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**SUBSTITUTE SENATE BILL 5546**

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**State of Washington 68th Legislature 2023 Regular Session**

**By** Senate Labor & Commerce (originally sponsored by Senators Shewmake, Lovick, Keiser, King, Stanford, Conway, and C. Wilson)

AN ACT Relating to establishing a Washington state cannabis commission; amending RCW 41.06.070; adding a new section to chapter 69.50 RCW; and adding a new chapter to Title 15 RCW.

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

NEW SECTION. **Sec.**  (1) The legislature finds that the Washington state liquor and cannabis board exists to promote safe communities and public safety, and that there is no state entity to oversee research and education of the state's cannabis industry.

(2) The legislature therefore declares:

(a) The Washington state cannabis commission is established to benefit the people of the state of Washington and its economy;

(b) The general welfare of the people of the state will be served by the research and development of best practices surrounding safe cultivation and processing activities of cannabis so the industry is therefore affected with the public interest; and

(c) Creating a Washington state cannabis commission for the public purpose of administering the revenue of the commission serves the public interest by materially advancing the producing and processing of cannabis and improving sustainability in the cannabis producing and processing sectors.

(3) To complement the development of a comprehensive regulatory scheme for the production and processing of cannabis and cannabis products, the legislature further declares that:

(a) It is in the overriding public interest that the state support responsible agricultural production of cannabis in order to:

(i) Protect the public by providing research and education in reference to the quality, care, and methods used in the production of cannabis and cannabis products; and

(ii) Support and engage in programs or activities that benefit the safe production, handling, processing, and uses of cannabis and cannabis products; and

(b) Cannabis production and processing is a highly regulated industry and that this chapter and the rules adopted under it are only one aspect of the regulated industry. Other applicable laws include:

(i) Chapter 15.130 RCW, the food safety and security act;

(ii) Chapter 15.125 RCW, cannabis and cannabis products;

(iii) Title 69 RCW, food, drugs, cosmetics, and poisons; and

(iv) Chapter 82.08 RCW, retail sales tax.

(4) This chapter and any rules adopted under this chapter are for the purpose of fostering responsible and orderly agricultural production of cannabis. Nothing in this chapter should be interpreted to conflict with or supersede the overriding regulatory authority the legislature has already granted to other state agencies.

NEW SECTION. **Sec.**  The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Active cannabis producer" means a cannabis producer who paid any amount in business and occupation tax to the department of revenue under chapter 82.04 RCW in the calendar year before the date of a referendum under section 3 of this act.

(2) "Active cannabis producer/processor" means a cannabis producer/processor who paid any amount in business and occupation tax to the department of revenue under chapter 82.04 RCW in the calendar year before the date of a referendum under section 3 of this act.

(3) "Board" means the Washington state liquor and cannabis board.

(4) "Cannabis" has the meaning provided in RCW 69.50.101.

(5) "Cannabis producer" has the meaning provided in RCW 69.50.101.

(6) "Cannabis products" has the meaning provided in RCW 69.50.101.

(7) "Cannabis processor" has the meaning provided in RCW 69.50.101.

(8) "Cannabis producer/processor" means any person or legal entity holding both a cannabis producer license and a cannabis processor license as defined in RCW 69.50.101.

(9) "Cannabis researcher" has the same meaning provided in RCW 69.50.101.

(10) "Cannabis retailer" has the same meaning provided in RCW 69.50.101.

(11) "Commission" means the Washington state cannabis commission established in this chapter.

(12) "Cooperative" means a cannabis cooperative formed by qualifying patients, designated providers, or both, which meets the requirements of RCW 69.51A.250 and rules adopted under that section.

(13) "District" means each of the geographical areas of the state of Washington defined in subsections (14) through (17) of this section.

(14) "District 1" means the geographical area including the counties of Clallum, Island, Jefferson, King, San Juan, Skagit, Snohomish, and Whatcom.

(15) "District 2" means the geographical area including the counties of Chelan, Douglas, Ferry, Grant, Kittitas, Okanogan, Pend Oreille, and Stevens.

(16) "District 3" means the geographical area including the counties of Adams, Asotin, Benton, Columbia, Franklin, Garfield, Lincoln, Spokane, Walla Walla, Whitman, and Yakima.

(17) "District 4" means the geographical area including the counties of Clark, Cowlitz, Grays Harbor, Kitsap, Klickitat, Lewis, Mason, Pacific, Pierce, Skamania, Thurston, and Wahkiakum.

(18) "Fiscal year" means the 12-month period beginning July 1st of any year and ending June 30th.

(19) "Interested parties" means governmental departments, agencies, and bodies at the federal, state, or local levels. "Interested parties" includes tribal governments, universities, national and international associations, and other public or private sector organizations with an interest in cannabis-related matters.

(20) "Tier" means any of the production licensing categories established by rule of the board.

NEW SECTION. **Sec.**  (1) Upon receipt of a petition containing the signatures of five active cannabis producers or active cannabis producer/processors, to implement this chapter and to determine participation in the commission and assessment under this chapter, the director must conduct a referendum of active cannabis producers and active cannabis producer/processors.

(a) The referendum must be conducted within 60 days of receipt of the petition.

(b) The department must establish a list of active cannabis producers and active cannabis producer/processors eligible to vote in the referendum in collaboration with the board and the department of revenue. Inadvertent failure to notify an active cannabis producer or active cannabis producer/processor does not invalidate a proceeding conducted under this chapter.

(2) The requirements of assent or approval of a referendum under subsection (1) of this section are met if:

(a) At least 51 percent by numbers of the participants in the referendum vote affirmatively; and

(b) 30 percent of the active cannabis producers and 30 percent of the active cannabis producer/processors have been represented in the referendum to determine assent or approval of participation and assessment.

(3) If the director determines that the requisite assent has not been given in the referendum conducted under subsection (1) of this section, the director must take no further action to implement or enforce this chapter.

(4) Upon completion of the referendum conducted under subsection (1) of this section, the department must tally the results of the vote and provide the results to participants. The department must create rules for an active cannabis producer or an active cannabis producer/processor to dispute the results of a vote within 60 days from the announced results.

(5) The director is not required to hold a referendum under subsection (1) of this section more than once in any 12-month period.

NEW SECTION. **Sec.**  Within 60 days of the director determining that requisite assent has been given in a referendum conducted under section 3 of this act, the director must establish the Washington state cannabis commission to:

(1) Plan and conduct programs for cannabis-related matters;

(2) Provide funding for conducting research in accordance with commission rules;

(3) Coordinate with and advise interested parties regarding cannabis-related matters within the scope of the powers and purposes of the commission in accordance with commission rules;

(4) Coordinate with interested parties to standardize methods by which to identify and determine the genetics, strains, cultivars, phenotypes, standards, and grades of cannabis, and advise on cannabis packaging and labeling requirements;

(5) Conduct reviews, surveys, and inquiries regarding market metrics and analytics, including trends, revenues, profitability, projections, production, business practices, and other economic drivers of the cannabis industry;

(6) Inform and advise cannabis producers and cannabis producer/processors on cannabis-related matters, including, without limitation, educational information on cannabis cultivation, usage, risks, and related technical and scientific developments;

(7) Provide cannabis-related education and training to cannabis producers, cannabis producer/processors, cannabis researchers, and their employees, which may include education and training on cannabis health and safety information;

(8) Provide information and services for meeting resource conservation objectives of cannabis producers and cannabis producer/processors;

(9) Assist and cooperate with federal, state, and local government agencies in the investigation and control of pests, diseases, and other factors that could adversely affect the cultivation, quality, and safety of cannabis produced in this state;

(10) Advance the knowledge and practices of cannabis production in this state through research and testing methods to improve pest management, worker protection, safety training, energy efficiency, and environmental protection;

(11) Foster conditions favorable to investment in cannabis produced in this state in accordance with state and federal laws;

(12) Limit youth access and youth exposure to cannabis;

(13) Enable cannabis producers and cannabis producer/processors, in cooperation with the commission, to:

(a) Develop and engage in research, including, without limitation, discovering better and more efficient production, irrigation, odor mitigation, processing, transportation, handling, packaging, and use of cannabis and cannabis products; and

(b) Discover and develop new and improved cultivars to ensure reliable and economical cannabis production in this state;

(14) Establish uniform grading and proper preparation of cannabis products for market;

(15) Protect the interest of consumers and the state by advising on the overall production of cannabis to ensure a balanced and sufficient supply of cannabis and cannabis products of good quality during all seasons and at all times; and

(16) Advance the knowledge and practices of processing cannabis in this state.

NEW SECTION. **Sec.**  (1) The commission must:

(a) Elect a chair and other officers by a majority vote of the commission or in accordance with bylaws adopted by the commission;

(b) Adopt, rescind, and amend bylaws and other internal rules necessary for the administration and operation of the commission and for carrying out its duties in this chapter;

(c) Administer and enforce the provisions of this chapter;

(d) Designate a public records officer, rules coordinator, and other representatives required under laws governing state agencies and commissions;

(e) Comply with all other laws applicable to state agencies and commissions;

(f) Institute and maintain in its own name any legal actions, including actions by injunction, mandatory injunction, civil recovery, or proceedings before administrative tribunals or other governmental authorities necessary to carry out this chapter, and to sue and be sued as a commission, without individual liability for acts of the commission within the scope of the powers conferred by this chapter; and

(g) Keep accurate records of all receipts and disbursements, which must be open to inspection and audit by the state auditor or its designee at least every five years and at any time by a duly appointed internal auditor by majority vote of the commission.

(2) The commission may:

(a) Employ and discharge, in its discretion, managers, secretaries, agents, attorneys, and employees, and engage the services of independent contractors as the commission deems necessary to fulfill duties, and to fix compensation;

(b) Acquire and transfer personal and real property, establish offices, incur expenses, enter into contracts and cooperative agreements, and create such debt and other liabilities as may be reasonable to fulfill its duties under this chapter;

(c) Make necessary disbursements for routine operating expenses;

(d) Expend funds for all activities permitted under this chapter;

(e) Cooperate with interested parties to fulfill its duties under this chapter;

(f) Serve as a liaison on behalf of the general cannabis producing and processing industries to the board and other interested parties, and not on behalf of any individual cannabis producer or cannabis producer/processor;

(g) Solicit, accept, retain, and expend any gifts, bequests, contributions, or grants from private persons or public agencies to carry out this chapter;

(h) Retain the services of private legal counsel, which is subject to the appointment and approval by the office of the state attorney general;

(i) Engage in appropriate activities and events to support commission activities authorized by this chapter;

(j) Participate in meetings, hearings, and other proceedings regarding cannabis, including, without limitation, the production, irrigation, manufacture, regulation, transportation, distribution, sale, or use of cannabis, including activities authorized under RCW 42.17A.635 and the reporting of such activities to the public disclosure commission;

(k) Obtain from the board, a list of the names and addresses of cannabis producers, cannabis processors, cannabis producer/processors, and cannabis retailers, and other available data from the state as requested by the commission relative to its duties under this chapter;

(l) Acquire, create, develop, and own intellectual property rights, licenses, and patents, and to collect royalties resulting from the sale or licensing of commission-funded research. However, results and recommendations from research conducted or funded by the commission must be available to all cannabis producers and cannabis producer/processors without charge, except for reasonable costs as the commission may determine;

(m) Speak on behalf of the Washington state government regarding agricultural production of cannabis in this state, subject to oversight of both the director and the director of the board;

(n) Possess cannabis products for the limited purposes of this chapter;

(o) Adopt rules to implement this chapter; and

(p) Exercise other powers and duties reasonably necessary to carry out this chapter.

NEW SECTION. **Sec.**  The department must serve as the commission's rules coordinator. Rules adopted by the commission must be approved by the director.

NEW SECTION. **Sec.**  (1) The commission is composed of the following 13 voting members:

(a) Eight cannabis producer or cannabis producer/processor members, two each from district 1, district 2, district 3, and district 4;

(b) One statewide at-large cannabis producer or cannabis producer/processor member from any district;

(c) One statewide tier one cannabis producer or cannabis producer/processor member from any district;

(d) One statewide tier two cannabis producer or cannabis producer/processor member from any district;

(e) One statewide tier three cannabis producer or cannabis producer/processor member from any district; and

(f) The director.

(2) Each member of the commission other than the director must:

(a) Be 21 years of age or older;

(b) Be a citizen and resident of this state;

(c) Directly hold or be named an owner in whole or majority part of an entity holding the relevant business license issued by the board. This license must not be suspended at the time of nomination, election, or appointment and must not be suspended at any time during the member's term;

(d) Be an officer or employee of a corporation, firm, partnership, association, or cooperative engaged in the active production of cannabis within this state for a period of three years and have, during that period, derived a substantial portion of his or her income from cannabis production; and

(e) Continue to meet all membership qualifications throughout the member's term.

(3) Seven voting members constitute a quorum of the commission.

(4) Commission members must be reimbursed for expenses incurred in the performance of their duties under this chapter in accordance with RCW 43.03.050 and 43.03.060.

NEW SECTION. **Sec.**  (1) The director must select initial members to appoint to the commission from a pool of self-nominated cannabis producers or cannabis producer/processors from district 1, district 2, district 3, and district 4.

(2) The director has discretion in determining which members are appointed to the term limits in (a) through (c) of this subsection but, within 90 days after the effective date of this section, must appoint the initial commission members in accordance with the following:

(a) Four members must be appointed for a one-year term;

(b) Four members must be appointed for a two-year term; and

(c) Four members must be appointed for a three-year term.

(3) The commission must establish by rule the process by which commission members are elected and any vacancy appointments are made.

NEW SECTION. **Sec.**  (1) On a fiscal year basis and before each fiscal year beginning, the commission must develop and submit, to the director, each of the following:

(a) A budget; and

(b) Any plans concerning, without limitation:

(i) The establishment, issuance, effectuation, or administration of commission governance issues; and

(ii) The initiation or establishment of any rule making.

(2) The director must timely review and approve or deny each submission in this section.

(3) The director must review the commission's education program to ensure its consistency with applicable state and federal laws.

NEW SECTION. **Sec.**  The commission must deposit moneys collected under this chapter and section 15 of this act in a separate account in the name of the commission in any bank that is a state depository. All expenditures and disbursements made from this account under this chapter may be made without the necessity of a specific legislative appropriation. None of the provisions of RCW 43.01.050 and 69.50.540 apply to this account or to the moneys received, collected, or expended under this chapter.

NEW SECTION. **Sec.**  The fee levied under section 15 of this act constitutes a personal debt of every person charged or who otherwise owes the fee, and the fee is due and payable to the commission.

NEW SECTION. **Sec.**  (1) Financial and commercial information and records submitted to the board or the commission to administer this chapter may be shared between the board and the commission. The information or records may also be used, if required, in any action or administrative hearing relative to this chapter.

(2) This section does not prohibit:

(a) The issuance of general statements based upon the reports of a cannabis producer or cannabis producer/processor under this chapter if the statements do not identify a specific licensee; or

(b) The publication by the director or the commission of the name of a cannabis producer or cannabis producer/processor violating this chapter and a statement of the violation.

NEW SECTION. **Sec.**  Obligations incurred by the commission and any other liabilities or claims against the commission must be enforced only against the assets of the commission and, except to the extent of such assets, no liability for the debts or actions of the commission exists against either the state of Washington or any subdivision or instrumentality thereof or against any member, employee, or agent of the commission or the state of Washington in his or her individual capacity. Except as otherwise provided in this chapter, neither the commission members, nor its employees, may be held individually responsible for errors in judgment, mistakes, or other acts, either of commission or omission, as principal, agent, person, or employee, except for their own individual acts of dishonesty or crime. No person or employee may be held individually responsible for any act or omission of any other commission members. The liability of the commission members shall be several and not joint, and no member is liable for the default of any other member. This provision confirms that commission members have been and continue to be, state officers or volunteers for purposes of RCW 4.92.075 and are entitled to the defenses, indemnifications, limitations of liability, and other protections and benefits of chapter 4.92 RCW.

NEW SECTION. **Sec.**  All costs incurred by the board and the department, including staff support and the adoption of rules or other actions necessary to carry out this chapter must be reimbursed by the commission. Costs incurred under this section must include initial estimates of work and line-item accounting of the costs incurred.

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

(1) Pursuant to referendum under section 3 of this act, to provide for permanent funding of the Washington state cannabis commission, the board must impose and collect an assessment from all cannabis producers and cannabis producer/processors.

(2) The initial rate of assessment is:

(a) 0.29 percent of all sales revenue conducted by a cannabis producer who is not a cannabis producer/processor subject to an assessment under (b) of this subsection; and

(b) 0.145 percent of all sales revenue conducted by a cannabis producer/processor.

(3) After the initial assessment is approved, the commission may modify the assessment if submitted for approval by referendum and a majority of active cannabis producers and active cannabis producer/processors subject to an assessment approve the modification.

(4) Assessments collected under this section must be disbursed at least quarterly to the Washington state cannabis commission established in section 4 of this act for use in carrying out the purposes of chapter 15.--- RCW (the new chapter created in section 17 of this act).

(5) Until October 31, 2028, the assessments in this section do not apply to a cannabis producer or cannabis producer/processor licensed under the social equity program in this chapter.

**Sec.**  RCW 41.06.070 and 2019 c 146 s 3 are each amended to read as follows:

(1) The provisions of this chapter do not apply to:

(a) The members of the legislature or to any employee of, or position in, the legislative branch of the state government including members, officers, and employees of the legislative council, joint legislative audit and review committee, statute law committee, and any interim committee of the legislature;

(b) The justices of the supreme court, judges of the court of appeals, judges of the superior courts or of the inferior courts, or to any employee of, or position in the judicial branch of state government;

(c) Officers, academic personnel, and employees of technical colleges;

(d) The officers of the Washington state patrol;

(e) Elective officers of the state;

(f) The chief executive officer of each agency;

(g) In the departments of employment security and social and health services, the director and the director's confidential secretary; in all other departments, the executive head of which is an individual appointed by the governor, the director, his or her confidential secretary, and his or her statutory assistant directors;

(h) In the case of a multimember board, commission, or committee, whether the members thereof are elected, appointed by the governor or other authority, serve ex officio, or are otherwise chosen:

(i) All members of such boards, commissions, or committees;

(ii) If the members of the board, commission, or committee serve on a part-time basis and there is a statutory executive officer: The secretary of the board, commission, or committee; the chief executive officer of the board, commission, or committee; and the confidential secretary of the chief executive officer of the board, commission, or committee;

(iii) If the members of the board, commission, or committee serve on a full-time basis: The chief executive officer or administrative officer as designated by the board, commission, or committee; and a confidential secretary to the chair of the board, commission, or committee;

(iv) If all members of the board, commission, or committee serve ex officio: The chief executive officer; and the confidential secretary of such chief executive officer;

(i) The confidential secretaries and administrative assistants in the immediate offices of the elective officers of the state;

(j) Assistant attorneys general;

(k) Commissioned and enlisted personnel in the military service of the state;

(l) Inmate, student, and temporary employees, and part-time professional consultants, as defined by the director;

(m) Officers and employees of the Washington state fruit commission;

(n) Officers and employees of the Washington apple commission;

(o) Officers and employees of the Washington state dairy products commission;

(p) Officers and employees of the Washington tree fruit research commission;

(q) Officers and employees of the Washington state beef commission;

(r) Officers and employees of the Washington grain commission;

(s) Officers and employees of any commission formed under chapter 15.66 RCW;

(t) Officers and employees of agricultural commissions formed under chapter 15.65 RCW;

(u) Executive assistants for personnel administration and labor relations in all state agencies employing such executive assistants including but not limited to all departments, offices, commissions, committees, boards, or other bodies subject to the provisions of this chapter and this subsection shall prevail over any provision of law inconsistent herewith unless specific exception is made in such law;

(v) In each agency with fifty or more employees: Deputy agency heads, assistant directors or division directors, and not more than three principal policy assistants who report directly to the agency head or deputy agency heads;

(w) Staff employed by the department of commerce to administer energy policy functions;

(x) The manager of the energy facility site evaluation council;

(y) A maximum of ten staff employed by the department of commerce to administer innovation and policy functions, including the three principal policy assistants exempted under (v) of this subsection;

(z) Staff employed by Washington State University to administer energy education, applied research, and technology transfer programs under RCW 43.21F.045 as provided in RCW 28B.30.900(5);

(aa) Officers and employees of the consolidated technology services agency created in RCW 43.105.006 that perform the following functions or duties: Systems integration; data center engineering and management; network systems engineering and management; information technology contracting; information technology customer relations management; and network and systems security;

(bb) The executive director of the Washington statewide reentry council; and

(cc) Officers and employees of the Washington state cannabis commission under chapter 15.--- RCW (the new chapter created in section 17 of this act).

(2) The following classifications, positions, and employees of institutions of higher education and related boards are hereby exempted from coverage of this chapter:

(a) Members of the governing board of each institution of higher education and related boards, all presidents, vice presidents, and their confidential secretaries, administrative, and personal assistants; deans, directors, and chairs; academic personnel; and executive heads of major administrative or academic divisions employed by institutions of higher education; principal assistants to executive heads of major administrative or academic divisions; other managerial or professional employees in an institution or related board having substantial responsibility for directing or controlling program operations and accountable for allocation of resources and program results, or for the formulation of institutional policy, or for carrying out personnel administration or labor relations functions, legislative relations, public information, development, senior computer systems and network programming, or internal audits and investigations; and any employee of a community college district whose place of work is one which is physically located outside the state of Washington and who is employed pursuant to RCW 28B.50.092 and assigned to an educational program operating outside of the state of Washington;

(b) The governing board of each institution, and related boards, may also exempt from this chapter classifications involving research activities, counseling of students, extension or continuing education activities, graphic arts or publications activities requiring prescribed academic preparation or special training as determined by the board: PROVIDED, That no nonacademic employee engaged in office, clerical, maintenance, or food and trade services may be exempted by the board under this provision;

(c) Printing craft employees in the department of printing at the University of Washington.

(3) In addition to the exemptions specifically provided by this chapter, the director may provide for further exemptions pursuant to the following procedures. The governor or other appropriate elected official may submit requests for exemption to the office of financial management stating the reasons for requesting such exemptions. The director shall hold a public hearing, after proper notice, on requests submitted pursuant to this subsection. If the director determines that the position for which exemption is requested is one involving substantial responsibility for the formulation of basic agency or executive policy or one involving directing and controlling program operations of an agency or a major administrative division thereof, or is a senior expert in enterprise information technology infrastructure, engineering, or systems, the director shall grant the request. The total number of additional exemptions permitted under this subsection shall not exceed one percent of the number of employees in the classified service not including employees of institutions of higher education and related boards for those agencies not directly under the authority of any elected public official other than the governor, and shall not exceed a total of twenty-five for all agencies under the authority of elected public officials other than the governor.

(4) The salary and fringe benefits of all positions presently or hereafter exempted except for the chief executive officer of each agency, full-time members of boards and commissions, administrative assistants and confidential secretaries in the immediate office of an elected state official, and the personnel listed in subsections (1)(j) through (t), (cc), and (2) of this section, shall be determined by the director. Changes to the classification plan affecting exempt salaries must meet the same provisions for classified salary increases resulting from adjustments to the classification plan as outlined in RCW 41.06.152.

(5)(a) Any person holding a classified position subject to the provisions of this chapter shall, when and if such position is subsequently exempted from the application of this chapter, be afforded the following rights: If such person previously held permanent status in another classified position, such person shall have a right of reversion to the highest class of position previously held, or to a position of similar nature and salary.

(b) Any classified employee having civil service status in a classified position who accepts an appointment in an exempt position shall have the right of reversion to the highest class of position previously held, or to a position of similar nature and salary.

(c) A person occupying an exempt position who is terminated from the position for gross misconduct or malfeasance does not have the right of reversion to a classified position as provided for in this section.

NEW SECTION. **Sec.**  Sections 1 through 14 of this act constitute a new chapter in Title 15 RCW.

**--- END ---**