

HOUSE BILL REPORT

EHB 1858

As Passed House:
April 18, 2017

Title: An act relating to increasing marijuana license fees and adding a temporary additional fee on marijuana licenses issued by the Washington state liquor and cannabis board.

Brief Description: Increasing marijuana license fees and adding a temporary additional fee on marijuana licenses issued by the Washington state liquor and cannabis board.

Sponsors: Representatives Sawyer, Appleton and Kloba; by request of Liquor and Cannabis Board.

Brief History:

Committee Activity:

Commerce & Gaming: 2/7/17, 2/9/17 [DP];
Appropriations: 2/21/17, 2/22/17 [DP].

Floor Activity:

Passed House: 4/18/17, 73-23.

Brief Summary of Engrossed Bill

- Imposes an additional temporary fee on all applications and renewals of marijuana-related licenses issued under chapter 69.50 RCW. The fee expires on June 30, 2018.
- Increases the annual fee for the issuance and renewal of all marijuana-related licenses.

HOUSE COMMITTEE ON COMMERCE & GAMING

Majority Report: Do pass. Signed by 8 members: Representatives Sawyer, Chair; Kloba, Vice Chair; Vick, Assistant Ranking Minority Member; Barkis, Blake, Farrell, Kirby and Ryu.

Minority Report: Without recommendation. Signed by 3 members: Representatives Condotta, Ranking Minority Member; Jenkin and Young.

Staff: Thamas Osborn (786-7129).

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.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 20 members: Representatives Ormsby, Chair; Robinson, Vice Chair; Bergquist, Cody, Condotta, Fitzgibbon, Hansen, Hudgins, Jinkins, Kagi, Lytton, Nealey, Pettigrew, Pollet, Sawyer, Senn, Springer, Stanford, Sullivan and Tharinger.

Minority Report: Do not pass. Signed by 12 members: Representatives Chandler, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Buys, Caldier, Haler, Harris, Manweller, Schmick, Taylor, Volz and Wilcox.

Minority Report: Without recommendation. Signed by 1 member: Representative Vick.

Staff: Linda Merelle (786-7092).

Background:

Licensing of Marijuana Producers, Processors, and Retailers.

The Liquor and Cannabis Board (LCB) issues three categories of commercial marijuana 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 annual fee for each of the licenses is \$1,000.

Marijuana Research License.

In 2015 a marijuana research license was authorized to permit a licensee to produce and possess marijuana to test chemical potency and composition levels; conduct clinical investigations of marijuana-derived drug products; conduct research on the efficacy and safety of administering marijuana as part of a medical treatment; and conduct genomic or agricultural research.

The LCB is assigned the lead role in the oversight and review of projects submitted by marijuana research license applicants. The LCB must select a scientific reviewer to evaluate project proposals. Marijuana research license applicants must submit to the designated scientific reviewer a description of the research the applicant intends to conduct. The scientific reviewer must then review the project and determine if it meets one of the permitted research purposes. The application is rejected if the scientific reviewer finds that the proposed project does not meet the project criteria established under statute.

The application fee for a marijuana research license is \$250. The annual fee for issuance and renewal of the license is \$1,000.

Summary of Engrossed Bill:

Temporary Fee for Marijuana-Related Licenses.

An additional temporary fee is imposed on all applications and renewals of marijuana-related licenses issued under chapter 69.50 RCW. This fee is applicable to all license applications and modifications received on or after the effective date of the act. It is also applicable to those license renewal applicants whose license expiration is on or after June 30, 2017. This additional temporary fee is applicable to licenses pertaining to marijuana production, processing, retailing, and research. The temporary fee expires as of June 30, 2018.

The temporary fee imposed on marijuana processors, retailers, and researchers is \$480.

The temporary fee imposed on marijuana producers is a graduated fee based upon the size of the producer, as follows: (a) \$185 for tier one producers; (b) \$365 for tier two producers; and (c) \$750 for tier three producers.

Increase in Annual Fee for the Issuance and Renewal of Marijuana-Related Licenses.

The annual fee for the issuance and renewal of marijuana processor, retailer, and research licenses is increased from \$1,000 to \$1,300.

The annual fee for the issuance and renewal of a marijuana producer's license is a graduated fee based upon the size of the producer, as follows: (a) \$1,115 for tier one producers; (b) \$1,230 for tier two producers; and (c) \$1,470 for tier three producers.

Appropriation: None.

Fiscal Note: Available.

Effective Date: This bill takes effect 90 days after adjournment of the session in which the bill is passed, except for sections 2 and 3, relating to increases in the licensing fees for marijuana producers, which take effect July 1, 2018.

Staff Summary of Public Testimony (Commerce & Gaming):

(In support) The purpose of the bill is to generate revenue so as to enable the LCB to make needed updates and upgrades to the traceability system. This is the system by which the LCB tracks commercial marijuana "from seed to sale" and is crucial to the Initiative 502 regulatory system with respect to preventing the diversion of marijuana products into the black market. The system now has major shortcomings that need to be addressed. Many licensees have access to, and use, the system to monitor shipments. The bill will help generate the money necessary for the remodeling of the system, which will benefit both the LCB and the industry itself.

(Opposed) The traceability system is a waste of time since the state already has four programs in place to prevent the diversion of marijuana into the black market. The bill just promotes additional bureaucracy that is not needed. There are many more important areas to address with respect to marijuana regulation. The Cole Memo is outdated and no one knows what the new United States Attorney General will do.

Staff Summary of Public Testimony (Appropriations):

(In support) The system to regulate marijuana was built to comply with the Cole Memorandum, in which the United States Department of Justice provided guidance to states that had legalized recreational marijuana. The regulations were intended to avoid federal interference in the state legal marijuana marketplace. Crucial to compliance to Initiative 502 and the Cole Memorandum is regulation of product from seed to sale. Many products have been created that were unknown at the time that the original system was designed. The agency will use existing funds for nearly half of the cost. The rest of the cost will be covered by the temporary fee imposed under this bill and the increase in the annual license fee. The new system will be more flexible and adaptable.

(Opposed) None.

Persons Testifying (Commerce & Gaming): (In support) Peter Antolin and James Paribello, Liquor and Cannabis Board.

(Opposed) John Worthington, American Alliance for Medical Cannabis.

Persons Testifying (Appropriations): Rick Garza, Washington State Liquor and Cannabis Board.

Persons Signed In To Testify But Not Testifying (Commerce & Gaming): None.

Persons Signed In To Testify But Not Testifying (Appropriations): None.