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**SUBSTITUTE HOUSE BILL 1443**

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**State of Washington**

**67th Legislature**

**2021 Regular Session**

**By** House Commerce & Gaming (originally sponsored by Representatives Morgan, Wicks, Simmons, Berry, J. Johnson, Ramel, Kloba, Ryu, Peterson, Ormsby, Ortiz-Self, Harris-Talley, and Macri)

READ FIRST TIME 02/15/21.

1 AN ACT Relating to social equity within the cannabis industry;  
2 amending RCW 43.330.540, 69.50.335, and 69.50.336; providing an  
3 expiration date; and declaring an emergency.

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

5 **Sec. 1.** RCW 43.330.540 and 2020 c 236 s 3 are each amended to  
6 read as follows:

7 (1) The ((~~marijuana~~)) cannabis social equity technical assistance  
8 competitive grant program is established and is to be administered by  
9 the department.

10 (2) (a) The ((~~marijuana~~)) cannabis social equity technical  
11 assistance competitive grant program must award grants on a  
12 competitive basis to ((~~marijuana retailer~~)):

13 (i) Cannabis license applicants who are social equity applicants  
14 submitting social equity plans under RCW 69.50.335; and

15 (ii) Cannabis licensees holding a license on the effective date  
16 of this section who meet the social equity applicant criteria under  
17 RCW 69.50.335.

18 (b) Grant recipients under this subsection (2) must demonstrate  
19 completion of their project within 12 months of receiving a grant,  
20 unless a grant recipient requests, and the department approves,  
21 additional time to complete the project.

1       (3) The department must award grants primarily based on the  
2 strength of the social equity plans submitted by cannabis license  
3 applicants and cannabis licensees holding a license on the effective  
4 date of this section, but may also consider additional criteria if  
5 deemed necessary or appropriate by the department. Technical  
6 assistance activities eligible for funding (~~(under the marijuana~~  
7 ~~social equity technical assistance competitive grant program)~~)  
8 include, but are not limited to:

9       (a) Assistance navigating the (~~(marijuana retailer)~~) cannabis  
10 licensure process;

11       (b) (~~(Marijuana business)~~) Cannabis-business specific education  
12 and business plan development;

13       (c) Regulatory compliance training;

14       (d) Financial management training and assistance in seeking  
15 financing; and

16       (e) Connecting social equity applicants with established industry  
17 members and tribal (~~(marijuana)~~) cannabis enterprises and programs  
18 for mentoring and other forms of support approved by the  
19 (~~(Washington state liquor and cannabis)~~) Washington state liquor  
20 and cannabis board.

21       (~~(+3)~~) (4) The department must create a pilot program by October  
22 2, 2021, to provide technical assistance to cannabis retailers  
23 holding a license on the effective date of this section who meet the  
24 social equity applicant criteria under RCW 69.50.335.

25       (a) The department must allocate a minimum of \$150,000 for the  
26 pilot program to provide technical assistance activities to include  
27 infrastructure projects, technology upgrades, incubator and  
28 mentorship programs, and supplies.

29       (b) Grant recipients under this subsection (4) must demonstrate  
30 completion of their project within 12 months of receiving a grant,  
31 unless a grant recipient requests, and the department approves,  
32 additional time to complete the project.

33       (5) Funding for the (~~(marijuana)~~) cannabis social equity  
34 technical assistance competitive grant program must be provided  
35 through the dedicated marijuana account under RCW 69.50.540.  
36 Additionally, the department may solicit, receive, and expend private  
37 contributions to support the grant program.

38       (~~(+4)~~) (6) The department may adopt rules to implement this  
39 section.

1       (7) For the purposes of this section, "cannabis" has the meaning  
2 provided for "marijuana" under RCW 69.50.101.

3       **Sec. 2.** RCW 69.50.335 and 2020 c 236 s 2 are each amended to  
4 read as follows:

5       (1) Beginning December 1, 2020, and until July 1, ~~((2028))~~ 2029,  
6 ~~((marijuana))~~ cannabis retailer licenses that have been subject to  
7 forfeiture, revocation, or cancellation by the board, or  
8 ~~((marijuana))~~ cannabis retailer licenses that were not previously  
9 issued by the board but could have been issued without exceeding the  
10 limit on the statewide number of ~~((marijuana))~~ cannabis retailer  
11 licenses established before January 1, 2020, by the board, may be  
12 issued or reissued to an applicant who meets the ~~((marijuana))~~  
13 cannabis retailer license requirements of this chapter.

14       (2)(a) In order to be considered for a retail license under  
15 subsection (1) of this section, an applicant must be a social equity  
16 applicant and submit a social equity plan along with other  
17 ~~((marijuana))~~ cannabis retailer license application requirements to  
18 the board. If the application proposes ownership by more than one  
19 person, then at least fifty-one percent of the proposed ownership  
20 structure must reflect the qualifications of a social equity  
21 applicant.

22       (b) Persons holding an existing ~~((marijuana))~~ cannabis retailer  
23 license or title certificate for a ~~((marijuana))~~ cannabis retailer  
24 business in a local jurisdiction subject to a ban or moratorium on  
25 ~~((marijuana))~~ cannabis retail businesses may apply for a license  
26 under this section.

27       (3)(a) In determining the issuance of a license among applicants,  
28 the board may prioritize applicants based on the extent to which the  
29 application addresses the components of the social equity plan.

30       (b) The board may deny any application submitted under this  
31 subsection if the board determines that:

32       (i) The application does not meet social equity goals or does not  
33 meet social equity plan requirements; or

34       (ii) The application does not otherwise meet the licensing  
35 requirements of this chapter.

36       (4) The board may adopt rules to implement this section. Rules  
37 may include strategies for receiving advice on the social equity  
38 program from individuals the program is intended to benefit. Rules  
39 may also require that licenses awarded under this section be

1 transferred or sold only to individuals or groups of individuals who  
2 comply with the requirements for initial licensure as a social equity  
3 applicant with a social equity plan under this section.

4 (5) The annual fee for issuance, reissuance, or renewal for any  
5 license under this section must be equal to the fee established in  
6 RCW 69.50.325.

7 (6) For the purposes of this section:

8 (a) "Cannabis" has the meaning provided for "marijuana" under  
9 this chapter.

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

16 (i) The area has a high poverty rate;

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

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

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

23 ~~((b))~~ (c) "Social equity applicant" means:

24 (i) An applicant who has at least fifty-one percent ownership and  
25 control by one or more individuals who have resided ~~((for at least~~  
26 ~~five of the preceding ten years))~~ in a disproportionately impacted  
27 area for a period of time defined in rule by the board after  
28 consultation with the commission on African American affairs and  
29 other commissions, agencies, and advocates as determined by the  
30 board; ~~((or))~~

31 (ii) An applicant who has at least fifty-one percent ownership  
32 and control by at least one individual who has been convicted of a  
33 ~~((marijuana))~~ cannabis offense, a drug offense, or is a family member  
34 of such an individual; or

35 (iii) An applicant who meets criteria defined in rule by the  
36 board after consultation with the commission on African American  
37 affairs and other commissions, agencies, and advocates as determined  
38 by the board.

39 ~~((e))~~ (d) "Social equity goals" means:

1 (i) Increasing the number of ((~~marijuana~~)) cannabis retailer  
2 licenses held by social equity applicants from disproportionately  
3 impacted areas; and

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

8 ((~~(d)~~)) (e) "Social equity plan" means a plan that addresses at  
9 least some of the elements outlined in this subsection (6) ((~~(d)~~)) (e),  
10 along with any additional plan components or requirements approved by  
11 the board following consultation with the task force created in RCW  
12 69.50.336. The plan may include:

13 (i) A statement that the social equity applicant qualifies as a  
14 social equity applicant and intends to own at least fifty-one percent  
15 of the proposed ((~~marijuana~~)) cannabis retail business or applicants  
16 representing at least fifty-one percent of the ownership of the  
17 proposed business qualify as social equity applicants;

18 (ii) A description of how issuing a ((~~marijuana~~)) cannabis retail  
19 license to the social equity applicant will meet social equity goals;

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

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

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

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

32 **Sec. 3.** RCW 69.50.336 and 2020 c 236 s 5 are each amended to  
33 read as follows:

34 (1) A legislative task force on social equity in ((~~marijuana~~))  
35 cannabis is established. The purpose of the task force is to make  
36 recommendations to the board including but not limited to  
37 establishing a social equity program for the issuance and reissuance  
38 of existing retail ((~~marijuana~~)), processor, and producer cannabis  
39 licenses, and to advise the governor and the legislature on policies

1 that will facilitate development of a (~~marijuana~~) cannabis social  
2 equity program.

3 (2) The members of the task force are as provided in this  
4 subsection.

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

7 (b) The speaker of the house of representatives shall appoint one  
8 member from each of the two largest caucuses of the house of  
9 representatives.

10 (c) The president of the senate and the speaker of the house of  
11 representatives shall jointly appoint:

12 (i) One member from each of the following:

13 (A) The commission on African American affairs;

14 (B) The commission on Hispanic affairs;

15 (C) The governor's office of Indian affairs;

16 (D) An organization representing the African American community;

17 (E) An organization representing the Latinx community;

18 (F) A labor organization involved in the (~~marijuana~~) cannabis  
19 industry;

20 (G) The liquor and cannabis board;

21 (H) The department of commerce;

22 (I) The office of the attorney general; and

23 (J) The association of Washington cities;

24 (ii) Two members that currently hold a (~~marijuana~~) cannabis  
25 retail license; (~~and~~)

26 (iii) Two members that currently hold a producer (~~or processor~~)  
27 license (~~or both~~); and

28 (iv) Two members that currently hold a processor license.

29 (3) In addition to the members appointed to the task force under  
30 subsection (2) of this section, individuals representing other  
31 sectors may be invited by the chair of the task force, in  
32 consultation with the other appointed members of the task force, to  
33 participate in an advisory capacity in meetings of the task force.

34 (a) Individuals participating in an advisory capacity under this  
35 subsection are not members of the task force, may not vote, and are  
36 not subject to the appointment process established in this section.

37 (b) There is no limit to the number of individuals who may  
38 participate in task force meetings in an advisory capacity under this  
39 subsection.

1 (c) A majority of the task force members constitutes a quorum. If  
2 a member has not been designated for a position set forth in this  
3 section, that position may not be counted for the purpose of  
4 determining a quorum.

5 (4) The task force shall hold its first meeting by July 1, 2020.  
6 The task force shall elect a chair from among its legislative members  
7 at the first meeting. The election of the chair must be by a majority  
8 vote of the task force members who are present at the meeting. The  
9 chair of the task force is responsible for arranging subsequent  
10 meetings and developing meeting agendas.

11 (5) Staff support for the task force, including arranging the  
12 first meeting of the task force and assisting the chair of the task  
13 force in arranging subsequent meetings, must be provided by the  
14 health equity council of the governor's interagency council on health  
15 disparities. (~~(If Engrossed Second Substitute House Bill No. 1783 is~~  
16 ~~enacted by June 30, 2020, then)) The responsibility for providing  
17 staff support for the task force must be transferred to the office of  
18 equity created (~~(by Engrossed Second Substitute House Bill No. 1783))~~  
19 under chapter 43.06D RCW when requested by the office of equity.~~

20 (~~(6) ((The expenses of the task force must be paid jointly by the~~  
21 ~~senate and the house of representatives. Task force expenditures are~~  
22 ~~subject to approval by the senate facilities and operations committee~~  
23 ~~and the house of representatives executive rules committee, or their~~  
24 ~~successor committees.~~

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

31 (~~(8))~~ (7) The task force is a class one group under chapter  
32 43.03 RCW.

33 (~~(9))~~ (8) A public comment period must be provided at every  
34 meeting of the task force.

35 (~~(10))~~ (9) The task force shall submit one or more reports on  
36 recommended policies that will facilitate the development of a  
37 (~~(marijuana))~~ cannabis social equity program in Washington to the  
38 governor, the board, and the appropriate committees of the  
39 legislature. The task force is encouraged to submit individual  
40 recommendations, as soon as possible, to facilitate the board's early

1 work to implement the recommendations. The final recommendations must  
2 be submitted by (~~December 1, 2020~~) January 10, 2022. The  
3 recommendations must include:

4 (a) Factors the board must consider in distributing the licenses  
5 currently available from (~~marijuana~~) cannabis retailer licenses  
6 that have been subject to forfeiture, revocation, or cancellation by  
7 the board, or (~~marijuana~~) cannabis retailer licenses that were not  
8 previously issued by the board but could have been issued without  
9 exceeding the limit on the statewide number of (~~marijuana~~) cannabis  
10 retailer licenses established by the board before January 1, 2020;  
11 (~~and~~)

12 (b) Whether any additional (~~marijuana~~) cannabis producer,  
13 processor, or retailer licenses should be issued beyond the total  
14 number of (~~marijuana~~) licenses that have been issued as of June 11,  
15 2020. For purposes of determining the total number of licenses issued  
16 as of June 11, 2020, the total number includes licenses that have  
17 been forfeited, revoked, or canceled;

18 (c) The social equity impact of altering residential cannabis  
19 agriculture regulations;

20 (d) The social equity impact of shifting primary regulation of  
21 cannabis production from the board to the department of agriculture,  
22 including potential impacts to the employment rights of workers;

23 (e) The social equity impact of removing nonviolent cannabis-  
24 related felonies and misdemeanors from obtaining a cannabis license;

25 (f) Whether to create workforce training opportunities for  
26 underserved communities to increase employment opportunities in the  
27 cannabis industry;

28 (g) The social equity impact of reducing or ending the funding  
29 directed to the Washington state patrol drug enforcement task force  
30 under RCW 69.50.540 and redirecting an equivalent amount to a  
31 cannabis social equity program; and

32 (h) The social equity impact of creating new cannabis license  
33 types.

34 (~~(11)~~) (10) The board may adopt rules to implement the  
35 recommendations of the task force. However, any recommendation to  
36 increase the number of retail outlets above the current statewide  
37 limit of retail outlets, established by the board before January 1,  
38 2020, must be approved by the legislature.

39 (~~(12)~~) (11) For the purposes of this section, "cannabis" has  
40 the meaning provided for "marijuana" under this chapter.

1        (12) This section expires June 30, (~~2022~~) 2023.

2        NEW SECTION.    **Sec. 4.**    This act is necessary for the immediate  
3    preservation of the public peace, health, or safety, or support of  
4    the state government and its existing public institutions, and takes  
5    effect immediately.

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