

SENATE BILL REPORT

SHB 1151

As Reported by Senate Committee On:
Labor & Commerce, February 15, 2018
Ways & Means, February 26, 2018

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

Brief Description: Clarifying residency requirements for licensed marijuana businesses.

Sponsors: House Committee on Commerce & Gaming (originally sponsored by Representatives Wylie, Vick and Blake).

Brief History: Passed House: 2/07/18, 70-28.

Committee Activity: Labor & Commerce: 2/15/18 [DP-WM, DNP, w/oRec].
Ways & Means: 2/22/18, 2/26/18 [DPA(WM), DNP].

Brief Summary of Amended Bill

- Provides that 75 percent of the economic interest and voting power in an entity must be held by natural persons who meet the six-month residency requirement.
- Requires all non-state resident applicants to be resident citizens of the United States.
- Gives the Liquor and Cannabis Board (LCB) discretion to deny a license, if the nonstate residents are difficult to investigate.
- Eliminates the residency requirement for managers or agents of a marijuana business.

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Keiser, Chair; Conway, King, Kuderer and Saldaña.

Minority Report: Do not pass.
Signed by Senator Hasegawa, Vice Chair.

Minority Report: That it be referred without recommendation.

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.

Signed by Senator Wilson.

Staff: Richard Rodger (786-7461)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Ways & Means.

Signed by Senators Billig, Carlyle, Conway, Darneille, Fain, Hunt, Keiser, Palumbo, Pedersen, Ranker, Rivers, Schoesler, Van De Wege and Wagoner.

Minority Report: Do not pass.

Signed by Senators Honeyford, Assistant Ranking Member; Bailey, Becker, Brown, Hasegawa, Mullet and Warnick.

Staff: Alia Kennedy (786-7405)

Background: The LCB issues three categories of marijuana-related business licenses: (1) the marijuana producer's license; (2) the marijuana processor's license; and (3) the marijuana retailer's license. All applicants applying for a marijuana business license must, among other requirements, have resided in the state of Washington for at least six months prior to an application for a marijuana license.

All partnerships, employee cooperatives, associations, nonprofit corporations, or corporations applying for a marijuana license must be formed in Washington and all their members are required to meet the six month residency requirement. Managers or agents who manage a marijuana licensee's place of business must also meet the six month residency requirement.

Summary of Amended Bill: A marijuana business license may not be issued to an entity, unless:

- the entity is formed under the laws of this state or holds a certificate of registration, as provided in statute;
- at least 75 percent of the economic interest in the entity is held by natural persons who meet the residency requirement;
- at least 75 percent of the voting power in the entity is held by natural persons who meet the residency requirement; and
- all interest holders in the entity who are not state residents are resident citizens of the United States.

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.

Managers or agents who manage a marijuana licensee's place of business are no longer required to meet the six-month residency requirement.

Technical corrections are made to statutory terminology to make it consistent with the terminology defined in the Uniform Business Organizations Code. Specifically, the terms

partnership, employee cooperative, association, nonprofit corporation, and corporation are deleted and replaced by the general terms business entity or nonprofit entity.

EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S): Revises residency requirements for obtaining a marijuana business license and instead provides that a license may not be issued unless the entity is formed under the laws of this state or holds a certificate of registration, at least 75 percent of the economic interest in the entity is held by natural persons who meet the residency requirement, at least 75 percent of the voting power in the entity is held by natural persons who meet the residency requirement, and all interest holders in the entity who are not state residents are resident citizens of the United States.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (Labor & Commerce): No public hearing was held.

Persons Testifying (Labor & Commerce): N/A

Persons Signed In To Testify But Not Testifying (Labor & Commerce): N/A

Staff Summary of Public Testimony (Ways & Means): No public hearing was held.

Persons Testifying (Ways & Means): N/A

Persons Signed In To Testify But Not Testifying (Ways & Means): N/A