

SENATE BILL REPORT

SB 5102

As Reported by Senate Committee On:
Commerce, Labor & Sports
Labor & Commerce, January 24, 2018

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

Brief Description: Clarifying residency requirements for licensed marijuana businesses.
[Revised for 1st Substitute: Concerning residency requirements for licensed marijuana businesses.]

Sponsors: Senators Rivers and Palumbo.

Brief History:

Committee Activity: Commerce, Labor & Sports: 1/16/17.
Labor & Commerce: 1/24/18 [DPS, DNP, w/oRec].

Brief Summary of First Substitute Bill

- Applying for a marijuana license requires a six-month residency requirement for 75 percent of an entity's ownership interests.
- 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 place of business.

SENATE COMMITTEE ON COMMERCE, LABOR & SPORTS

Staff: Richard Rodger (786-7461)

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: That Substitute Senate Bill No. 5102 be substituted therefor, and the substitute bill do pass.

Signed by Senators Keiser, Chair; Conway, King, Kuderer and Saldaña.

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.

Minority Report: Do not pass.

Signed by Senator Hasegawa, Vice Chair.

Minority Report: That it be referred without recommendation.

Signed by Senators Braun and Wilson.

Staff: Richard Rodger (786-7461)

Background: All applicants applying for a marijuana 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 also 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 Bill: The bill as referred to committee not considered.

Summary of Bill (First Substitute): When applying for a marijuana license, 75 percent of the ownership interests are required to meet the six-month residency requirement. All interest holders who are not state residents must be 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.

The bill makes technical corrections 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 CHANGES MADE BY LABOR & COMMERCE COMMITTEE (First Substitute): The residency requirement must be met by 75 percent of the ownership interests. The current law requires 100 percent of the owners to meet the residency requirement and the underlying bill required 50 percent of the ownership interests to meet the requirement. Adds the requirement that all non-state resident applicants to be resident citizens of the United States. Gives the LCB discretion to deny a license, if the nonstate residents are difficult to investigate. Makes technical corrections to the terminology.

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 on Original Bill (Commerce, Labor & Sports): *Testimony from 2017 Regular Session. The committee recommended a different version of the bill than what was heard.* PRO: This bill is important to our local businesses and will help them grow their business. I will be asking the Committee to consider revising this bill to mirror the provisions of HB 1127. We are in need of additional investments and there are many out-of-state investors who are willing to help us. This is especially true for the smaller operations and will help increase our value. We just cannot go to a bank to obtain the financing that other businesses have access to. All of the investors will still have to undergo background checks.

CON: Initiative 502 promises are being broken by this bill. The initiative was designed to keep the state's marijuana business within the state. The bill will increase the problems with tracking these businesses in Washington and reduces transparency. The timing for this bill is not quite right. The need for out-of-state capital is unclear, as it is readily available in Washington.

OTHER: The LCB's concerns with the bill are met with the prime sponsor's stated willingness to make the in-state ownership at least 51 percent, require the out-of-state owners to be U.S. citizens, and giving the LCB discretionary authority to deny an application if insufficient information is provided on the out-of-state interests.

Persons Testifying (Commerce, Labor & Sports): PRO: Senator Ann Rivers, Prime Sponsor; Susie Gress, Vashon Velvet; Peter Saladino, BMF Washington; Jerry Derevyanny, NWCS; Ezra Eickmeyer.

CON: John Kingsbury, Patients United; Logan Bowers, Cannabis Organization of Retail Establishment.

OTHER: Justin Nordhorn, WA State LCB.

Persons Signed In To Testify But Not Testifying (Commerce, Labor & Sports): CON: Kyle Woodring, Cannabis Organization of Retail Establishments.

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.