



Washington State Liquor and Cannabis Board

Merger of Adult Use and Medical Marketplace

Oct. 23, 2020

Background

- In 1998, voters approved an initiative (I-692) that gave qualified patients a defense for possessing small amounts of “medical” cannabis.
 - The initiative did not create any structure for or authorization of businesses to grow, process or retail cannabis.
- In 2011, the Legislature passed a comprehensive bill that expanded state protections for medical cannabis and legalizing dispensaries.
 - Gov. Gregoire vetoed most of the substantive provisions of the bill, stating that it created exposure for state employees who could be prosecuted by U.S. Attorneys for administering the law.
 - The result of the partial veto was a confusing patchwork for local governments and prosecutors.
 - Gregoire's veto made the dispensaries illegal, but created a loophole allowing dispensaries to recast themselves as legal “collective garden” co-ops with rotating member lists.
- Between 2011 and 2016, dispensary growth exploded across the Puget Sound region, especially in Seattle.
 - Retail collective gardens opened, many without state business licenses;
 - It was easy to get a medical authorization from a host of providers, including naturopaths and other practitioners of complementary medicine, who could authorize individuals as medical cannabis patients;
 - Most did not pay any taxes or follow business regulations all other businesses were required to follow; and
 - Dispensaries were widely perceived as illegal storefronts operating as “medical” dispensaries;
 - U.S. Attorneys for Western Washington (Jenny Durkan) prosecuted few, perhaps emboldening dispensary operators;
 - U.S. Attorneys in Eastern Washington prosecuted many, resulting in many fewer and lower-visibility operations.
- In 2014, LCB licensed the first legal adult use producers, processors and retailers under I-502, approved in November, 2012.
 - As licensed retailers grew in numbers, they found themselves competing with “collective gardens” who claimed all their sales were “medical.”
 - Retailers in the tightly controlled licensed market grew increasingly frustrated that they were competing with non-taxed, non-regulated dispensaries for the same customers.

2015

- The Legislature passed the Comprehensive Patient Protection Act (SB 5052) led by Sen. Ann Rivers.
 - Comprehensive legislation that included establishing a system of medical cannabis regulation governed by Department of Health, renaming the LCB, and terminating “collective gardens” or dispensaries, effective one year later, on July 1, 2016.

2016

Representatives from the Department of Health (Health), the Liquor and Cannabis Board, the state Departments of Revenue, Agriculture, Financial Institutions, the state Attorney General’s Office, state Treasurer, and Washington State Patrol the Washington State Association of Sheriffs and Police Chiefs, the Association of Washington Cities, and the Washington State Association of Prosecutors met regularly to communicate and prepare for the July 1, 2016 deadline.

Liquor and Cannabis Board Role

The law charged the WSLCB with drafting regulations that integrate the medical cannabis marketplace into the tightly controlled recreational marketplace and licensing additional retail applicants using a priority-based system. Additional retail store licenses were to be created, to accommodate the medical market and dispensaries.

- The Legislature created a three-tiered system for prioritizing applications for the new retail licenses. The first priority was defined by law as including those who met all four of the criteria set by the Legislature: applied to LCB for a retail license before July 1, 2014; operated or were employed by a collective garden before January 1, 2013; maintained a state business license and a municipal business license, and paid all applicable state taxes and fees.
- Following multiple public hearings around the state, the LCB adopted rules and began licensing the highest-priority retail applicants for an available 222 new retail stores.
- The number of applicants falling into the Priority One category alone far exceeded the number of licenses available to award on a competitive basis.

Advance Communication

- To help communicate the transition and provide answers to common questions, the LCB launched a comprehensive section of its website including FAQs, links to relevant pages of state agency websites, and fact sheets.
- The Association of Washington Cities (AWC) hosted webinars with member cities and state representatives to discuss the July 1, transition.
- The state Department of Revenue sent a special notice to collective gardens about the medical cannabis transition.
- Law enforcement and county prosecutors varied in their approach to the transition.
 - In Thurston County, Sheriff Snaza teamed with a county prosecutor to personally visit each dispensary in the county to inform them of the expectation that they close by July 1, if they do not have a state license.

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