

Executive Memorandum

TO: Honorable Mayor and Members of the City Council, City of Coalinga
FROM: SCI Consulting Group
DATE: March 6, 2026
SUBJECT: Cannabis Background Check Requirements: State vs. Municipal Code Comparison and Policy Options

I. EXECUTIVE SUMMARY:

The City Council previously directed staff to evaluate alignment of Coalinga's cannabis background check requirements with the State's regulatory framework, while retaining heightened review standards at the ownership level. This memorandum provides a detailed comparison of State and City requirements, identifies the key distinctions, and presents three policy options for Council consideration.

Notably, Coalinga's current regulations are more stringent than the State in two respects:

- 1) The City requires background investigations for employees, whereas the State imposes no such requirement.
- 2) Both owners and employees are subject to a City-conducted full investigation, whereas the State's fingerprinting requirement applies only to owners.

II. WHAT THE STATE REQUIRES:

Owner Background Checks (Business and Professions Code §26051.5(a)(1))

The State requires that each owner of a commercial cannabis business electronically submit fingerprint images to the California Department of Justice (DOJ). Fingerprint images are transmitted to the Federal Bureau of Investigation (FBI) for a federal criminal history check. The DOJ then compiles and returns results to the relevant state licensing authority (the Department of Cannabis Control, or DCC).

Key provisions of the State's owner fingerprinting requirement:

- Applies to owners as defined in BPC §26001(aq)(1)-(3) and further detailed in CCR Title 4 §15003.
- The DOJ charges applicants a fee to cover processing costs.
- Subsequent notification service is requested from DOJ for ongoing monitoring.
- If an owner previously submitted fingerprints for a valid state license, re-submission is not required for subsequent applications (one-time fingerprint exemption).
- Local and state agencies may share certified records of arrests, convictions, probation, and related documentation with the licensing authority upon request.

Who Qualifies as an "Owner" Under State Regulations (CCR §15003)

Under California regulations, the term "owner" is broadly defined to capture persons with real control or financial interest in the business:

- Any person with an aggregate ownership interest of 20% or more (unless the interest is solely a security, lien, or encumbrance).
- Any individual who manages, directs, or controls operations, including: board members of nonprofits, general partners, managing members of LLCs, trustees, and executive officers (CEO, President, VP, General Manager, or equivalent).
- If a business is owned by an entity, individuals within that entity who manage or control operations must also be disclosed.

Criminal History Evaluation (BPC §26057(b)(4)-(5))

The State identifies the following conviction types as substantially related to cannabis business qualifications:

- Violent felony convictions (Penal Code §667.5(c)).
- Serious felony convictions (Penal Code §1192.7(c)).
- Felony convictions involving fraud, deceit, or embezzlement.
- Felony convictions for employing minors in controlled substance activities.
- Felony convictions for drug trafficking with certain enhancements (Health and Safety Code §§11370.4 or 11379.8).

Significantly, under State law, prior convictions for cannabis-related offenses (possession, sale, manufacture, transport, cultivation) where the sentence is completed are NOT considered substantially related and cannot be the sole basis for denial. This reflects the State's broader cannabis equity framework.

Where a conviction is found to be substantially related, the State requires a thorough review of the nature of the crime, circumstances, and evidence of rehabilitation before reaching a determination rather than automatic disqualification.

Important: The State does NOT require background checks for employees of licensed cannabis businesses.

III. WHAT THE CITY OF COALINGA REQUIRES:

Coalinga Municipal Code Section 9-5.128(h) establishes a comprehensive employee permit system administered by the Coalinga Police Department. This system applies to all employees and independent contractors working at commercial cannabis operations.

Employee Permit Requirement

Every employee and independent contractor must obtain an employee permit from the Police Department before commencing work. Operators are responsible for ensuring compliance. Persons listed as a business owner on a regulatory permit and who also serve as an employee or contractor are exempt from the employee permit requirement; however, all other responsible parties must obtain a permit.

Application Requirements for Employees

Each employee/contractor applicant must provide, under penalty of perjury:

- Full name, current address, and telephone number.
- Date of birth.
- Tax identification number.
- Physical descriptors (height, weight, eye color, hair color).
- Photographs (taken by the Police Department).
- Fingerprints (taken by the Police Department — Live Scan).
- Authorization for the City to verify all application information.
- Name of the permit-holding business owner and operator.
- Any additional information deemed necessary by the Police Chief.

Investigation Process

Upon receipt of a completed application and payment of the required fee:

1. The Police Chief conducts a full background investigation of all applicants, employees, and independent contractors. All applicants for both regulatory permits and employee permits must submit to a fingerprint-based criminal history records check conducted by the Coalinga Police Department.
2. For regulatory permits (owners/operators): the Police Chief approves or denies the permit following completion of the background investigation, and may impose conditions to protect public health, safety, and welfare.
3. For employee permits: the Police Chief approves or denies the permit. At the Police Chief's discretion, employee permits may be conditionally approved pending completion of the background investigation.

IV. HOW COALINGA MUNICIPAL CODE DIFFERS FROM STATE REQUIREMENTS:

The table below summarizes the key distinctions between State and City requirements:

Requirement	State of California	City of Coalinga
Background Check — Employees	Not required	Required: full investigation + fingerprinting (Live Scan)
Background Check — Owners/Operators	Fingerprinting via DOJ/FBI required (Live Scan)	Required: full investigation + fingerprinting (Live Scan)
Disqualifying Convictions	Violent felonies, serious felonies, fraud/embezzlement, drug trafficking (with enhancements), crimes involving minors	Background investigation outcome per Police Chief discretion
Prior Cannabis Convictions	Completed sentences for cannabis offenses NOT automatically disqualifying (except minors/trafficking enhancements)	Subject to full background review; no express exemption
Employee Permit Required?	No separate employee permit requirement	Yes — required before commencing work

IV. OPTIONS FOR COUNCIL CONSIDERATION:

The following three options are presented for Council deliberation. Each reflects a different balance between regulatory burden, public safety, alignment with State law, and administrative resources.

❖ Option A: Retain Live Scan for Employees; Eliminate City-Conducted Full Investigation; Retain Full Review for Owners

This option reflects the direction provided by Council: align employee-level requirements more closely with State law while retaining stronger review standards for ownership and control positions.

Under this option:

- Employees and independent contractors: Continue to require Live Scan fingerprinting (submitted to DOJ/FBI) but eliminate the City-conducted full background investigation and the employee permit requirement.
- Owners and persons with a financial interest: Continue to require both Live Scan fingerprinting AND the City-conducted full background investigation.
- This approach creates a tiered system: streamlined fingerprint-only review for employees, comprehensive investigation for those who own or control the business.

Advantages:

- Reduces the regulatory burden on the cannabis workforce, which can be a significant barrier to employment in the industry.
- Maintains meaningful local oversight at the ownership and control level — where the City's interest in preventing bad actors from gaining control of a licensed business is greatest.
- Employees still undergo fingerprint-based criminal history review through the DOJ/FBI, preserving a baseline safety screen.

Considerations:

Coalinga's current code is actually more stringent than the State with respect to owners, as the State does not independently require a full local background investigation, only fingerprinting through the DOJ.

❖ Option B: Conduct Live Scan and Full Investigation for Owners Only — Eliminate All Employee Requirements

Under this option, the City would eliminate the employee permit requirement and all background check obligations for employees and independent contractors entirely. Live Scan fingerprinting and the City-conducted full background investigation would be required only for owners.

What this means in practice:

- Employees and independent contractors: No employee permit, no fingerprinting, and no background investigation required by the City.
- Owners and persons with a financial interest or operational control: Continue to require both Live Scan fingerprinting AND the City-conducted full background investigation.
- This approach concentrates all local background review at the ownership level and removes the City entirely from the screening of cannabis employees.

Advantages:

- Reduces the regulatory and administrative burden on cannabis employees and operators; fully eliminates the employee permit process.
- Retains the City's strongest oversight where it matters most: those who own, fund, and control the licensed business.
- Frees Police Department resources currently dedicated to employee permit processing and investigation.
- Aligns employee-level treatment with State law while exceeding State standards at the ownership level.

Considerations:

- Removes all City-level criminal history screening for employees. The City would have no independent visibility into the background of individuals working in cannabis operations.
- Unlike Option A, employees would not be subject to even a baseline Live Scan fingerprint check at the City level.

❖ Option C: Default to State Regulations

Under this option, the City would align its cannabis background check requirements fully with State law, eliminating the City's independent employee and owner background investigation and employee permit system.

What this means in practice:

- The City would no longer require employee permits or conduct independent background checks on employees or independent contractors.
- Owner fingerprinting would be governed by State DOJ/FBI processes; the City would rely on State licensing background checks rather than conducting its own.
- Cannabis operators would face a reduced local compliance burden, consistent with the State's intent to streamline licensing.

Advantages:

- Reduces administrative burden on operators and the Police Department.
- Full alignment with State law minimizes risk of inconsistency or legal challenge.
- May improve operator recruitment and business climate.

Considerations:

- Eliminates the City's independent review of individuals working directly in cannabis operations, a layer of local oversight that may be valued by the community.
- The City would rely entirely on the State's licensing process for criminal history screening.