

HOUSE BILL REPORT

HB 1151

As Reported by House Committee On:
Commerce & Gaming

Title: An act relating to residency requirements for licensed marijuana businesses.

Brief Description: Clarifying residency requirements for licensed marijuana businesses.

Sponsors: Representatives Wylie, Vick and Blake.

Brief History:

Committee Activity:

Commerce & Gaming: 1/23/17, 1/29/18, 1/30/18 [DPS].

Brief Summary of Substitute Bill

- Requires that at least 75 percent of the interest in a licensed marijuana business owned by a business or nonprofit entity be held by one or more interest holders who have resided in Washington state for at least six months.
- Requires that all applicants residing out of state must be resident citizens of the United States.
- Establishes that a manager or agent running a licensed marijuana business need not be a resident of Washington state.
- Provides the Liquor and Cannabis Board (LCB) with discretionary authority to deny a license if the LCB finds that it is unable to conduct an investigation of a nonresident interest holder in accordance with specified investigatory standards.

HOUSE COMMITTEE ON COMMERCE & GAMING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Sawyer, Chair; Kloba, Vice Chair; Condotta, Ranking Minority Member; Vick, Assistant Ranking Minority Member; Blake, Jenkin and Kirby.

Minority Report: Do not pass. Signed by 2 members: Representatives Ryu and Young.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Thamas Osborn (786-7129).

Background:

State Licensing of Marijuana Producers, Processors, and Retailers.

The Liquor and Cannabis Board (LCB) issues three categories of marijuana-related business licenses: (1) the marijuana producer's license entitles the holder to produce marijuana for sale at wholesale to licensed marijuana processors or other producers; (2) the marijuana processor's license entitles the holder to process, package, and label marijuana for sale at wholesale to marijuana retailers and other processors; and (3) the marijuana retailer's license entitles the holder to sell marijuana products at retail prices in retail outlets.

The LCB is required to conduct a comprehensive, fair, and impartial evaluation of all applications for the various state-issued marijuana business licenses. However, pursuant to statute, the LCB is granted very broad, discretionary authority to grant or deny a license application. The process of evaluating license applications includes the following:

- the experience and qualifications of the applicant;
- an extensive criminal background check;
- verification that the applicant has the requisite municipal business licenses; and
- an inspection of the premises to be licensed, including an inquiry into the construction and operation of the premises.

Pursuant to statute, the LCB cannot issue a marijuana business license to:

- a person under 21 years of age;
- a person doing business as a sole proprietor who has not lawfully resided in the state for at least six months prior to applying to receive a license;
- a partnership, employee cooperative, association, nonprofit corporation, or corporation unless formed under the laws of this state, and unless all members thereof are otherwise qualified to obtain a license; or
- a person whose place of business is conducted by a manager or agent, unless the manager or agent possesses the same qualifications required of the licensee.

Summary of Substitute Bill:

In order for a business or nonprofit entity to qualify for the issuance of marijuana business license at least 75 percent of the interest in the business must be held by one or more interest holders who have resided in Washington state for at least six months. In addition, all interest holders who are not state residents must be resident citizens of the United States. Managers or agents who manage a marijuana licensee's place of business are not required to meet the six-month residency requirement.

The LCB is granted discretionary authority to deny a license to an entity if the entity has nonresident interest holders who are difficult to adequately investigate because of their nonresident status.

Technical corrections are made to statutory terminology to make provisions of chapter 69.50 RCW consistent with the terminology established in the Uniform Business Organizations Code. Specifically, the terms "partnership," "employee cooperative," "association," "nonprofit corporation," and "corporation" are deleted and replaced by the more general terms "business entity" and "nonprofit entity."

Substitute Bill Compared to Original Bill:

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

- requires that at least 75 percent of the interest in a licensed marijuana business owned by a business or nonprofit entity be held by one or more interest holders who have resided in Washington state for at least six months;
- requires that all applicants residing out of state must be resident citizens of the United States;
- provides the LCB with discretionary authority to deny a license if the LCB finds that it is unable to conduct an investigation of a nonresident interest holder in accordance with specified investigatory standards; and
- makes technical corrections to statutory terminology to make the provisions of chapter 69.50 RCW consistent with the terminology established in the Uniform Business Organizations Code.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

See Committee Records from 2017 Legislative Session.

Persons Testifying:

See Committee Records from 2017 Legislative Session.

Persons Signed In To Testify But Not Testifying:

See Committee Records from 2017 Legislative Session.