



ARIZONA STATE SENATE
Fifty-Sixth Legislature, Second Regular Session

FACT SHEET FOR S.B. 1262

marijuana; social equity licenses; enforcement

Purpose

Allows a principal officer or board member that holds the majority of ownership of an entity that holds a marijuana establishment social equity ownership license to transfer the license under certain conditions. Outlines enforcement that may be taken against a party who enters into a predatory agreement to take control of a social equity ownership license. Contains requirements for enactment for initiatives and referendums (Proposition 105).

Background

In 2010, Arizona voters approved the Arizona Medical Marijuana Act to establish a regulatory system, overseen by the Department of Health Service (DHS), that allows a dispensary to dispense a permissible amount of medical marijuana to a qualifying patient or the qualifying patient's designated caregiver ([A.R.S. Title 36, Chapter 28.1](#)). In 2020, Arizona voters approved the Smart and Safe Arizona Act which legalized the sale and use of recreational marijuana to Arizonans who are at least 21 years of age. The act also required that DHS create and implement a Social Equity Ownership 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 ([A.R.S. Title 36, Chapter 28.2](#)).

Licenses for both medical and recreational marijuana are issued by DHS and are valid for a period of two years. The total number of authorized recreational marijuana dispensaries in the state is limited to 1 for every 10 registered pharmacies. However, DHS may issue up to two recreational marijuana licenses in excess of this limit for each county without an established medical marijuana dispensary or one additional license in each county with only one medical marijuana dispensary. Additionally, medical marijuana dispensaries may seek dual licensure through DHS as a recreational and medical marijuana dispensary. These licensees must comply with the rules outlined for all marijuana establishments ([A.R.S. § 36-2854](#)).

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

Provisions

1. Allows the original principal officer, or board member with at least 51 percent ownership, of an entity that received a marijuana establishment license under the Social Equity Ownership Program to transfer the social equity license to any entity of the officer or member's choice if:
 - a) the original principal officer or board member, with at least 51 percent ownership, has been subject to a predatory agreement;
 - b) a principal officer or board member who held a minority interest when the social equity license was originally issued, violated any laws governing the responsible adult use of marijuana in Arizona;

FACT SHEET

S.B.1262

Page 2

- c) a principal officer or board member who held a minority interest at the time of the license application failed to disclose an excluded felony offense as prescribed under the Arizona Medical Marijuana Act; and
 - d) a principal officer or board member, who held a minority interest in the entity at the time of the license application, did not possess a marijuana facility agent card.
2. Subjects the transfer of a social equity license to the approval of the Attorney General (AG).
 3. Allows an outlined principal officer or board member who believes the officer or board member was subject to a predatory agreement, to file a complaint with the AG's office.
 4. Requires the AG to investigate a complaint and determine whether the agreement in question is a predatory agreement.
 5. Allows the AG's Office, cooperatively with DHS, to take appropriate enforcement action against a marijuana facility agent that entered into a predatory agreement to take control of the social equity license using a predatory agreement.
 6. Allows DHS to take action against a party to a predatory agreement at license renewal or marijuana facility agent card renewal.
 7. Defines *minimum fair market value* as the total annual recreational marijuana revenue in tax year 2023 for all recreational marijuana establishment licenses, divided by the total number of all marijuana establishment licenses, including those held by dual licensees.
 8. Defines *predatory agreement* as any agreement signed before or within twelve months after a social equity license was issued that required the original principal officer or board member who held outlined ownership of any entity that received a social equity license to sell, transfer or give control of the officer's or member's ownership interest for less than minimum fair market value.
 9. Contains a severability clause.
 10. Requires for enactment the affirmative vote of at least three-fourths of the members of each house of the Legislature (Proposition 105).
 11. Becomes effective on the general effective date.

Prepared by Senate Research

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MM/KS/sdr