Legislature, First Regular Session

AMENDED
FACT SHEET FOR S.B. 1121

~~technical correction; intensive probation; modification~~
(NOW: marijuana; security)

Purpose

Requires, by December 31, 2023, marijuana establishment and marijuana testing facility licensees to develop, acquire and maintain a system to track marijuana and marijuana products. Requires, by December 31, 2023, marijuana product packaging labels to contain a consumer scannable tetrahydrocannabinol (THC) quick response code that displays outlined information. Contains requirements for enactment for initiatives and referendums (Proposition 105).

Background

In 2020, Arizona voters approved the Smart and Safe Arizona Act, which established a regulatory framework for the adult use of marijuana. The Department of Health Services (DHS) must adopt rules to implement and enforce statutory requirements for the adult use of marijuana, including rules relating to: 1) the licensing of marijuana establishments and marijuana testing facilities; 2) the security of marijuana establishments and marijuana testing facilities; and 3) the tracking, testing, labeling and packaging of marijuana and marijuana products. Additionally, DHS must adopt rules for the creation and implementation of a Program to promote the ownership and operation of marijuana establishments and marijuana testing facilities by individuals from communities disproportionately impacted by the enforcement of previous marijuana laws. In addition to the number of licenses issued by DHS to marijuana establishments pursuant to statutory requirements, DHS must issue 26 licenses to entities that qualify for the Program.

Marijuana and marijuana products must be placed in child-resistant packaging and sold to consumers in clearly and conspicuously labeled containers that contain accurate warning regarding the use of marijuana and marijuana products ([A.R.S. § 36-2854](#)). Marijuana establishments cannot: 1) package or label marijuana or marijuana products in a false or misleading manner; 2) sell or advertise marijuana or marijuana products resembling the form of a human, animal, insect, fruit, toy or cartoon; or 3) sell or advertise marijuana or marijuana products with names that resemble or imitate food or drink brands marketed to children ([A.R.S. § 36-2860](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Requires DHS, by December 31, 2023, to require licensees to procure, develop, acquire and maintain a system to track marijuana and marijuana products at all points of cultivation, manufacturing and sale.

2. Requires the marijuana and marijuana product tracking system to:
 - a) ensure an accurate accounting and reporting of the production, processing and sale of marijuana and marijuana products;
 - b) ensure compliance with DHS rules; and
 - c) contain a contractual stamp to ensure accuracy, provide for chain of custody of the information and foreclose tampering of the date, human error or intentional misreporting.
3. Requires the marijuana and marijuana product tracking system to be capable of tracking:
 - a) the propagation of immature marijuana plants and the production of marijuana by a marijuana establishment;
 - b) the processing of marijuana and marijuana products by a marijuana establishment;
 - c) the sale and purchase of marijuana and marijuana products between licensees;
 - d) the transfer of marijuana and marijuana products between licensed premises;
 - e) the disposal of marijuana waste
 - f) the identity of the person making the entry in the system and the time, date and location of each entry into the system, including any corrections or changes to that information; and
 - g) any other information determined reasonably necessary to accomplish the duties, functions and powers of DHS.
4. Requires, by December 31, 2023, any marijuana product packaged for sale to include a consumer scannable THC quick response code or similar technology that links to a web page that displays:
 - a) the date of harvest of the marijuana;
 - b) the THC strain of the marijuana;
 - c) the THC extraction method used;
 - d) a laboratory agent report of impurities containing at least heavy metals and agrochemicals;
 - e) the date of manufacture of the marijuana product;
 - f) the distribution chain, including at least a point of intended sale; and
 - g) a warning stating "using marijuana during pregnancy could cause birth defects or other health issues to your unborn child."
5. Requires DHS to adopt rules requiring marijuana establishments to display, in a conspicuous location, a sign that warns pregnant women about the potential dangers to fetuses caused by smoking or ingesting marijuana while pregnant or to infants while breastfeeding and the risk of being reported to the Department of Child Safety during pregnancy or at the birth of the child by person who are required to report.
6. Requires the DHS rules regarding a warning on the dangers of smoking or ingesting marijuana while pregnant to include specific warning language that must be included on the sign.
7. Requires the cost and display of the sign to be borne by the marijuana establishment.
8. Prohibits DHS, beginning on the general effective date, from issuing a marijuana establishment or marijuana testing facility license to an applicant that has an ownership interest in an out-of-state marijuana establishment or marijuana testing facility, or the other state's equivalent, and that has had its license revoked by the other state.

9. Exempts DHS from rulemaking requirements for six months and requires DHS to provide at least 30 days of public comment on proposed rules.
10. Defines *licensee*.
11. Makes technical and conforming changes.
12. Requires for enactment the affirmative vote of at least three-fourths of the members of each house of the Legislature (Proposition 105).
13. Becomes effective on the general effective date.

Amendments Adopted by Committee of the Whole

1. Removes the requirement that the Department of Health Services (DHS) issue the 26 additional marijuana establishment licenses to qualified entities for the Program by December 31, 2021.
2. Requires DHS, before adopting any rules relating to the creation and implementation of the Program, to submit a report on the proposed Program to the Joint Legislative Audit Committee.
3. Removes the requirement that Program licenses be issued as follows:
 - a) 7 licenses to companies that are at least 40 percent owned by a nonprofit corporation that has been incorporated for at least five years and that provides at least four out of eight specified programs to communities disproportionately impacted by the enforcement of previous marijuana laws; and
 - b) 19 licenses to either individuals from a community disproportionately impacted by the enforcement of previous marijuana laws or companies that are at least 25 percent owned by an individual from a community disproportionately impacted by enforcement of previous marijuana laws.
4. Removes the requirement that Program licenses be issued by lottery to qualified applicants.
5. Removes the prohibition on a Program license being transferred to anyone other than another qualified Program applicant.
6. Removes the prohibition on DHS charging an application fee of more than \$2,500 for a Program applicant.
7. Removes the requirement that DHS require each Program applicant to demonstrate that the applicant has at least \$500,000 in liquid capital.
8. Removes the requirement that DHS provide a marijuana facility agent training program on regulatory compliance to licensees operating under the Program.
9. Removes the requirement that a city, town or county allow at least one marijuana establishment Program license to operate within its jurisdiction.

10. Requires the system for tracking marijuana and marijuana products to be developed by DHS by December 31, 2022.
11. Prohibits the tracking system from tracking the sale of marijuana or marijuana products by a marijuana establishment to a consumer.
12. Removes the requirement that marijuana product packaging labels include a safety orange color band that is at least one-half inch wide.
13. Removes the requirement that DHS approve all marijuana or marijuana product labels and packages before a marijuana establishment can use the label or package.
14. Requires DHS, if it is determined that a marijuana or marijuana product package or label is attractive to minors or contains any inaccurate information, to require the marijuana establishment to revise the label or package.
15. Removes the requirement that marijuana product manufacturing and testing occur pursuant to written operating procedures.
16. Requires DHS to audit each marijuana establishment and marijuana testing facility at least every six months to determine compliance with applicable laws and rules.
17. Removes the requirement that DHS rules relating to the security of marijuana establishments and marijuana testing facilities require a security system with specified requirements for video cameras, digital video recorder storage and radio frequency identification name tags with tracking capabilities.
18. Removes the prohibition on combustible solvents in marijuana and marijuana products.
19. Makes technical and conforming changes.

Amendments Adopted by the House of Representatives

1. Requires DHS to require licensees to procure, develop, acquire and maintain a system for tracking marijuana and marijuana products, instead of requiring DHS to procure, develop, acquire and maintain the system.
2. Requires the marijuana tracking system to be implemented by December 31, 2023, rather than December 31, 2022.
3. Requires marijuana products to include a consumer scannable THC quick response code by December 31, 2023, rather than on the effective date of the legislation.
4. Prohibits DHS, beginning on the general effective date, from issuing a marijuana establishment or marijuana testing facility license to an applicant that has an ownership interest in an out-of-state marijuana establishment or marijuana testing facility, or the other state's equivalent, and that has had its license revoked by the other state.

5. Requires the marijuana tracking system to be capable of tracking the identity of the person making the entry in the system and the time, date and location of each entry into the system, including any corrections or changes to the information.
6. Requires the marijuana tracking system to contain a contractual stamp to ensure accuracy, provide for chain of custody of the information and foreclose tampering of the date, human error or intentional misreporting.
7. Requires DHS to adopt rules requiring marijuana establishments to display, in a conspicuous location, a sign that warns pregnant women about the potential dangers to fetuses caused by smoking or ingesting marijuana while pregnant or to infants while breastfeeding and the risk of being reported to the Department of Child Safety during pregnancy or at the birth of the child by person who are required to report.
8. Requires the DHS rules regarding a warning on the dangers of smoking or ingesting marijuana while pregnant to include specific warning language that must be included on the sign.
9. Requires the cost and display of the sign to be borne by the marijuana establishment.
10. Removes the requirement that the tracking system track marijuana and marijuana products in a manner in which data and secured date identifier are:
 - a) stored in the central database; and
 - b) subject to security protocols to ensure chain of custody of the information and to foreclose tampering with either the monitoring device data or the paired secure transactional stamp.
11. Removes the prohibition on the tracking system tracking the sale of marijuana and marijuana products by a marijuana establishment to a consumer.
12. Removes the requirement that DHS audit each marijuana establishment and marijuana testing facility at least every six months to determine compliance with applicable laws and rules.
13. Removes the requirement that a licensee to submit a marijuana product package or label to DHS.
14. Removes the requirement that marijuana and marijuana products be packaged for disposal to be placed in a safety orange container that has a tamper-resistant seal that reads "marijuana waste product" and "potentially dangerous".
15. Removes the requirement that DHS submit a report on the proposed Social Equity Ownership Program to the Joint Legislative Audit Committee before adopting any final rules relating to the Program.
16. Removes the requirement that DHS adopt rules relating to the:
 - a) diversion of marijuana and marijuana products from licensees to unauthorized persons; and
 - b) importation and exportation of marijuana and marijuana products from Arizona.
17. Removes the requirement that marijuana waste be disposed of in the same manner as biohazardous medical waste.

18. Exempts DHS from rulemaking requirements for six months and requires DHS to provide at least 30 days of public comment on proposed rules.

19. Removes the definition of *required information* and *secured data identifier*.

20. Makes technical and conforming changes.

Senate Action

House Action

APPROP	2/24/21	DPA/SE	6-4-0	APPROP	3/30/21	DPA	11-2-0-0
3 rd Read	3/18/21		26-2-2	3 rd Read	5/26/21		53-7-0

Prepared by Senate Research

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MH/gs