



# House Commerce and Gaming

## September 12, 2019

Washington State Liquor and Cannabis Board (WSLCB)  
Director Rick Garza  
Deputy Director Megan Duffy



## Overview

- Implementation of 2019 Bills, other Cannabis Rulemaking Efforts
- Independent Enforcement Review
- Cannabis 2.0
- Potential Agency Request Legislation
- Traceability
- New Challenges



# Implementing 2019 Legislation: ESSB 5318

- LCB convened agency/industry workgroup in March
- Met frequently, collaborative-rewrite of rules
- Draft penalty rules to stakeholders for comment on Aug. 29
- Listen and learn sessions planned for Sept./Oct.
- Proposed rule mid-Nov.; public hearing mid.-Dec.; and adoption early 2020.

## Highlights

- Reduces fines by 50 percent
- Provides a penalty deferral option
- Significantly reduces the number of violations that could lead to license cancellation



# Rules with components from 2019 Legislation

## Packaging and Labeling

- Incorporating ESSB 5298 provisions
  - Allowed directions for use on packages of medical products, disclaimer statements
- Significantly redesigning, streamlining and clarifying elements
- Considering Oregon model: checklists for label approval
- Additional education on product storage, usage to prevent accidental exposure
- Adoption scheduled for Dec. 11, 2019

## True Party of Interest

- Incorporating ESHB 1794 provisions
  - allowed intellectual property agreements, royalty payments
  - reduced reporting requirement for contracts
- Adding section for financiers
- Working with the industry to define “control”
- Anticipate adoption Feb. 2020



# LCB-Initiated Rulemaking

## Quality Assurance

- Revisions to require pesticide, heavy metal testing for all products
- Planned phase in over 18 months
- Final proposal being drafted; adoption early- 2020; full implementation mid-2021.

## Canopy

- Withdrawing current CR 101
- Refiling updated CR 101 – beginning rule development
- Plan is to allow canopy increase for Tier 1 producers at canopy limit
- Balancing needs of producers with statewide supply
- Aligns with and supports potential agency legislation



# Improving Cannabis Rulemaking Process

## Enhancing Stakeholder Engagement in Rulemaking

- Significantly increased stakeholder engagement and collaboration
- Ex: Listen and learn sessions where stakeholders have opportunity to provide input prior to actual rule-making

## Deeper Understanding of Industry Impacts

- Improved the quality of rule packages and supporting documentation
- Ex: Small Business Economic Impact Analysis



# Independent Enforcement Review

## Independent Review of Operations

- WSLBC contracted with third-party firm Hillard Heintz
- Systemic review of LCB enforcement operations – alcohol and cannabis
- Focus on policies, complaint procedures, investigations, and accountability
- Anonymous survey of all liquor and cannabis licensees
- Facilitated discussions without LCB staff present: Spokane and Seattle
- Analysis and recommendations expected December 2019



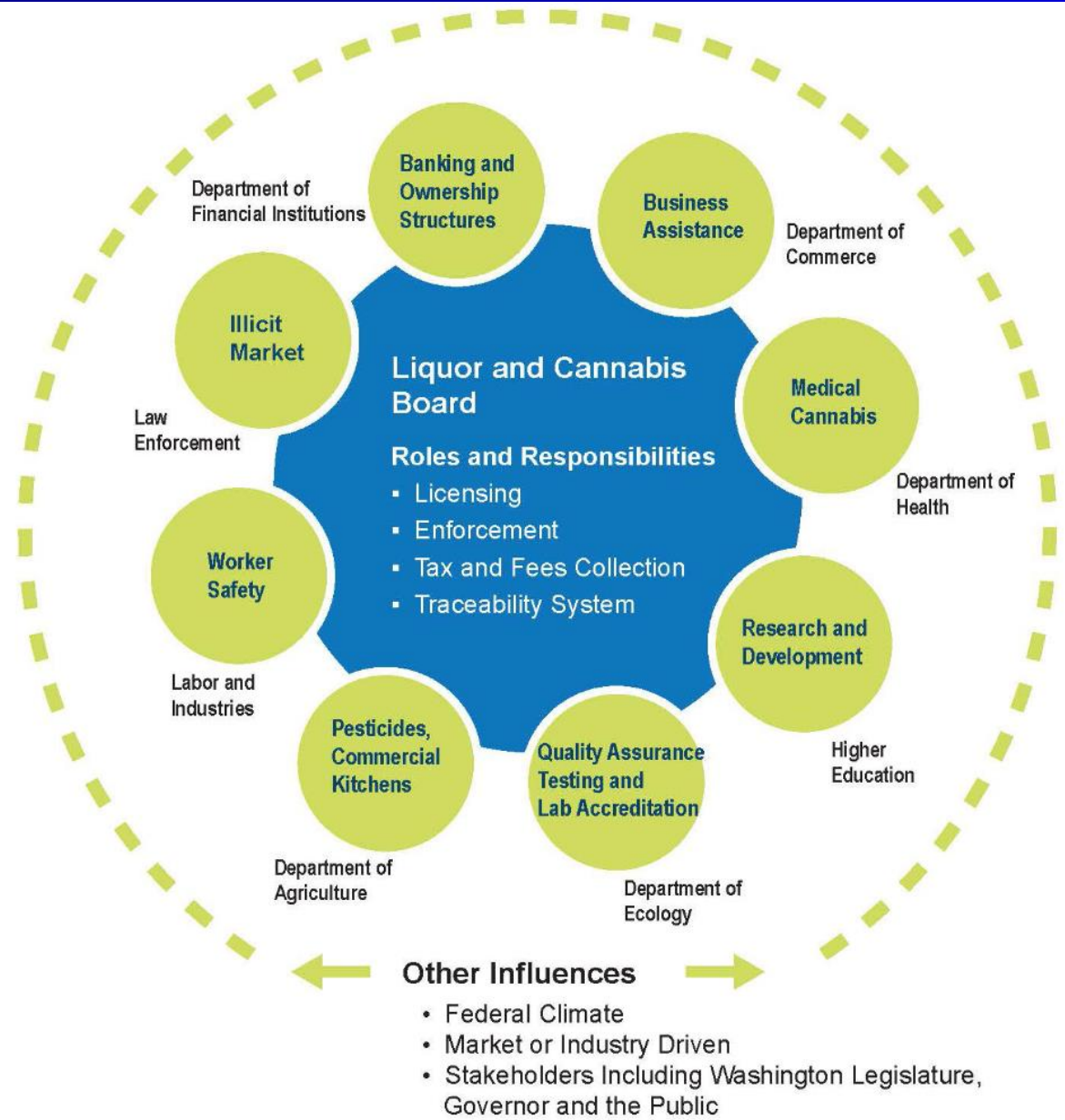
## LCB Board Chair Launches Cannabis 2.0

- Jane Rushford, LCB Board Chair, convened Cannabis 2.0 Project
- Genesis was insight around need to look beyond day-to-day challenges toward the horizon for cannabis 3-5 years in future
- Broadly defined to include regulation, policy, taxation, etc.
- LCB is initially focused on three elements:
  - sharing responsibility/clarifying roles with other state agencies
  - enhancing access to medical cannabis, and
  - introducing greater social equity into the system.
- Statewide versus local jurisdiction responsibilities
- Evolution of business models
- State agencies convened in April; next cross-agency discussion planned for this Fall





# Washington State Liquor and Cannabis Board





# Potential Agency Request Legislation

## Medical Cannabis and Small Producers: Goals

- Increase access to and availability of medical products
- Enhance sustainability of producers with smallest scale operations
- Better serve medical patients
- Preserve product diversity

## Components

- Create an exception to Tied House rules for the cannabis market
- Allow Tier 1 (less than 2,000') retail privileges for medical cannabis
- Options for accessing medical product retail markets:
  - Home delivery
  - Sales out of production facility (if allowed locally)
  - Shared retail outlets



# Potential Agency Request Legislation

## Social Equity Proposal: Goals

- LCB proposes steps to acknowledge disproportionate impacts of prohibition
- In 2013-14, LCB did not focus explicitly on social equity
- Licenses for cannabis industry have already been awarded
- Washington's cannabis industry does not fully reflect state's population

## Components

- Retail licenses prioritized for people from communities of color, veterans and women
- Small number of discontinued licenses could be re-issued
- Local governments could request additional licenses in their jurisdiction
- Open to protected classes in anti-discrimination statute (RCW 49.60.020 (1))
- Small technical assistance grant program to help launch new businesses



## Traceability

- Traceability is a key aspect of the vision of Cannabis 2.0.
- Currently working internally to strategically envision what that future looks like.
  - Once we know our base needs, we will be engaging our stakeholders.
- LCB's intent
  - Secure the necessary time for us to develop long-term, strategic plan for traceability
  - Ensure there is no further disruption to the industry.



## New Challenges

### **CBD and Hemp**

- Collaborating with state Department of Agriculture: Implementing E2SSB 5276
- FDA beginning to look at CBD

### **Vapor Product Safety Concerns**

- Recent health warnings from FDA
- Centers for Disease Control conducting investigation of recent cases of vape-related pulmonary illness
- Collaborating with Dept. of Health on public messages

### **Traceability**

- What is necessary to honor Cole memo and public safety