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**HOUSE BILL 1260**

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**State of Washington 67th Legislature 2021 Regular Session**

**By** Representatives Wicks, Dolan, Berry, Fitzgibbon, Simmons, Ramel, Ortiz-Self, Bateman, Sells, Lekanoff, and Macri

AN ACT Relating to improving the development of the marijuana market by enacting provisions specific to craft cannabis production; adding new sections to chapter 69.50 RCW; and providing an expiration date.

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

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

(1) There is a craft cannabis producer/processor license available to applicants meeting the qualifications and requirements in this section. Except as otherwise provided in this section, the privileges and requirements of a craft cannabis producer/processor license issued under this section are the same privileges and requirements of a marijuana producer license and of a marijuana processor license issued under RCW 69.50.325. To qualify for a craft cannabis producer/processor license an applicant must meet all qualifications for a marijuana license in RCW 69.50.331.

(2)(a) Except as provided in (b) of this subsection, the amount of the application fee is $250 and the amount of the annual license fee for a craft cannabis producer/processor license is $2,762.

(b)(i) The board shall establish a reduced application fee and reduced license fee for a craft cannabis producer/processor applicant or licensee who meets the definition of a social equity applicant in this section.

(ii) For an applicant who switches from operating under two marijuana producer licenses to one license under this section, the annual license fee is $4,143 if the licensee is authorized to have up to an additional 30,000 square feet of seasonal sungrown production canopy in accordance with subsection (3) of this section. For an applicant who switches from operating under three marijuana producer licenses to one license under this section, the license fee is $5,524 if the licensee is authorized to have up to an additional 60,000 square feet of seasonal sungrown production canopy in accordance with subsection (3) of this section.

(3)(a) The holder of a craft cannabis producer/processor license may not hold any other marijuana license issued under this chapter, including another craft cannabis producer/processor license, or have an ownership interest in, management role in, or exercise control over a business or entity that holds any other marijuana license or craft cannabis producer/processor license issued under this chapter.

(b) Except as provided in (c) of this subsection, a craft cannabis producer/processor licensee is subject to the following production and processing limits:

(i) If production is indoors, the licensee may have no more than 10,000 square feet of production canopy;

(ii) If production is seasonal sungrown production, the licensee may have no more than 30,000 square feet of production canopy; and

(iii) If production is at a facility at which marijuana is cultivated by indoor production and seasonal sungrown production, the licensee must have less than 10,000 square feet of indoor production canopy. Additionally, the licensee may have seasonal sungrown production canopy equal to three times the difference between 10,000 square feet and the number of square feet of indoor production canopy authorized for the licensee. By way of example, without limiting the authorized combinations of indoor and seasonal sungrown production canopy under this subsection (3)(b)(iii), a licensee may have:

(A) Four thousand square feet of indoor production canopy and 18,000 square feet of seasonal sungrown production canopy;

(B) Five thousand square feet of indoor production canopy and 15,000 square feet of seasonal sungrown production canopy; or

(C) Nine thousand square feet of indoor production canopy and 3,000 square feet of seasonal sungrown production canopy.

(c) In addition to the production canopy authorized in (b) of this subsection:

(i) A craft cannabis producer/processor who previously operated under two marijuana producer licenses may also produce an additional 30,000 square feet of seasonal sungrown production canopy; and

(ii) A craft cannabis producer/processor who previously operated pursuant to three marijuana producer licenses may also produce an additional 60,000 square feet of seasonal sungrown production canopy.

(4)(a) Pursuant to rules adopted by the board by January 1, 2022, licensees may make retail sales of marijuana products produced and processed entirely by the craft cannabis producer/processor from the licensed production facility. The retail sales limits in RCW 69.50.360(3) apply to retail sales authorized under this subsection. All taxes applicable to retail sales of marijuana by a marijuana retailer apply to retail sales of marijuana products by a craft cannabis producer/processor.

(b) For purposes of local zoning and land use ordinances, retail sales of marijuana by a licensee under this section are considered ancillary to, and do not alter, the primary use of the property as an agricultural, industrial, or commercial use. A city, town, or county may not prohibit a craft cannabis producer/processor from conducting retail sales of marijuana products authorized under this subsection.

(5)(a) Beginning on the effective date of this section, a person, business, or entity who holds a marijuana producer license issued under RCW 69.50.325 and who qualifies for a license under this section, may opt to transition to a license issued under this section. A licensee who holds a processor license issued under RCW 69.50.325 and who is transitioning to a craft producer/processor license is not required to pay an additional license fee. A licensee who does not hold a processor license under RCW 69.50.325 and who is transitioning to a craft producer/processor license must pay the difference in the license fee amounts to be issued a license under this section.

(b) The board shall prioritize applications from applicants who meet the definition of a social equity applicant in this section.

(c)(i) There is a maximum number of licenses available under this section. The board shall issue no more than 50 new craft cannabis producer/processor licenses to social equity applicants as defined in this section. A social equity applicant must submit a social equity plan with the license application. In determining the issuance of a license among social equity applicants, the board may prioritize applicants based on the extent to which the application addresses the components of the social equity plan. The board may deny any application submitted under this subsection if the board determines that the application does not meet social equity goals, does not meet social equity plan requirements, or the application does not otherwise meet the licensing requirements of this chapter.

(ii) In addition to licenses issued through (c)(i) of this subsection, the board shall issue a craft cannabis producer/processor license to all currently licensed marijuana producers who qualify and choose to be licensed under this section instead of RCW 69.50.325.

(iii) This subsection does not prevent the board from reissuing a craft cannabis producer/processor license to another qualified applicant if a craft cannabis producer/processor license is revoked, relinquished, or canceled.

(d) A craft cannabis producer/processor licensed under this section may opt to transition to a marijuana producer license and a marijuana processor license issued under RCW 69.50.325.

(6) For purposes of this section:

(a) "Disproportionately impacted area" means a census tract or comparable geographic area that satisfies the following criteria, which may be further defined in rule by the board after consultation with the commission on African American affairs and other agencies and stakeholders as determined by the board:

(i) The area has a high poverty rate;

(ii) The area has a high rate of participation in income-based federal or state programs;

(iii) The area has a high rate of unemployment; and

(iv) The area has a high rate of arrest, conviction, or incarceration related to the sale, possession, use, cultivation, manufacture, or transport of marijuana.

(b) "Indoor production" means marijuana production where artificial light is used to cultivate the marijuana plants.

(c) "Seasonal sungrown production" means marijuana production conducted outdoors seasonally on an expanse of open or cleared ground with or without the use of temporary structures.

(d) "Social equity applicant" means:

(i) An applicant who has at least 51 percent ownership and control by one or more individuals who have resided for at least five of the preceding 10 years in a disproportionately impacted area; or

(ii) An applicant who has at least 51 percent ownership and control by at least one individual who has been convicted of a marijuana offense or is a family member of such an individual.

(e) "Social equity goals" means:

(i) Increasing the number of craft cannabis producer/processor licenses held by social equity applicants from disproportionately impacted areas; and

(ii) Reducing accumulated harm suffered by individuals, families, and local areas subject to severe impacts from the historical application and enforcement of marijuana prohibition laws.

(f) "Social equity plan" means a plan that addresses at least some of the following elements:

(i) A statement that the social equity applicant qualifies as a social equity applicant and intends to own at least 51 percent of the proposed craft cannabis producer/processor business or applicants representing at least 51 percent of the ownership of the proposed business qualify as social equity applicants;

(ii) A description of how issuing a craft cannabis producer/processor license to the social equity applicant will meet social equity goals;

(iii) The social equity applicant's personal or family history with the criminal justice system including any offenses involving marijuana;

(iv) The composition of the workforce the social equity applicant intends to hire;

(v) Neighborhood characteristics of the location where the social equity applicant intends to operate, focusing especially on disproportionately impacted areas; and

(vi) Business plans involving partnerships or assistance to organizations or residents with connection to populations with a history of high rates of enforcement of marijuana prohibition.

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

(1)(a) A task force on cannabis policy is established, with members as provided in this subsection.

(i) The president of the senate shall appoint one member from each of the two largest caucuses of the senate.

(ii) The speaker of the house of representatives shall appoint one member from each of the two largest caucuses of the house of representatives.

(iii) The board shall appoint five members who are each a representative of a licensed craft cannabis producer/processor or a marijuana producer who has applied to convert a marijuana producer license to a craft cannabis producer/processor license, who wish to participate on the task force.

(iv) The board shall appoint one representative of the board.

(b) The task force shall choose its chair from among its legislative membership. A legislative member shall convene the initial meeting of the task force. The task force shall convene its first meeting by January 31, 2022.

(2) The task force shall review the following issues:

(a) Expanding the number of craft producer/processor licenses to social equity applicants while also reducing the number of dormant production licenses that are currently issued;

(b) Expanding the craft cannabis economy into other license types and at other points of the cannabis supply chain;

(c) Authorizing craft cannabis producers/processors licensed under section 1 of this act to sell each other's products from each other's licensed production facilities;

(d) New retail models including worker-owned cooperatives;

(e) Policy issues pertaining to social consumption spaces, the home delivery of marijuana products, and to the supply of and access to marijuana products for qualifying patients and designated providers; and

(f) How the state and the industry should plan for national legalization of marijuana and ensure an expansion of equitable outcomes during that process.

(3) Staff support for the task force must be provided by the board.

(4) Legislative members of the task force are reimbursed for travel expenses in accordance with RCW 44.04.120. Nonlegislative members are not entitled to be reimbursed for travel expenses if they are elected officials or are participating on behalf of an employer, governmental entity, or other organization. Any reimbursement for other nonlegislative members is subject to chapter 43.03 RCW.

(5)(a) Except as provided in (b) of this subsection, the expenses of the task force must be paid by the board and are subject to the board's approval.

(b) Reimbursements authorized in subsection (4) of this section for legislative members must be paid jointly by the senate and the house of representatives.

(6) The task force shall report:

(a) Preliminary findings and recommendations to the governor and the appropriate committees of the legislature by September 30, 2022; and

(b) Final findings and recommendations to the governor and the appropriate committees of the legislature by September 30, 2023.

(7) This section expires June 30, 2024.

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