

PROPOSED SUBSTITUTE BILL MEMORANDUM

To: Members, House Commerce & Gaming Committee

From: Peter Clodfelter, Counsel, House Office of Program Research

Date: February 2, 2022

Re: **Proposed Substitute HB 2022 (H-2527.1)** – AN ACT Relating to social equity in the cannabis industry.

Proposed Substitute Sponsored by Representative Wicks

The original bill has the following effect:

- Requires the Liquor and Cannabis Board to make available and issue 38 new cannabis retailer licenses and 25 new cannabis producer/processor licenses each year between 2022 and 2029 to social equity applicants.
- Limits the issuance of cannabis producer, processor, retailer, and any new license types created through 2029 so licenses may only be issued to social equity applicants and, beginning in 2030, requires 50 percent of new cannabis licenses issued to be to social equity applicants.
- Authorizes cannabis licenses issued through the social equity program to be mobile and for premises in any local jurisdiction that permits the business activity.
- Reduces and eliminates certain distance restrictions in cannabis licensing for social equity licenses through 2029, and for all cannabis licenses beginning 2030.
- Changes the definition of "social equity applicant," waives the annual licensing fee for cannabis social equity licensees, eliminates the requirement to submit a social equity plan, modifies provisions on prioritizing applicants, and modifies cannabis excise tax distributions.

The proposed substitute bill makes the following changes compared to the original bill:

- Retains the provisions of the original bill except as described below.
- Eliminates the requirement that the Liquor and Cannabis Board (LCB) must "issue" each of the new cannabis licenses in each calendar year beginning in 2022 through 2029, while retaining the requirement that the LCB must "make available" the licenses each calendar year beginning in 2022 through 2029.
- Eliminates a reference to the word "mobile" while retaining the authorization for cannabis licenses issued under the social equity program to be for premises located within any city, county, or town in the state that permits the cannabis business activity at the proposed location.
- Restores current law by eliminating all proposed changes to distance requirements in cannabis licensing.

- Modifies proposed changes to the prioritization process for cannabis licenses under the social equity program so that the LCB, in consultation with the Office of Equity and community organizations, must select a third-party contractor to prioritize applicants based on a scoring rubric developed by the LCB with input from the Social Equity in Cannabis Task Force and approved by the Office of Equity.
- Modifies proposed changes to the definition of "social equity applicant" so that: (1) For applicants qualifying based on living in a disproportionately impacted area, the time period applicants must reside in the area is at least six months out of the last 60 years instead of at least five years out of the last 60 years; and (2) for applicants qualifying based on being disproportionately harmed by the war on drugs as evidenced by rates of arrest for cannabis possession offenses, the express requirement that an applicant be a racial minority is eliminated.
- Modifies proposed changes to the cannabis social equity grant, low-interest loan, and technical assistance program administered by the Department of Commerce as follows:
 - Combines the proposed annual \$15 million for grants and \$7.5 for low-interest loans to \$22.5 million annually for grants and low-interest loans;
 - Limits grants and loans to licensees under the social equity program, so applicants are not eligible for grants and loans but remain eligible for technical assistance;
 - Specifies the Department of Commerce "may" instead of "must" award grants and loans to licensees under the social equity program;
 - Adds eligible activities for grants, limits grants to \$100,000 per eligible applicant, and specifies eligible applicants may apply for one grant annually and three total grant awards;
 - Specifies eligible business-related expenses for which loans are available; and
 - Authorizes the Department of Commerce to work with participating lenders to make loans and to reserve a portion of funds allocated or received in order to support loan loss reserves and reduce underwriting risk.

1 AN ACT Relating to social equity in the cannabis industry;
2 amending RCW 69.50.335, 69.50.345, 69.50.540, and 43.330.540;
3 reenacting and amending RCW 69.50.345; adding a new section to
4 chapter 69.50 RCW; providing an effective date; and providing an
5 expiration date.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **Sec. 1.** RCW 69.50.335 and 2021 c 169 s 2 are each amended to
8 read as follows:

9 (1) (a) Beginning December 1, 2020, and until July 1, 2029,
10 cannabis retailer licenses that have been subject to forfeiture,
11 revocation, or cancellation by the board, or cannabis retailer
12 licenses that were not previously issued by the board but could have
13 been issued (~~((without exceeding the limit on the statewide number of~~
14 ~~cannabis retailer licenses established before January 1, 2020,))~~) by
15 the board, may be issued or reissued to an applicant who meets the
16 cannabis retailer license requirements of this chapter.

17 (b) Beginning in calendar year 2022 and each calendar year
18 through 2029, the board shall make available 38 new cannabis retailer
19 licenses per calendar year to applicants who qualify as social equity
20 applicants.

1 (c) Beginning in calendar year 2022 and each calendar year
2 through 2029, the board shall make available 25 new marijuana
3 producer and/or processor licenses per calendar year to applicants
4 who qualify as social equity applicants. Applicants for licenses
5 authorized in this subsection (1)(c) may choose to apply for a
6 producer license, a processor license, or both a producer and
7 processor license. Nothing in this subsection prevents each of the 25
8 persons licensed pursuant to this section per calendar year from
9 being issued both a producer and processor license if they so choose
10 and qualify.

11 (d) All licenses issued under the social equity program in this
12 section may be for premises located within any city, county, or town
13 in the state that permits the cannabis business activity at the
14 proposed location, regardless of:

15 (i) Whether a license was originally allocated to or issued in
16 another county, city, or town; and

17 (ii) The maximum number of retail outlets established by the
18 board for each county under RCW 69.50.345.

19 (2) (a) In order to be considered for a retail license, a producer
20 license, or a processor license under subsection (1) of this section,
21 an applicant must be a social equity applicant and submit ~~((a social~~
22 ~~equity plan))~~ documentation to verify qualification status along with
23 other cannabis ~~((retailer))~~ license application requirements to the
24 board. If the application proposes ownership by more than one person,
25 then at least fifty-one percent of the proposed ownership structure
26 must reflect the qualifications of a social equity applicant.

27 (b) Persons holding an existing cannabis retailer license or
28 title certificate for a cannabis retailer business in a local
29 jurisdiction subject to a ban or moratorium on cannabis retail
30 businesses may apply for a retail license under this section.

31 (3) (a) In determining the issuance of a license among applicants,
32 the board ~~((may prioritize applicants based on the extent to which~~
33 ~~the application addresses the components of the social equity plan))~~,
34 in consultation with the office of equity and community
35 organizations, shall select a third-party contractor to prioritize
36 applicants and the board shall review applications based on the
37 priority set by the third-party contractor. The third-party
38 contractor shall prioritize applicants based on a scoring rubric
39 developed by the board with input from the social equity in cannabis
40 task force and approved by the office of equity.

1 (b) The board may deny any application submitted under this
2 subsection if the board determines that(~~+~~

3 ~~(i) The application does not meet social equity goals or does not~~
4 ~~meet social equity plan requirements; or~~

5 ~~(ii) The~~) the application does not (~~otherwise~~) meet the
6 licensing requirements of this section or chapter.

7 (4) The board may adopt rules to implement this section. Rules
8 may include strategies for receiving advice on the social equity
9 program from individuals the program is intended to benefit. Rules
10 (~~may~~) shall also require that licenses awarded under this section
11 be transferred or sold only to individuals or groups of individuals
12 who comply with the requirements for initial licensure as a social
13 equity applicant (~~with a social equity plan under this section~~) for
14 a period of at least five years from the date of transfer or sale.

15 (5) The annual fee for issuance, reissuance, or renewal for any
16 license under this section must be (~~equal to the fee established in~~
17 ~~RCW 69.50.325~~) waived.

18 (6) For the purposes of this section:

19 (a) "Cannabis" has the meaning provided for "marijuana" under
20 this chapter.

21 (b) "Disproportionately impacted area" means a census tract or
22 comparable geographic area that satisfies the following criteria,
23 which may be further defined in rule by the board after consultation
24 with the (~~commission on African American affairs~~) office of equity
25 and other agencies, commissions, and community members as determined
26 by the board:

27 (i) The area has a high poverty rate;

28 (ii) The area has a high rate of participation in income-based
29 federal or state programs;

30 (iii) The area has a high rate of unemployment; and

31 (iv) The area has a high rate of arrest, conviction, or
32 incarceration related to the sale, possession, use, cultivation,
33 manufacture, or transport of cannabis.

34 (c) "Social equity applicant" means:

35 (i) An applicant who has at least fifty-one percent ownership and
36 control by one or more individuals who have resided in a
37 disproportionately impacted area for (~~a period of time defined in~~
38 ~~rule by the board after consultation with the commission on African~~
39 ~~American affairs and other commissions, agencies, and community~~
40 ~~members as determined by the board;~~

1 ~~(ii))~~ at least six months out of the last 60 years;

2 (ii) An applicant who has at least 51 percent ownership and
3 control by at least one individual who was disproportionately harmed
4 by the war on drugs as evidenced by rates of arrest for marijuana
5 possession offenses;

6 (iii) An applicant who has at least fifty-one percent ownership
7 and control by at least one individual who has been convicted of a
8 cannabis offense, a drug offense, or is a family member of such an
9 individual; or

10 ~~((iii))~~ (iv) An applicant who meets criteria defined in rule by
11 the board after consultation with the ~~(commission on African~~
12 ~~American affairs and other commissions)) office of equity, agencies,~~
13 and community members as determined by the board.

14 (d) "Social equity goals" means:

15 (i) Increasing the number of cannabis ~~(retailer))~~ licenses held
16 by social equity applicants from disproportionately impacted areas;
17 and

18 (ii) Reducing accumulated harm suffered by individuals, families,
19 and local areas subject to severe impacts from the historical
20 application and enforcement of cannabis prohibition laws.

21 ~~((e) "Social equity plan" means a plan that addresses at least~~
22 ~~some of the elements outlined in this subsection (6) (e), along with~~
23 ~~any additional plan components or requirements approved by the board~~
24 ~~following consultation with the task force created in RCW 69.50.336.~~
25 ~~The plan may include:~~

26 ~~(i) A statement that the social equity applicant qualifies as a~~
27 ~~social equity applicant and intends to own at least fifty-one percent~~
28 ~~of the proposed cannabis retail business or applicants representing~~
29 ~~at least fifty-one percent of the ownership of the proposed business~~
30 ~~qualify as social equity applicants;~~

31 ~~(ii) A description of how issuing a cannabis retail license to~~
32 ~~the social equity applicant will meet social equity goals;~~

33 ~~(iii) The social equity applicant's personal or family history~~
34 ~~with the criminal justice system including any offenses involving~~
35 ~~cannabis;~~

36 ~~(iv) The composition of the workforce the social equity applicant~~
37 ~~intends to hire;~~

38 ~~(v) Neighborhood characteristics of the location where the social~~
39 ~~equity applicant intends to operate, focusing especially on~~
40 ~~disproportionately impacted areas; and~~

1 ~~(vi) Business plans involving partnerships or assistance to~~
2 ~~organizations or residents with connection to populations with a~~
3 ~~history of high rates of enforcement of cannabis prohibition.))~~

4 NEW SECTION. **Sec. 2.** A new section is added to chapter 69.50
5 RCW to read as follows:

6 (1) Except as provided in RCW 69.50.335, beginning on the
7 effective date of this section through December 31, 2029, the board
8 may not issue any new cannabis producer, processor, or retailer
9 licenses.

10 (2) Beginning on the effective date of this section through
11 December 31, 2029, new cannabis licenses under this chapter may be
12 issued only to social equity applicants as described in RCW
13 69.50.335.

14 (3) Beginning January 1, 2030, at least 50 percent of the total
15 number of new cannabis licenses issued under this chapter must be
16 issued to applicants who qualify as social equity applicants as
17 described in RCW 69.50.335.

18 **Sec. 3.** RCW 69.50.345 and 2019 c 393 s 2 are each amended to
19 read as follows:

20 The state liquor and cannabis board, subject to the provisions of
21 this chapter, must adopt rules that establish the procedures and
22 criteria necessary to implement the following:

23 (1) Licensing of marijuana producers, marijuana processors, and
24 marijuana retailers, including prescribing forms and establishing
25 application, reinstatement, and renewal fees.

26 (a) Application forms for marijuana producers must request the
27 applicant to state whether the applicant intends to produce marijuana
28 for sale by marijuana retailers holding medical marijuana
29 endorsements and the amount of or percentage of canopy the applicant
30 intends to commit to growing plants determined by the department
31 under RCW 69.50.375 to be of a THC concentration, CBD concentration,
32 or THC to CBD ratio appropriate for marijuana concentrates, useable
33 marijuana, or marijuana-infused products sold to qualifying patients.

34 (b) The state liquor and cannabis board must reconsider and
35 increase limits on the amount of square feet permitted to be in
36 production on July 24, 2015, and increase the percentage of
37 production space for those marijuana producers who intend to grow
38 plants for marijuana retailers holding medical marijuana endorsements

1 if the marijuana producer designates the increased production space
2 to plants determined by the department under RCW 69.50.375 to be of a
3 THC concentration, CBD concentration, or THC to CBD ratio appropriate
4 for marijuana concentrates, useable marijuana, or marijuana-infused
5 products to be sold to qualifying patients. If current marijuana
6 producers do not use all the increased production space, the state
7 liquor and cannabis board may reopen the license period for new
8 marijuana producer license applicants but only to those marijuana
9 producers who agree to grow plants for marijuana retailers holding
10 medical marijuana endorsements. Priority in licensing must be given
11 to marijuana producer license applicants who have an application
12 pending on July 24, 2015, but who are not yet licensed and then to
13 new marijuana producer license applicants. After January 1, 2017, any
14 reconsideration of the limits on the amount of square feet permitted
15 to be in production to meet the medical needs of qualifying patients
16 must consider information contained in the medical marijuana
17 authorization database established in RCW 69.51A.230;

18 (2) (~~Determining~~) Except as provided in RCW 69.50.335,
19 determining, in consultation with the office of financial management,
20 the maximum number of retail outlets that may be licensed in each
21 county, taking into consideration:

22 (a) Population distribution;

23 (b) Security and safety issues;

24 (c) The provision of adequate access to licensed sources of
25 marijuana concentrates, useable marijuana, and marijuana-infused
26 products to discourage purchases from the illegal market; and

27 (d) The number of retail outlets holding medical marijuana
28 endorsements necessary to meet the medical needs of qualifying
29 patients. The state liquor and cannabis board must reconsider and
30 increase the maximum number of retail outlets it established before
31 July 24, 2015, and allow for a new license application period and a
32 greater number of retail outlets to be permitted in order to
33 accommodate the medical needs of qualifying patients and designated
34 providers. After January 1, 2017, any reconsideration of the maximum
35 number of retail outlets needed to meet the medical needs of
36 qualifying patients must consider information contained in the
37 medical marijuana authorization database established in RCW
38 69.51A.230;

1 (3) Determining the maximum quantity of marijuana a marijuana
2 producer may have on the premises of a licensed location at any time
3 without violating Washington state law;

4 (4) Determining the maximum quantities of marijuana, marijuana
5 concentrates, useable marijuana, and marijuana-infused products a
6 marijuana processor may have on the premises of a licensed location
7 at any time without violating Washington state law;

8 (5) Determining the maximum quantities of marijuana concentrates,
9 useable marijuana, and marijuana-infused products a marijuana
10 retailer may have on the premises of a retail outlet at any time
11 without violating Washington state law;

12 (6) In making the determinations required by this section, the
13 state liquor and cannabis board shall take into consideration:

14 (a) Security and safety issues;

15 (b) The provision of adequate access to licensed sources of
16 marijuana, marijuana concentrates, useable marijuana, and marijuana-
17 infused products to discourage purchases from the illegal market; and

18 (c) Economies of scale, and their impact on licensees' ability to
19 both comply with regulatory requirements and undercut illegal market
20 prices;

21 (7) Determining the nature, form, and capacity of all containers
22 to be used by licensees to contain marijuana, marijuana concentrates,
23 useable marijuana, and marijuana-infused products, and their labeling
24 requirements;

25 (8) In consultation with the department of agriculture and the
26 department, establishing classes of marijuana, marijuana
27 concentrates, useable marijuana, and marijuana-infused products
28 according to grade, condition, cannabinoid profile, THC
29 concentration, CBD concentration, or other qualitative measurements
30 deemed appropriate by the state liquor and cannabis board;

31 (9) Establishing reasonable time, place, and manner restrictions
32 and requirements regarding advertising of marijuana, marijuana
33 concentrates, useable marijuana, and marijuana-infused products that
34 are not inconsistent with the provisions of this chapter, taking into
35 consideration:

36 (a) Federal laws relating to marijuana that are applicable within
37 Washington state;

38 (b) Minimizing exposure of people under twenty-one years of age
39 to the advertising;

1 (c) The inclusion of medically and scientifically accurate
2 information about the health and safety risks posed by marijuana use
3 in the advertising; and

4 (d) Ensuring that retail outlets with medical marijuana
5 endorsements may advertise themselves as medical retail outlets;

6 (10) Specifying and regulating the time and periods when, and the
7 manner, methods, and means by which, licensees shall transport and
8 deliver marijuana, marijuana concentrates, useable marijuana, and
9 marijuana-infused products within the state;

10 (11) In consultation with the department and the department of
11 agriculture, establishing accreditation requirements for testing
12 laboratories used by licensees to demonstrate compliance with
13 standards adopted by the state liquor and cannabis board, and
14 prescribing methods of producing, processing, and packaging
15 marijuana, marijuana concentrates, useable marijuana, and marijuana-
16 infused products; conditions of sanitation; and standards of
17 ingredients, quality, and identity of marijuana, marijuana
18 concentrates, useable marijuana, and marijuana-infused products
19 produced, processed, packaged, or sold by licensees;

20 (12) Specifying procedures for identifying, seizing,
21 confiscating, destroying, and donating to law enforcement for
22 training purposes all marijuana, marijuana concentrates, useable
23 marijuana, and marijuana-infused products produced, processed,
24 packaged, labeled, or offered for sale in this state that do not
25 conform in all respects to the standards prescribed by this chapter
26 or the rules of the state liquor and cannabis board.

27 **Sec. 4.** RCW 69.50.345 and 2019 c 393 s 2 and 2019 c 277 s 6 are
28 each reenacted and amended to read as follows:

29 The state liquor and cannabis board, subject to the provisions of
30 this chapter, must adopt rules that establish the procedures and
31 criteria necessary to implement the following:

32 (1) Licensing of marijuana producers, marijuana processors, and
33 marijuana retailers, including prescribing forms and establishing
34 application, reinstatement, and renewal fees.

35 (a) Application forms for marijuana producers must request the
36 applicant to state whether the applicant intends to produce marijuana
37 for sale by marijuana retailers holding medical marijuana
38 endorsements and the amount of or percentage of canopy the applicant
39 intends to commit to growing plants determined by the department

1 under RCW 69.50.375 to be of a THC concentration, CBD concentration,
2 or THC to CBD ratio appropriate for marijuana concentrates, useable
3 marijuana, or marijuana-infused products sold to qualifying patients.

4 (b) The state liquor and cannabis board must reconsider and
5 increase limits on the amount of square feet permitted to be in
6 production on July 24, 2015, and increase the percentage of
7 production space for those marijuana producers who intend to grow
8 plants for marijuana retailers holding medical marijuana endorsements
9 if the marijuana producer designates the increased production space
10 to plants determined by the department under RCW 69.50.375 to be of a
11 THC concentration, CBD concentration, or THC to CBD ratio appropriate
12 for marijuana concentrates, useable marijuana, or marijuana-infused
13 products to be sold to qualifying patients. If current marijuana
14 producers do not use all the increased production space, the state
15 liquor and cannabis board may reopen the license period for new
16 marijuana producer license applicants but only to those marijuana
17 producers who agree to grow plants for marijuana retailers holding
18 medical marijuana endorsements. Priority in licensing must be given
19 to marijuana producer license applicants who have an application
20 pending on July 24, 2015, but who are not yet licensed and then to
21 new marijuana producer license applicants. After January 1, 2017, any
22 reconsideration of the limits on the amount of square feet permitted
23 to be in production to meet the medical needs of qualifying patients
24 must consider information contained in the medical marijuana
25 authorization database established in RCW 69.51A.230;

26 (2) (~~Determining~~) Except as provided in RCW 69.50.335,
27 determining, in consultation with the office of financial management,
28 the maximum number of retail outlets that may be licensed in each
29 county, taking into consideration:

30 (a) Population distribution;

31 (b) Security and safety issues;

32 (c) The provision of adequate access to licensed sources of
33 marijuana concentrates, useable marijuana, and marijuana-infused
34 products to discourage purchases from the illegal market; and

35 (d) The number of retail outlets holding medical marijuana
36 endorsements necessary to meet the medical needs of qualifying
37 patients. The state liquor and cannabis board must reconsider and
38 increase the maximum number of retail outlets it established before
39 July 24, 2015, and allow for a new license application period and a
40 greater number of retail outlets to be permitted in order to

1 accommodate the medical needs of qualifying patients and designated
2 providers. After January 1, 2017, any reconsideration of the maximum
3 number of retail outlets needed to meet the medical needs of
4 qualifying patients must consider information contained in the
5 medical marijuana authorization database established in RCW
6 69.51A.230;

7 (3) Determining the maximum quantity of marijuana a marijuana
8 producer may have on the premises of a licensed location at any time
9 without violating Washington state law;

10 (4) Determining the maximum quantities of marijuana, marijuana
11 concentrates, useable marijuana, and marijuana-infused products a
12 marijuana processor may have on the premises of a licensed location
13 at any time without violating Washington state law;

14 (5) Determining the maximum quantities of marijuana concentrates,
15 useable marijuana, and marijuana-infused products a marijuana
16 retailer may have on the premises of a retail outlet at any time
17 without violating Washington state law;

18 (6) In making the determinations required by this section, the
19 state liquor and cannabis board shall take into consideration:

20 (a) Security and safety issues;

21 (b) The provision of adequate access to licensed sources of
22 marijuana, marijuana concentrates, useable marijuana, and marijuana-
23 infused products to discourage purchases from the illegal market; and

24 (c) Economies of scale, and their impact on licensees' ability to
25 both comply with regulatory requirements and undercut illegal market
26 prices;

27 (7) Determining the nature, form, and capacity of all containers
28 to be used by licensees to contain marijuana, marijuana concentrates,
29 useable marijuana, and marijuana-infused products, and their labeling
30 requirements;

31 (8) In consultation with the department of agriculture and the
32 department, establishing classes of marijuana, marijuana
33 concentrates, useable marijuana, and marijuana-infused products
34 according to grade, condition, cannabinoid profile, THC
35 concentration, CBD concentration, or other qualitative measurements
36 deemed appropriate by the state liquor and cannabis board;

37 (9) Establishing reasonable time, place, and manner restrictions
38 and requirements regarding advertising of marijuana, marijuana
39 concentrates, useable marijuana, and marijuana-infused products that

1 are not inconsistent with the provisions of this chapter, taking into
2 consideration:

3 (a) Federal laws relating to marijuana that are applicable within
4 Washington state;

5 (b) Minimizing exposure of people under twenty-one years of age
6 to the advertising;

7 (c) The inclusion of medically and scientifically accurate
8 information about the health and safety risks posed by marijuana use
9 in the advertising; and

10 (d) Ensuring that retail outlets with medical marijuana
11 endorsements may advertise themselves as medical retail outlets;

12 (10) Specifying and regulating the time and periods when, and the
13 manner, methods, and means by which, licensees shall transport and
14 deliver marijuana, marijuana concentrates, useable marijuana, and
15 marijuana-infused products within the state;

16 (11) In consultation with the department and the department of
17 agriculture, prescribing methods of producing, processing, and
18 packaging marijuana, marijuana concentrates, useable marijuana, and
19 marijuana-infused products; conditions of sanitation; and standards
20 of ingredients, quality, and identity of marijuana, marijuana
21 concentrates, useable marijuana, and marijuana-infused products
22 produced, processed, packaged, or sold by licensees;

23 (12) Specifying procedures for identifying, seizing,
24 confiscating, destroying, and donating to law enforcement for
25 training purposes all marijuana, marijuana concentrates, useable
26 marijuana, and marijuana-infused products produced, processed,
27 packaged, labeled, or offered for sale in this state that do not
28 conform in all respects to the standards prescribed by this chapter
29 or the rules of the state liquor and cannabis board.

30 **Sec. 5.** RCW 69.50.540 and 2021 c 334 s 986 are each amended to
31 read as follows:

32 The legislature must annually appropriate moneys in the dedicated
33 marijuana account created in RCW 69.50.530 as follows:

34 (1) For the purposes listed in this subsection (1), the
35 legislature must appropriate to the respective agencies amounts
36 sufficient to make the following expenditures on a quarterly basis or
37 as provided in this subsection:

38 (a) One hundred twenty-five thousand dollars to the health care
39 authority to design and administer the Washington state healthy youth

1 survey, analyze the collected data, and produce reports, in
2 collaboration with the office of the superintendent of public
3 instruction, department of health, department of commerce, family
4 policy council, and board. The survey must be conducted at least
5 every two years and include questions regarding, but not necessarily
6 limited to, academic achievement, age at time of substance use
7 initiation, antisocial behavior of friends, attitudes toward
8 antisocial behavior, attitudes toward substance use, laws and
9 community norms regarding antisocial behavior, family conflict,
10 family management, parental attitudes toward substance use, peer
11 rewarding of antisocial behavior, perceived risk of substance use,
12 and rebelliousness. Funds disbursed under this subsection may be used
13 to expand administration of the healthy youth survey to student
14 populations attending institutions of higher education in Washington;

15 (b) Fifty thousand dollars to the health care authority for the
16 purpose of contracting with the Washington state institute for public
17 policy to conduct the cost-benefit evaluation and produce the reports
18 described in RCW 69.50.550. This appropriation ends after production
19 of the final report required by RCW 69.50.550;

20 (c) Five thousand dollars to the University of Washington alcohol
21 and drug abuse institute for the creation, maintenance, and timely
22 updating of web-based public education materials providing medically
23 and scientifically accurate information about the health and safety
24 risks posed by marijuana use;

25 (d) (i) An amount not less than one million two hundred fifty
26 thousand dollars to the board for administration of this chapter as
27 appropriated in the omnibus appropriations act;

28 (ii) One million three hundred twenty-three thousand dollars for
29 fiscal year 2020 to the health professions account established under
30 RCW 43.70.320 for the development and administration of the marijuana
31 authorization database by the department of health;

32 (iii) Two million four hundred fifty-three thousand dollars for
33 fiscal year 2020 and two million four hundred twenty-three thousand
34 dollars for fiscal years 2021, 2022, and 2023 to the Washington state
35 patrol for a drug enforcement task force. It is the intent of the
36 legislature that this policy will be continued in the 2021-2023
37 fiscal biennium; and

38 (iv) Ninety-eight thousand dollars for fiscal year 2019 to the
39 department of ecology for research on accreditation of marijuana
40 product testing laboratories;

1 (e) Four hundred sixty-five thousand dollars for fiscal year
2 2020, four hundred sixty-four thousand dollars for fiscal year 2021,
3 two hundred seventy thousand dollars in fiscal year 2022, and two
4 hundred seventy-six thousand dollars in fiscal year 2023 to the
5 department of ecology for implementation of accreditation of
6 marijuana product testing laboratories;

7 (f) One hundred eighty-nine thousand dollars for fiscal year 2020
8 to the department of health for rule making regarding compassionate
9 care renewals;

10 (g) Eight hundred eight thousand dollars for each of fiscal years
11 2020 through 2023 to the department of health for the administration
12 of the marijuana authorization database;

13 (h) Six hundred thirty-five thousand dollars for fiscal year
14 2020, six hundred thirty-five thousand dollars for fiscal year 2021,
15 six hundred twenty-one thousand dollars for fiscal year 2022, and six
16 hundred twenty-seven thousand dollars for fiscal year 2023 to the
17 department of agriculture for compliance-based laboratory analysis of
18 pesticides in marijuana;

19 (i) (~~One million six hundred fifty thousand dollars for fiscal~~
20 ~~year 2022 and one million six hundred fifty thousand dollars for~~
21 ~~fiscal year 2023~~) Twenty-two million five hundred thousand dollars
22 annually to the department of commerce to fund (~~the marijuana social~~
23 ~~equity technical assistance competitive grant program~~) cannabis
24 social equity grants and low-interest loans under RCW 43.330.540; and

25 (j) One (~~hundred sixty-three thousand dollars for fiscal year~~
26 ~~2022 and one hundred fifty-nine thousand dollars for fiscal year 2023~~
27 ~~to the department of commerce to establish a roster of mentors as~~
28 ~~part of the cannabis social equity technical assistance grant program~~
29 ~~under Engrossed Substitute House Bill No. 1443 (cannabis industry/~~
30 ~~equity) [chapter 169, Laws of 2021]~~) million one hundred thousand
31 dollars annually to the department of commerce to make available
32 technical assistance to cannabis license applicants and licensees
33 within the cannabis social equity program, including establishing a
34 roster of mentors to provide technical assistance; and

35 (2) From the amounts in the dedicated marijuana account after
36 appropriation of the amounts identified in subsection (1) of this
37 section, the legislature must appropriate for the purposes listed in
38 this subsection (2) as follows:

39 (a) (i) Up to fifteen percent to the health care authority for the
40 development, implementation, maintenance, and evaluation of programs

1 and practices aimed at the prevention or reduction of maladaptive
2 substance use, substance use disorder, substance abuse or substance
3 dependence, as these terms are defined in the Diagnostic and
4 Statistical Manual of Mental Disorders, among middle school and high
5 school-age students, whether as an explicit goal of a given program
6 or practice or as a consistently corresponding effect of its
7 implementation, mental health services for children and youth, and
8 services for pregnant and parenting women; PROVIDED, That:

9 (A) Of the funds appropriated under (a)(i) of this subsection for
10 new programs and new services, at least eighty-five percent must be
11 directed to evidence-based or research-based programs and practices
12 that produce objectively measurable results and, by September 1,
13 2020, are cost-beneficial; and

14 (B) Up to fifteen percent of the funds appropriated under (a)(i)
15 of this subsection for new programs and new services may be directed
16 to proven and tested practices, emerging best practices, or promising
17 practices.

18 (ii) In deciding which programs and practices to fund, the
19 director of the health care authority must consult, at least
20 annually, with the University of Washington's social development
21 research group and the University of Washington's alcohol and drug
22 abuse institute.

23 (iii) For each fiscal year, the legislature must appropriate a
24 minimum of twenty-five million five hundred thirty-six thousand
25 dollars under this subsection (2)(a);

26 (b)(i) Up to ten percent to the department of health for the
27 following, subject to (b)(ii) of this subsection (2):

28 (A) Creation, implementation, operation, and management of a
29 marijuana education and public health program that contains the
30 following:

31 (I) A marijuana use public health hotline that provides referrals
32 to substance abuse treatment providers, utilizes evidence-based or
33 research-based public health approaches to minimizing the harms
34 associated with marijuana use, and does not solely advocate an
35 abstinence-only approach;

36 (II) A grants program for local health departments or other local
37 community agencies that supports development and implementation of
38 coordinated intervention strategies for the prevention and reduction
39 of marijuana use by youth; and

1 (III) Media-based education campaigns across television,
2 internet, radio, print, and out-of-home advertising, separately
3 targeting youth and adults, that provide medically and scientifically
4 accurate information about the health and safety risks posed by
5 marijuana use; and

6 (B) The Washington poison control center.

7 (ii) For each fiscal year, the legislature must appropriate a
8 minimum of nine million seven hundred fifty thousand dollars under
9 this subsection (2)(b);

10 (c)(i) Up to six-tenths of one percent to the University of
11 Washington and four-tenths of one percent to Washington State
12 University for research on the short and long-term effects of
13 marijuana use, to include but not be limited to formal and informal
14 methods for estimating and measuring intoxication and impairment, and
15 for the dissemination of such research.

16 (ii) For each fiscal year, except for the 2019-2021 and 2021-2023
17 fiscal biennia, the legislature must appropriate a minimum of one
18 million twenty-one thousand dollars to the University of Washington.
19 For each fiscal year, except for the 2019-2021 and 2021-2023 fiscal
20 biennia, the legislature must appropriate a minimum of six hundred
21 eighty-one thousand dollars to Washington State University under this
22 subsection (2)(c). It is the intent of the legislature that this
23 policy will be continued in the 2023-2025 fiscal biennium;

24 (d) Fifty percent to the state basic health plan trust account to
25 be administered by the Washington basic health plan administrator and
26 used as provided under chapter 70.47 RCW;

27 (e) Five percent to the Washington state health care authority to
28 be expended exclusively through contracts with community health
29 centers to provide primary health and dental care services, migrant
30 health services, and maternity health care services as provided under
31 RCW 41.05.220;

32 (f)(i) Up to three-tenths of one percent to the office of the
33 superintendent of public instruction to fund grants to building
34 bridges programs under chapter 28A.175 RCW.

35 (ii) For each fiscal year, the legislature must appropriate a
36 minimum of five hundred eleven thousand dollars to the office of the
37 superintendent of public instruction under this subsection (2)(f);
38 and

39 (g) At the end of each fiscal year, the treasurer must transfer
40 any amounts in the dedicated marijuana account that are not

1 appropriated pursuant to subsection (1) of this section and this
2 subsection (2) into the general fund, except as provided in (g)(i) of
3 this subsection (2).

4 (i) Beginning in fiscal year 2018, if marijuana excise tax
5 collections deposited into the general fund in the prior fiscal year
6 exceed twenty-five million dollars, then each fiscal year the
7 legislature must appropriate an amount equal to thirty percent of all
8 marijuana excise taxes deposited into the general fund the prior
9 fiscal year to the treasurer for distribution to counties, cities,
10 and towns as follows:

11 (A) Thirty percent must be distributed to counties, cities, and
12 towns where licensed marijuana retailers are physically located. Each
13 jurisdiction must receive a share of the revenue distribution under
14 this subsection (2)(g)(i)(A) based on the proportional share of the
15 total revenues generated in the individual jurisdiction from the
16 taxes collected under RCW 69.50.535, from licensed marijuana
17 retailers physically located in each jurisdiction. For purposes of
18 this subsection (2)(g)(i)(A), one hundred percent of the proportional
19 amount attributed to a retailer physically located in a city or town
20 must be distributed to the city or town.

21 (B) Seventy percent must be distributed to counties, cities, and
22 towns ratably on a per capita basis. Counties must receive sixty
23 percent of the distribution, which must be disbursed based on each
24 county's total proportional population. Funds may only be distributed
25 to jurisdictions that do not prohibit the siting of any state
26 licensed marijuana producer, processor, or retailer.

27 (ii) Distribution amounts allocated to each county, city, and
28 town must be distributed in four installments by the last day of each
29 fiscal quarter.

30 (iii) By September 15th of each year, the board must provide the
31 state treasurer the annual distribution amount, if any, for each
32 county and city as determined in (g)(i) of this subsection (2).

33 (iv) The total share of marijuana excise tax revenues distributed
34 to counties and cities in (g)(i) of this subsection (2) may not
35 exceed fifteen million dollars in fiscal years 2018, 2019, 2020, and
36 2021, and twenty million dollars per fiscal year thereafter.

37 **Sec. 6.** RCW 43.330.540 and 2021 c 169 s 1 are each amended to
38 read as follows:

1 (1) The cannabis social equity (~~technical assistance~~) grant,
2 low-interest loan, and technical assistance program is established
3 and is to be administered by the department.

4 (2) (a) The (~~cannabis social equity technical assistance grant~~)
5 program (~~must~~) may award grants to:

6 (i) (~~Cannabis license applicants who are social equity~~
7 ~~applicants submitting social equity plans under RCW 69.50.335; and~~

8 ~~(ii))~~ Cannabis licensees holding a license issued after June 30,
9 2020, and before July 25, 2021, who meet the social equity applicant
10 criteria under RCW 69.50.335; and

11 (ii) Cannabis producers, processors, and retailers licensed under
12 the cannabis social equity program in RCW 69.50.335.

13 (b) Eligible activities for grants under this subsection (2)
14 include, but are not limited to:

15 (i) Fees associated with a loan;

16 (ii) Costs associated with complying with a state or local
17 licensing requirement; and

18 (iii) Capital and equipment costs.

19 (c) Grant recipients under this subsection (2) must demonstrate
20 completion of their project within 12 months of receiving a grant,
21 unless a grant recipient requests, and the department approves,
22 additional time to complete the project.

23 (d) Subject to available funding, the department may issue grant
24 awards of up to \$100,000 per eligible applicant.

25 (e) Eligible applicants may apply for one grant annually, not to
26 exceed a total of three grant awards.

27 (3) (~~The department must award grants primarily based on the~~
28 ~~strength of the social equity plans submitted by cannabis license~~
29 ~~applicants and cannabis licensees holding a license issued after June~~
30 ~~30, 2020, and before July 25, 2021, but may also consider additional~~
31 ~~criteria if deemed necessary or appropriate by the department.)
32 Technical assistance activities eligible for funding include, but are
33 not limited to:~~

34 (a) Assistance navigating the cannabis licensure process;

35 (b) Cannabis-business specific education and business plan
36 development;

37 (c) Regulatory compliance training;

38 (d) Financial management training and assistance in seeking
39 financing; and

40 (e) (~~Strengthening a social equity plan; and~~

1 ~~(f)~~) Connecting social equity applicants with established
2 industry members and tribal cannabis enterprises and programs for
3 mentoring and other forms of support.

4 (4) The department may contract to establish a roster of mentors
5 who are available to support and advise social equity applicants and
6 current licensees who meet the social equity applicant criteria under
7 RCW 69.50.335. Contractors under this section must:

8 (a) Have knowledge and experience demonstrating their ability to
9 effectively advise eligible applicants and licensees in navigating
10 the state's licensing and regulatory framework or on producing and
11 processing cannabis;

12 (b) Be a business that is at least 51(~~(%—[percent])~~) percent
13 minority or woman-owned; (~~and~~)

14 (c) Meet department reporting and invoicing requirements(~~(—~~
15 ~~5)~~); and

16 (d) Be approved through the office of equity.

17 (5) (a) The department may work with participating lenders to make
18 low-interest loans available for licensees who are issued a license
19 under the cannabis social equity program.

20 (b) The department may reserve a portion of funds allocated under
21 RCW 69.50.540 or received under this section to support loan loss
22 reserves, collateral supports, or other efforts to reduce
23 underwriting risk for participating lenders.

24 (c) Eligible business-related expenses for applicants under this
25 subsection (5) include:

26 (i) Capital and equipment costs;

27 (ii) Commercial property including, but not limited to, purchases
28 and improvements; and

29 (iii) Operating lines of credit and other costs associated with
30 industry accepted lending practices.

31 (6) Funding for the cannabis social equity (~~(technical~~
32 assistance)) grant, low-interest loan, and technical assistance
33 program must be provided through the dedicated marijuana account
34 under RCW 69.50.540. Additionally, the department may solicit,
35 receive, and expend private contributions to support the (~~(grant))~~
36 program.

37 (~~(6)~~) (7) The department may adopt rules to implement this
38 section.

39 (~~(7)~~) (8) For the purposes of this section, "cannabis" has the
40 meaning provided for "marijuana" under RCW 69.50.101.

1 NEW SECTION. **Sec. 7.** If any provision of this act or its
2 application to any person or circumstance is held invalid, the
3 remainder of the act or the application of the provision to other
4 persons or circumstances is not affected.

5 NEW SECTION. **Sec. 8.** Section 3 of this act expires July 1,
6 2024.

7 NEW SECTION. **Sec. 9.** Section 4 of this act takes effect July 1,
8 2024.

--- END ---