H-2468.1

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**HOUSE BILL 2334**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**State of Washington 68th Legislature 2024 Regular Session**

**By** Representatives Reeves, Walen, Morgan, Chapman, and Cheney

AN ACT Relating to transferring the licensing and regulating of the production, processing, and testing of cannabis products from the Washington state liquor and cannabis board to the department of agriculture; amending RCW 69.50.325, 69.50.326, 69.50.331, 69.50.334, 69.50.335, 69.50.339, 69.50.342, 69.50.345, 69.50.351, 69.50.363, 69.50.366, 69.50.372, 69.50.395, 69.50.530, 69.50.540, 69.50.564, 69.50.565, 69.50.580, and 69.50.585; reenacting and amending RCW 69.50.101 and 69.50.348; adding a new section to chapter 69.50 RCW; and providing an effective 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) All powers, duties, and functions of the board relating to the licensing and regulating of the production, processing, and testing of cannabis concentrates, useable cannabis, and cannabis-infused products are transferred to the department of agriculture. All references to the board or the liquor and cannabis board in the Revised Code of Washington shall be construed to mean the director or the department of agriculture when referring to the functions transferred in this section.

(2)(a) All reports, documents, surveys, books, records, files, papers, or written material in the possession of the board pertaining to the powers, functions, and duties transferred shall be delivered to the custody of the department of agriculture. All cabinets, furniture, office equipment, software, database, motor vehicles, and other tangible property employed by the board in carrying out the powers, functions, and duties transferred shall be made available to the department of agriculture.

(b) Any appropriations made to the board for carrying out the powers, functions, and duties transferred shall, on July 1, 2025, be transferred and credited to the department of agriculture.

(c) Whenever any question arises as to the transfer of any funds, books, documents, records, papers, files, software, database, equipment, or other tangible property used or held in the exercise of the powers and the performance of the duties and functions transferred, the director of the office of financial management shall make a determination as to the proper allocation and certify the same to the state agencies concerned.

(3) All rules and all pending business before the board pertaining to the powers, functions, and duties transferred shall be continued and acted upon by the department of agriculture. All existing contracts and obligations shall remain in full force and shall be performed by the department of agriculture.

(4) The transfer of the powers, duties, and functions of the board does not affect the validity of any act performed before July 1, 2025.

(5) If apportionments of budgeted funds are required because of the transfers directed by this section, the director of the office of financial management shall certify the apportionments to the agencies affected, the state auditor, and the state treasurer. Each of these shall make the appropriate transfer and adjustments in funds and appropriation.

**Sec.**  RCW 69.50.101 and 2023 c 365 s 2 and 2023 c 220 s 6 are each reenacted and amended to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

((~~(a) [(1)]~~)) (1) "Administer" means to apply a controlled substance, whether by injection, inhalation, ingestion, or any other means, directly to the body of a patient or research subject by:

((~~(1) [(a)] a~~)) (a) A practitioner authorized to prescribe (or, by the practitioner's authorized agent); or

((~~(2) [(b)] the~~)) (b) The patient or research subject at the direction and in the presence of the practitioner.

((~~(b) [(2)]~~)) (2) "Agent" means an authorized person who acts on behalf of or at the direction of a manufacturer, distributor, or dispenser. It does not include a common or contract carrier, public warehouseperson, or employee of the carrier or warehouseperson.

((~~(c) [(3)]~~)) (3) "Board" means the Washington state liquor and cannabis board.

((~~(d) [(4)]~~)) (4) "Cannabis" means all parts of the plant *Cannabis*, whether growing or not, with a THC concentration greater than 0.3 percent on a dry weight basis during the growing cycle through harvest and usable cannabis. "Cannabis" does not include hemp or industrial hemp as defined in RCW 15.140.020, or seeds used for licensed hemp production under chapter 15.140 RCW.

((~~(e) [(5)]~~)) (5) "Cannabis concentrates" means products consisting wholly or in part of the resin extracted from any part of the plant *Cannabis* and having a THC concentration greater than ((~~ten~~)) 10 percent.

((~~(f) [(6)]~~)) (6) "Cannabis processor" means a person licensed by the board to process cannabis into cannabis concentrates, useable cannabis, and cannabis-infused products, package and label cannabis concentrates, useable cannabis, and cannabis-infused products for sale in retail outlets, and sell cannabis concentrates, useable cannabis, and cannabis-infused products at wholesale to cannabis retailers.

((~~(g) [(7)]~~)) (7) "Cannabis producer" means a person licensed by the board to produce and sell cannabis at wholesale to cannabis processors and other cannabis producers.

((~~(h)(1) [(8)(a)]~~)) (8)(a) "Cannabis products" means useable cannabis, cannabis concentrates, and cannabis-infused products as defined in this section, including any product intended to be consumed or absorbed inside the body by any means including inhalation, ingestion, or insertion, with any detectable amount of THC.

((~~(2) [(b)]~~)) (b) "Cannabis products" also means any product containing only THC content.

((~~(3) [(c)]~~)) (c) "Cannabis products" does not include cannabis health and beauty aids as defined in RCW 69.50.575 or products approved by the United States food and drug administration.

((~~(i) [(9)]~~)) (9) "Cannabis researcher" means a person licensed by the board to produce, process, and possess cannabis for the purposes of conducting research on cannabis and cannabis-derived drug products.

((~~(j) [(10)]~~)) (10) "Cannabis retailer" means a person licensed by the board to sell cannabis concentrates, useable cannabis, and cannabis-infused products in a retail outlet.

((~~(k) [(11)]~~)) (11) "Cannabis-infused products" means products that contain cannabis or cannabis extracts, are intended for human use, are derived from cannabis as defined in subsection ((~~(d) [(4)]~~)) (4) of this section, and have a THC concentration no greater than ((~~ten~~)) 10 percent. The term "cannabis-infused products" does not include either useable cannabis or cannabis concentrates.

((~~(l) [(12)]~~)) (12) "CBD concentration" has the meaning provided in RCW 69.51A.010.

((~~(m) [(13)]~~)) (13) "CBD product" means any product containing or consisting of cannabidiol.

((~~(n) [(14)]~~)) (14) "Commission" means the pharmacy quality assurance commission.

((~~(o) [(15)]~~)) (15) "Controlled substance" means a drug, substance, or immediate precursor included in Schedules I through V as set forth in federal or state laws, or federal or commission rules, but does not include hemp or industrial hemp as defined in RCW 15.140.020.

((~~(p)(1) [(16)(a)]~~)) (16)(a) "Controlled substance analog" means a substance the chemical structure of which is substantially similar to the chemical structure of a controlled substance in Schedule I or II and:

(i) ((~~that~~)) That has a stimulant, depressant, or hallucinogenic effect on the central nervous system substantially similar to the stimulant, depressant, or hallucinogenic effect on the central nervous system of a controlled substance included in Schedule I or II; or

(ii) ((~~with~~)) With respect to a particular individual, that the individual represents or intends to have a stimulant, depressant, or hallucinogenic effect on the central nervous system substantially similar to the stimulant, depressant, or hallucinogenic effect on the central nervous system of a controlled substance included in Schedule I or II.

((~~(2) [(b)]~~)) (b) The term does not include:

(i) ((~~a~~)) A controlled substance;

(ii) ((~~a~~)) A substance for which there is an approved new drug application;

(iii) ((~~a~~)) A substance with respect to which an exemption is in effect for investigational use by a particular person under Section 505 of the federal food, drug, and cosmetic act, 21 U.S.C. Sec. 355, or chapter 69.77 RCW to the extent conduct with respect to the substance is pursuant to the exemption; or

(iv) ((~~any~~)) Any substance to the extent not intended for human consumption before an exemption takes effect with respect to the substance.

((~~(q) [(17)]~~)) (17) "Deliver" or "delivery" means the actual or constructive transfer from one person to another of a substance, whether or not there is an agency relationship.

((~~(r) [(18)]~~)) (18) "Department" means the department of health.

((~~(s) [(19)]~~)) (19) "Designated provider" has the meaning provided in RCW 69.51A.010.

((~~(t) [(20)]~~)) (20) "Director" means the director of agriculture.

(21) "Dispense" means the interpretation of a prescription or order for a controlled substance and, pursuant to that prescription or order, the proper selection, measuring, compounding, labeling, or packaging necessary to prepare that prescription or order for delivery.

((~~(u) [(21)]~~)) (22) "Dispenser" means a practitioner who dispenses.

((~~(v) [(22)]~~)) (23) "Distribute" means to deliver other than by administering or dispensing a controlled substance.

((~~(w) [(23)]~~)) (24) "Distributor" means a person who distributes.

((~~(x) [(24)]~~)) (25) "Drug" means ((~~(1) [(a)] a~~)): (a) A controlled substance recognized as a drug in the official United States pharmacopoeia/national formulary or the official homeopathic pharmacopoeia of the United States, or any supplement to them; ((~~(2) [(b)]~~)) (b) controlled substances intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in individuals or animals; ((~~(3) [(c)]~~)) (c) controlled substances (other than food) intended to affect the structure or any function of the body of individuals or animals; and ((~~(4) [(d)]~~)) (d) controlled substances intended for use as a component of any article specified in ((~~(1), (2), or (3) [(a), (b), or (c)]~~)) (a), (b), or (c) of this subsection. The term does not include devices or their components, parts, or accessories.

((~~(y) [(25)]~~)) (26) "Drug enforcement administration" means the drug enforcement administration in the United States Department of Justice, or its successor agency.

((~~(z) [(26)]~~)) (27) "Electronic communication of prescription information" means the transmission of a prescription or refill authorization for a drug of a practitioner using computer systems. The term does not include a prescription or refill authorization verbally transmitted by telephone nor a facsimile manually signed by the practitioner.

((~~(aa) [(27)]~~)) (28) "Immature plant or clone" means a plant or clone that has no flowers, is less than ((~~twelve~~)) 12 inches in height, and is less than ((~~twelve~~)) 12 inches in diameter.

((~~(bb) [(28)]~~)) (29) "Immediate precursor" means a substance:

((~~(1) [(a)] that~~)) (a) That the commission has found to be and by rule designates as being the principal compound commonly used, or produced primarily for use, in the manufacture of a controlled substance;

((~~(2) [(b)] that~~)) (b) That is an immediate chemical intermediary used or likely to be used in the manufacture of a controlled substance; and

((~~(3) [(c)] the~~)) (c) The control of which is necessary to prevent, curtail, or limit the manufacture of the controlled substance.

((~~(cc) [(29)]~~)) (30) "Isomer" means an optical isomer, but in subsection ((~~(gg)(5) [(33)(e)]~~)) (34)(e) of this section, RCW 69.50.204((~~(a) (12) and (34) [(1) (l) and (hh)]~~)) (1) (l) and (hh), and 69.50.206((~~(b)(4) [(2)(d)]~~)) (2)(d), the term includes any geometrical isomer; in RCW 69.50.204((~~(a) (8) and (42) [(1) (h) and (pp)]~~)) (1) (h) and (pp), and 69.50.210((~~(c) [(3)]~~)) (3) the term includes any positional isomer; and in RCW 69.50.204((~~(a)(35) [(1)(ii)]~~)) (1)(ii), 69.50.204((~~(c) [(3)]~~)) (3), and 69.50.208((~~(a) [(1)]~~)) (1) the term includes any positional or geometric isomer.

((~~(dd) [(30)]~~)) (31) "Lot" means a definite quantity of cannabis, cannabis concentrates, useable cannabis, or cannabis-infused product identified by a lot number, every portion or package of which is uniform within recognized tolerances for the factors that appear in the labeling.

((~~(ee) [(31)]~~)) (32) "Lot number" must identify the licensee by business or trade name and Washington state unified business identifier number, and the date of harvest or processing for each lot of cannabis, cannabis concentrates, useable cannabis, or cannabis-infused product.

((~~(ff) [(32)]~~)) (33) "Manufacture" means the production, preparation, propagation, compounding, conversion, or processing of a controlled substance, either directly or indirectly or by extraction from substances of natural origin, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis, and includes any packaging or repackaging of the substance or labeling or relabeling of its container. The term does not include the preparation, compounding, packaging, repackaging, labeling, or relabeling of a controlled substance:

((~~(1) [(a)] by~~)) (a) By a practitioner as an incident to the practitioner's administering or dispensing of a controlled substance in the course of the practitioner's professional practice; or

((~~(2) [(b)] by~~)) (b) By a practitioner, or by the practitioner's authorized agent under the practitioner's supervision, for the purpose of, or as an incident to, research, teaching, or chemical analysis and not for sale.

((~~(gg) [(33)]~~)) (34) "Narcotic drug" means any of the following, whether produced directly or indirectly by extraction from substances of vegetable origin, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis:

((~~(1) [(a)]~~)) (a) Opium, opium derivative, and any derivative of opium or opium derivative, including their salts, isomers, and salts of isomers, whenever the existence of the salts, isomers, and salts of isomers is possible within the specific chemical designation. The term does not include the isoquinoline alkaloids of opium.

((~~(2) [(b)]~~)) (b) Synthetic opiate and any derivative of synthetic opiate, including their isomers, esters, ethers, salts, and salts of isomers, esters, and ethers, whenever the existence of the isomers, esters, ethers, and salts is possible within the specific chemical designation.

((~~(3) [(c)]~~)) (c) Poppy straw and concentrate of poppy straw.

((~~(4) [(d)]~~)) (d) Coca leaves, except coca leaves and extracts of coca leaves from which cocaine, ecgonine, and derivatives or ecgonine or their salts have been removed.

((~~(5) [(e)]~~)) (e) Cocaine, or any salt, isomer, or salt of isomer thereof.

((~~(6) [(f)]~~)) (f) Cocaine base.

((~~(7) [(g)]~~)) (g) Ecgonine, or any derivative, salt, isomer, or salt of isomer thereof.

((~~(8) [(h)]~~)) (h) Any compound, mixture, or preparation containing any quantity of any substance referred to in ((~~(1) [(a)]~~)) (a) through ((~~(7) [(g)]~~)) (g) of this subsection.

((~~(hh) [(34)]~~)) (35) "Opiate" means any substance having an addiction-forming or addiction-sustaining liability similar to morphine or being capable of conversion into a drug having addiction-forming or addiction-sustaining liability. The term includes opium, substances derived from opium (opium derivatives), and synthetic opiates. The term does not include, unless specifically designated as controlled under RCW 69.50.201, the dextrorotatory isomer of 3-methoxy-n-methylmorphinan and its salts (dextromethorphan). The term includes the racemic and levorotatory forms of dextromethorphan.

((~~(ii) [(35)]~~)) (36) "Opium poppy" means the plant of the species Papaver somniferum L., except its seeds.

((~~(jj) [(36)]~~)) (37) "Package" means a container that has a single unit or group of units.

((~~(kk) [(37)]~~)) (38) "Person" means individual, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or any other legal or commercial entity.

((~~(ll) [(38)]~~)) (39) "Plant" has the meaning provided in RCW 69.51A.010.

((~~(mm) [(39)]~~)) (40) "Poppy straw" means all parts, except the seeds, of the opium poppy, after mowing.

((~~(nn) [(40)]~~)) (41) "Practitioner" means:

((~~(1) [(a)]~~)) (a) A physician under chapter 18.71 RCW; a physician assistant under chapter 18.71A RCW; an osteopathic physician and surgeon under chapter 18.57 RCW; an optometrist licensed under chapter 18.53 RCW who is certified by the optometry board under RCW 18.53.010 subject to any limitations in RCW 18.53.010; a dentist under chapter 18.32 RCW; a podiatric physician and surgeon under chapter 18.22 RCW; a veterinarian under chapter 18.92 RCW; a registered nurse, advanced registered nurse practitioner, or licensed practical nurse under chapter 18.79 RCW; a naturopathic physician under chapter 18.36A RCW who is licensed under RCW 18.36A.030 subject to any limitations in RCW 18.36A.040; a pharmacist under chapter 18.64 RCW or a scientific investigator under this chapter, licensed, registered or otherwise permitted insofar as is consistent with those licensing laws to distribute, dispense, conduct research with respect to or administer a controlled substance in the course of their professional practice or research in this state.

((~~(2) [(b)]~~)) (b) A pharmacy, hospital or other institution licensed, registered, or otherwise permitted to distribute, dispense, conduct research with respect to or to administer a controlled substance in the course of professional practice or research in this state.

((~~(3) [(c)]~~)) (c) A physician licensed to practice medicine and surgery, a physician licensed to practice osteopathic medicine and surgery, a dentist licensed to practice dentistry, a podiatric physician and surgeon licensed to practice podiatric medicine and surgery, a licensed physician assistant or a licensed osteopathic physician assistant specifically approved to prescribe controlled substances by his or her state's medical commission or equivalent and his or her supervising physician, an advanced registered nurse practitioner licensed to prescribe controlled substances, or a veterinarian licensed to practice veterinary medicine in any state of the United States.

((~~(oo) [(41)]~~)) (42) "Prescription" means an order for controlled substances issued by a practitioner duly authorized by law or rule in the state of Washington to prescribe controlled substances within the scope of his or her professional practice for a legitimate medical purpose.

((~~(pp) [(42)]~~)) (43) "Production" includes the manufacturing, planting, cultivating, growing, or harvesting of a controlled substance.

((~~(qq) [(43)]~~)) (44) "Qualifying patient" has the meaning provided in RCW 69.51A.010.

((~~(rr) [(44)]~~)) (45) "Recognition card" has the meaning provided in RCW 69.51A.010.

((~~(ss) [(45)]~~)) (46) "Retail outlet" means a location licensed by the board for the retail sale of cannabis concentrates, useable cannabis, and cannabis-infused products.

((~~(tt) [(46)]~~)) (47) "Secretary" means the secretary of health or the secretary's designee.

((~~(uu) [(47)]~~)) (48) "Social equity plan" means a plan that addresses at least some of the elements outlined in this subsection ((~~(uu) [(47)]~~)) (48), along with any additional plan components or requirements approved by the board following consultation with the task force created in RCW 69.50.336. The plan may include:

((~~(1) [(a)]~~)) (a) A statement that indicates how the cannabis licensee will work to promote social equity goals in their community;

((~~(2) [(b)]~~)) (b) A description of how the cannabis licensee will meet social equity goals as defined in RCW 69.50.335;

((~~(3) [(c)]~~)) (c) The composition of the workforce the licensee has employed or intends to hire; and

((~~(4) [(d)]~~)) (d) Business plans involving partnerships or assistance to organizations or residents with connections to populations with a history of high rates of enforcement of cannabis prohibition.

((~~(vv) [(48)]~~)) (49) "State," unless the context otherwise requires, means a state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or a territory or insular possession subject to the jurisdiction of the United States.

((~~(ww) [(49)]~~)) (50) "THC concentration" means percent of tetrahydrocannabinol content of any part of the plant *Cannabis*, or per volume or weight of cannabis product, or the combined percent of tetrahydrocannabinol and tetrahydrocannabinolic acid in any part of the plant *Cannabis* regardless of moisture content.

((~~(xx) [(50)]~~)) (51) "Ultimate user" means an individual who lawfully possesses a controlled substance for the individual's own use or for the use of a member of the individual's household or for administering to an animal owned by the individual or by a member of the individual's household.

((~~(yy) [(51)]~~)) (52) "Unit" means an individual consumable item within a package of one or more consumable items in solid, liquid, gas, or any form intended for human consumption.

((~~(zz) [(52)]~~)) (53) "Useable cannabis" means dried cannabis flowers. The term "useable cannabis" does not include either cannabis-infused products or cannabis concentrates.

((~~(aaa) [(53)]~~)) (54) "Youth access" means the level of interest persons under the age of ((~~twenty-one~~)) 21 may have in a vapor product, as well as the degree to which the product is available or appealing to such persons, and the likelihood of initiation, use, or addiction by adolescents and young adults.

**Sec.**  RCW 69.50.325 and 2022 c 16 s 54 are each amended to read as follows:

(1) There shall be a cannabis producer's license regulated by the ((~~board~~)) director and subject to annual renewal. The licensee is authorized to produce: (a) Cannabis for sale at wholesale to cannabis processors and other cannabis producers; (b) immature plants or clones and seeds for sale to cooperatives as described under RCW 69.51A.250; and (c) immature plants or clones and seeds for sale to qualifying patients and designated providers as provided under RCW 69.51A.310. The production, possession, delivery, distribution, and sale of cannabis in accordance with the provisions of this chapter and the rules adopted to implement and enforce it, by a validly licensed cannabis producer, shall not be a criminal or civil offense under Washington state law. Every cannabis producer's license shall be issued in the name of the applicant, shall specify the location at which the cannabis producer intends to operate, which must be within the state of Washington, and the holder thereof shall not allow any other person to use the license. The application fee for a cannabis producer's license shall be ((~~two hundred fifty dollars~~)) $250. The annual fee for issuance and renewal of a cannabis producer's license shall be ((~~one thousand three hundred eighty-one dollars~~)) $1,381. A separate license shall be required for each location at which a cannabis producer intends to produce cannabis.

(2) There shall be a cannabis processor's license to process, package, and label cannabis concentrates, useable cannabis, and cannabis-infused products for sale at wholesale to cannabis processors and cannabis retailers, regulated by the ((~~board~~)) director and subject to annual renewal. The processing, packaging, possession, delivery, distribution, and sale of cannabis, useable cannabis, cannabis-infused products, and cannabis concentrates in accordance with the provisions of this chapter and chapter 69.51A RCW and the rules adopted to implement and enforce these chapters, by a validly licensed cannabis processor, shall not be a criminal or civil offense under Washington state law. Every cannabis processor's license shall be issued in the name of the applicant, shall specify the location at which the licensee intends to operate, which must be within the state of Washington, and the holder thereof shall not allow any other person to use the license. The application fee for a cannabis processor's license shall be ((~~two hundred fifty dollars~~)) $250. The annual fee for issuance and renewal of a cannabis processor's license shall be ((~~one thousand three hundred eighty-one dollars~~)) $1,381. A separate license shall be required for each location at which a cannabis processor intends to process cannabis.

(3)(a) There shall be a cannabis retailer's license to sell cannabis concentrates, useable cannabis, and cannabis-infused products at retail in retail outlets, regulated by the board and subject to annual renewal. The possession, delivery, distribution, and sale of cannabis concentrates, useable cannabis, and cannabis-infused products in accordance with ((~~the provisions of~~)) this chapter and the rules adopted to implement and enforce it, by a validly licensed cannabis retailer, shall not be a criminal or civil offense under Washington state law. Every cannabis retailer's license shall be issued in the name of the applicant, shall specify the location of the retail outlet the licensee intends to operate, which must be within the state of Washington, and the holder thereof shall not allow any other person to use the license. The application fee for a cannabis retailer's license shall be ((~~two hundred fifty dollars~~)) $250. The annual fee for issuance and renewal of a cannabis retailer's license shall be ((~~one thousand three hundred eighty-one dollars~~)) $1,381. A separate license shall be required for each location at which a cannabis retailer intends to sell cannabis concentrates, useable cannabis, and cannabis-infused products.

(b) An individual retail licensee and all other persons or entities with a financial or other ownership interest in the business operating under the license are limited, in the aggregate, to holding a collective total of not more than five retail cannabis licenses.

(c)(i) A cannabis retailer's license is subject to forfeiture in accordance with rules adopted by the board pursuant to this section.

(ii) The board shall adopt rules to establish a license forfeiture process for a licensed cannabis retailer that is not fully operational and open to the public within a specified period from the date of license issuance, as established by the board, subject to the following restrictions:

(A) No cannabis retailer's license may be subject to forfeiture within the first nine months of license issuance; and

(B) The board must require license forfeiture on or before ((~~twenty-four~~)) 24 calendar months of license issuance if a cannabis retailer is not fully operational and open to the public, unless the board determines that circumstances out of the licensee's control are preventing the licensee from becoming fully operational and that, in the board's discretion, the circumstances warrant extending the forfeiture period beyond ((~~twenty-four~~)) 24 calendar months.

(iii) The board has discretion in adopting rules under this subsection (3)(c).

(iv) ((~~This subsection (3)(c) applies to cannabis retailer's licenses issued before and after July 23, 2017. However, no license of a cannabis retailer that otherwise meets the conditions for license forfeiture established pursuant to this subsection (3)(c) may be subject to forfeiture within the first nine calendar months of July 23, 2017.~~

~~(v)~~)) The board may not require license forfeiture if the licensee has been incapable of opening a fully operational retail cannabis business due to actions by the city, town, or county with jurisdiction over the licensee that include any of the following:

(A) The adoption of a ban or moratorium that prohibits the opening of a retail cannabis business; or

(B) The adoption of an ordinance or regulation related to zoning, business licensing, land use, or other regulatory measure that has the effect of preventing a licensee from receiving an occupancy permit from the jurisdiction or which otherwise prevents a licensed cannabis retailer from becoming operational.

(d) The board may issue cannabis retailer licenses pursuant to this chapter and RCW 69.50.335.

**Sec.**  RCW 69.50.326 and 2023 c 365 s 3 are each amended to read as follows:

(1) Licensed cannabis producers and licensed cannabis processors may use a CBD product as an additive for the purpose of enhancing the cannabidiol concentration of any product authorized for production, processing, and sale under this chapter. Except as otherwise provided in subsection (2) of this section, such CBD product additives must be lawfully produced by, or purchased from, a producer or processor licensed under this chapter.

(2) Subject to the requirements set forth in (a) through (c) of this subsection, and for the purpose of enhancing the cannabidiol concentration of any product authorized for production, processing, or sale under this chapter, licensed cannabis producers and licensed cannabis processors may use a CBD product obtained from a source not licensed under this chapter, provided the CBD product:

(a) Is not cannabis, or a cannabis product, as defined in this chapter;

(b) Is not a synthetic cannabinoid; and

(c) Has been tested for contaminants and toxins by a testing laboratory accredited under this chapter and in accordance with testing standards established under this chapter and the applicable administrative rules.

(3) Subject to the requirements of this subsection (3), the ((~~board~~)) director may enact rules necessary to implement the requirements of this section. Such rule making is limited to regulations pertaining to laboratory testing and product safety standards for those cannabidiol products used by licensed producers and processors in the manufacture of cannabis products marketed by licensed retailers under this chapter. The purpose of such rule making must be to ensure the safety and purity of cannabidiol products used by cannabis producers and processors licensed under this chapter and incorporated into products sold by licensed recreational cannabis retailers. This rule-making authority does not include the authority to enact rules regarding either the production or processing practices of the industrial hemp industry or any cannabidiol products that are sold or marketed outside of the regulatory framework established under this chapter.

**Sec.**  RCW 69.50.331 and 2023 c 220 s 2 are each amended to read as follows:

(1)(a) For the purpose of considering any application, or renewal, for a license, a comprehensive, fair, and impartial evaluation of the applications timely received must be conducted by:

(i) The director for any application for a license, or renewal of a license, to produce, process, research, transport, or deliver cannabis, useable cannabis, cannabis concentrates, or cannabis-infused products subject to the regulations established under RCW 69.50.385, or sell cannabis, or for the renewal of a license to produce, process, or research((~~, transport, or deliver cannabis,~~)) useable cannabis, cannabis concentrates, or cannabis-infused products ((~~subject to the regulations established under RCW 69.50.385, or sell cannabis, the board must conduct a comprehensive, fair, and impartial evaluation of the applications timely received~~)); and

(ii) The board for any application for a license, or renewal of a license, to transport, deliver, or sell cannabis subject to the rules adopted under RCW 69.50.385.

((~~(a)~~)) (b) The board and the director may cause an inspection of the premises to be made, and may inquire into all matters in connection with the construction and operation of the premises. For the purpose of reviewing any application for a license and for considering the denial, suspension, revocation, cancellation, or renewal or denial thereof, of any license, the board and the director may consider any prior criminal arrests or convictions of the applicant, any public safety administrative violation history record with the board or the department of agriculture, and a criminal history record information check. The board and the director may submit the criminal history record information check to the Washington state patrol and to the identification division of the federal bureau of investigation in order that these agencies may search their records for prior arrests and convictions of the individual or individuals who filled out the forms. The board and the director must require fingerprinting of any applicant whose criminal history record information check is submitted to the federal bureau of investigation. The provisions of RCW 9.95.240 and of chapter 9.96A RCW do not apply to these cases. Subject to the provisions of this section, the board and the director may, in ((~~its~~)) either's discretion, grant or deny the renewal or license applied for. Denial may be based on, without limitation, the existence of chronic illegal activity documented in objections submitted pursuant to subsections (7)(c) and (10) of this section. Authority to approve an uncontested or unopposed license may be granted by the board or the director to any staff member the board or the director designates in writing. Conditions for granting this authority must be adopted by rule.

((~~(b)~~)) (c) No license of any kind may be issued to:

(i) A person under the age of 21 years;

(ii) A person doing business as a sole proprietor who has not lawfully resided in the state for at least six months prior to applying to receive a license;

(iii) A partnership, employee cooperative, association, nonprofit corporation, or corporation unless formed under the laws of this state, and unless all of the members thereof are qualified to obtain a license as provided in this section; or

(iv) A person whose place of business is conducted by a manager or agent, unless the manager or agent possesses the same qualifications required of the licensee.

(2)(a) ((~~The board may, in its discretion, subject~~)) subject to RCW 43.05.160, 69.50.563, 69.50.562, 69.50.334, and 69.50.342((~~(3) suspend or cancel any license; and all protections of the licensee from criminal or civil sanctions under state law~~)) (4), any license and all protections of the licensee from criminal or civil sanctions under state law may be suspended or canceled by:

(i) The director for producing, processing, or researching((~~, or selling~~)) cannabis, cannabis concentrates, useable cannabis, or cannabis-infused products thereunder ((~~must be suspended or terminated, as the case may be~~)); and

(ii) The board for selling cannabis, cannabis concentrates, useable cannabis, or cannabis-infused products thereunder.

(b) The board and the director must immediately suspend the license of a person who has been certified pursuant to RCW 74.20A.320 by the department of social and health services as a person who is not in compliance with a support order. If the person has continued to meet all other requirements for reinstatement during the suspension, reissuance of the license is automatic upon the board's or the director's receipt of a release issued by the department of social and health services stating that the licensee is in compliance with the order.

(c) The board or the director may request the appointment of administrative law judges under chapter 34.12 RCW who shall have power to administer oaths, issue subpoenas for the attendance of witnesses and the production of papers, books, accounts, documents, and testimony, examine witnesses, receive testimony in any inquiry, investigation, hearing, or proceeding in any part of the state, and consider mitigating and aggravating circumstances in any case and deviate from any prescribed penalty, under rules the board or the director may adopt.

(d) Witnesses must be allowed fees and mileage each way to and from any inquiry, investigation, hearing, or proceeding at the rate authorized by RCW 34.05.446. Fees need not be paid in advance of appearance of witnesses to testify or to produce books, records, or other legal evidence.

(e) In case of disobedience of any person to comply with the order of the board or the director or a subpoena issued by the board, or any of its members, the director, or administrative law judges, or on the refusal of a witness to testify to any matter regarding which he or she may be lawfully interrogated, the judge of the superior court of the county in which the person resides, on application of any member of the board, the director, or administrative law judge, compels obedience by contempt proceedings, as in the case of disobedience of the requirements of a subpoena issued from said court or a refusal to testify therein.

(3) Upon receipt of notice of the suspension or cancellation of a license, the licensee must forthwith deliver up the license to the board or the director. Where the license has been suspended only, the board or the director must return the license to the licensee at the expiration or termination of the period of suspension. The board or the director must notify all other licensees in the county where the subject licensee has its premises of the suspension or cancellation of the license; and no other licensee or employee of another licensee may allow or cause any cannabis, cannabis concentrates, useable cannabis, or cannabis-infused products to be delivered to or for any person at the premises of the subject licensee.

(4) Every license issued under this chapter is subject to all conditions and restrictions imposed by this chapter or by rules adopted by the board or the director to implement and enforce this chapter. All conditions and restrictions imposed by the board or the director in the issuance of an individual license must be listed on the face of the individual license along with the trade name, address, and expiration date.

(5) Every licensee must post and keep posted its license, or licenses, in a conspicuous place on the premises.

(6) No licensee may employ any person under the age of 21 years.

(7)(a) Before the board or the director issues a new or renewed license to an applicant it must give notice of the application to the chief executive officer of the incorporated city or town, if the application is for a license within an incorporated city or town, or to the county legislative authority, if the application is for a license outside the boundaries of incorporated cities or towns, or to the tribal government if the application is for a license within Indian country, or to the port authority if the application for a license is located on property owned by a port authority.

(b) The incorporated city or town through the official or employee selected by it, the county legislative authority or the official or employee selected by it, the tribal government, or port authority has the right to file with the board or the director, as applicable, within ((~~twenty~~)) 20 days after the date of transmittal of the notice for applications, or at least ((~~thirty~~)) 30 days prior to the expiration date for renewals, written objections against the applicant or against the premises for which the new or renewed license is asked. The board, or the director, as applicable, may extend the time period for submitting written objections upon request from the authority notified by the board or the director.

(c) The written objections must include a statement of all facts upon which the objections are based, and in case written objections are filed, the city or town or county legislative authority may request, and the board or the director may in ((~~its~~)) their respective discretion hold, a hearing subject to the applicable provisions of Title 34 RCW. If the board or the director makes an initial decision to deny a license or renewal based on the written objections of an incorporated city or town or county legislative authority, the applicant may request a hearing subject to the applicable provisions of Title 34 RCW. If a hearing is held at the request of the applicant, ((~~board~~)) representatives for the board or the director, as applicable, must present and defend the ((~~board's~~)) initial decision by the board or the director to deny a license or renewal.

(d) Upon the granting of a license under this title the board or the director must send written notification to the chief executive officer of the incorporated city or town in which the license is granted, or to the county legislative authority if the license is granted outside the boundaries of incorporated cities or towns.

(8)(a) Except as provided in (b) through (e) of this subsection, the board or the director may not issue a license for any premises within 1,000 feet of the perimeter of the grounds of any elementary or secondary school, playground, recreation center or facility, child care center, public park, public transit center, or library, or any game arcade admission to which is not restricted to persons aged 21 years or older.

(b) A city, county, or town may permit the licensing of premises within 1,000 feet but not less than 100 feet of the facilities described in (a) of this subsection, except elementary schools, secondary schools, and playgrounds, by enacting an ordinance authorizing such distance reduction, provided that such distance reduction will not negatively impact the jurisdiction's civil regulatory enforcement, criminal law enforcement interests, public safety, or public health.

(c) A city, county, or town may permit the licensing of research premises allowed under RCW 69.50.372 within 1,000 feet but not less than 100 feet of the facilities described in (a) of this subsection by enacting an ordinance authorizing such distance reduction, provided that the ordinance will not negatively impact the jurisdiction's civil regulatory enforcement, criminal law enforcement, public safety, or public health.

(d) The board or the director may license premises located in compliance with the distance requirements set in an ordinance adopted under (b) or (c) of this subsection. Before issuing or renewing a research license for premises within 1,000 feet but not less than 100 feet of an elementary school, secondary school, or playground in compliance with an ordinance passed pursuant to (c) of this subsection, the board or the director, as applicable, must ensure that the facility:

(i) Meets a security standard exceeding that which applies to cannabis producer, processor, or retailer licensees;

(ii) Is inaccessible to the public and no part of the operation of the facility is in view of the general public; and

(iii) Bears no advertising or signage indicating that it is a cannabis research facility.

(e) The board or the director, as applicable, must issue a certificate of compliance if the premises met the requirements under (a), (b), (c), or (d) of this subsection on the date of the application. The certificate allows the licensee to operate the business at the proposed location notwithstanding a later occurring, otherwise disqualifying factor.

(f) The board and the director may not issue a license for any premises within Indian country, as defined in 18 U.S.C. Sec. 1151, including any fee patent lands within the exterior boundaries of a reservation, without the consent of the federally recognized tribe associated with the reservation or Indian country.

(9) A city, town, or county may adopt an ordinance prohibiting a cannabis producer or cannabis processor from operating or locating a business within areas zoned primarily for residential use or rural use with a minimum lot size of five acres or smaller.

(10) In determining whether to grant or deny a license or renewal of any license, the board or the director, as applicable, must give substantial weight to objections from an incorporated city or town or county legislative authority based upon chronic illegal activity associated with the applicant's operations of the premises proposed to be licensed or the applicant's operation of any other licensed premises, or the conduct of the applicant's patrons inside or outside the licensed premises. "Chronic illegal activity" means (a) a pervasive pattern of activity that threatens the public health, safety, and welfare of the city, town, or county including, but not limited to, open container violations, assaults, disturbances, disorderly conduct, or other criminal law violations, or as documented in crime statistics, police reports, emergency medical response data, calls for service, field data, or similar records of a law enforcement agency for the city, town, county, or any other municipal corporation or any state agency; or (b) an unreasonably high number of citations for violations of RCW 46.61.502 associated with the applicant's or licensee's operation of any licensed premises as indicated by the reported statements given to law enforcement upon arrest.

(11) The board may not issue a cannabis retail license for any premises not currently licensed if:

(a) The board receives a written objection from the legislative authority of an incorporated city or town, or county legislative authority, relating to the physical location of the proposed premises;

(b) The objection to the location from the incorporated city or town, or county legislative authority, is received by the board within 20 days of the board notifying the incorporated city or town, or county legislative authority, of the proposed cannabis retail location; and

(c) The objection to the issuance of a cannabis retail license at the specified location is based on a preexisting local ordinance limiting outlet density in a specific geographic area. For purposes of this subsection (11), a preexisting local ordinance is an ordinance enacted and in effect before the date the applicant submits an application for a cannabis retail license to the board identifying the premises proposed to be licensed. No objection related to the physical location of a proposed premises may be made by a local government under this subsection (11) based on a local ordinance enacted after the date the applicant submits an application for a cannabis retail license to the board identifying the premises proposed to be licensed.

(12) ((~~After January 1, 2024, all~~)) All cannabis licensees are encouraged but are not required to submit a social equity plan to the board or the director, as applicable. Upon confirmation by the board or director that a cannabis licensee who is not a social equity applicant, and who does not hold a social equity license issued under RCW 69.50.335, has submitted a social equity plan, the board or director must within 30 days reimburse such a licensee an amount equal to the cost of the licensee's annual cannabis license renewal fee. The license renewal fee reimbursement authorized under this subsection is subject to the following limitations:

(a) The board or the director may provide reimbursement one time only to any licensed entity; and

(b) Any licensed entity holding more than one cannabis license is eligible for reimbursement of the license renewal fee on only one license.

**Sec.**  RCW 69.50.334 and 2022 c 16 s 59 are each amended to read as follows:

(1) The following must be an adjudicative proceeding and subject to the applicable provisions of chapter 34.05 RCW:

(a) Any action, order, or decision of the ((~~board~~)) director as to any denial of an application for the reissuance of a license to produce((~~,~~)) or process((~~, or sell~~)) cannabis, or as to any revocation, suspension, or modification of any license to produce((~~,~~)) or process((~~, or sell~~)) cannabis((~~, or~~));

(b) Any action, order, or decision of the board as to any denial of an application for the reissuance of a license to transport, deliver, or sell cannabis, or as to any revocation, suspension, or modification of any license to sell cannabis; and

(c) Any action, order, or decision of the board or the director, as applicable, as to the administrative review of a notice of unpaid trust fund taxes under RCW 69.50.565((~~, must be an adjudicative proceeding and subject to the applicable provisions of chapter 34.05 RCW~~)).

(2) An opportunity for a hearing may be provided to an applicant for the reissuance of a license prior to the disposition of the application, and if no opportunity for a prior hearing is provided then an opportunity for a hearing to reconsider the application must be provided the applicant.

(3) An opportunity for a hearing must be provided to a licensee prior to a revocation or modification of any license and, except as provided in subsection (6) of this section, prior to the suspension of any license.

(4) An opportunity for a hearing must be provided to any person issued a notice of unpaid trust fund taxes under RCW 69.50.565.

(5) No hearing may be required under this section until demanded by the applicant, licensee, or person issued a notice of unpaid trust fund taxes under RCW 69.50.565.

(6) The board or the director, as applicable, may summarily suspend a license for a period of up to ((~~one hundred eighty~~)) 180 days without a prior hearing if it finds that public health, safety, or welfare imperatively require emergency action, and it incorporates a finding to that effect in ((~~its~~)) the order. Proceedings for revocation or other action must be promptly instituted and determined. An administrative law judge may extend the summary suspension period for up to one calendar year from the first day of the initial summary suspension in the event the proceedings for revocation or other action cannot be completed during the initial ((~~one hundred eighty-day~~)) 180-day period due to actions by the licensee. The board's enforcement division shall complete a preliminary staff investigation of the violation before requesting an emergency suspension by the board.

**Sec.**  RCW 69.50.335 and 2023 c 220 s 3 are each amended to read as follows:

(1)(a) Beginning December 1, 2020, and until July 1, 2032, cannabis retailer licenses, cannabis processor licenses, and cannabis producer licenses that have been subject to forfeiture, revocation, or cancellation by the board or the director, as applicable, or cannabis retailer licenses that were not previously issued by the board but could have been issued without exceeding the limit on the statewide number of cannabis retailer licenses established before January 1, 2020, by the board, may be issued or reissued to an applicant who meets the cannabis retailer license, cannabis processor license, or cannabis producer license requirements of this chapter.

(b) In accordance with (a) of this subsection, the board or the director, as applicable, may issue or reissue:

(i) Up to 100 cannabis processor licenses immediately; and

(ii) Beginning January 1, 2025, up to 10 cannabis producer licenses, which must be issued in conjunction with a cannabis processor license.

(c) In addition to the cannabis retailer licenses and cannabis producer licenses that may be issued under (a) and (b) of this subsection, beginning January 1, 2023, and continuing every three years until July 1, 2032, the board or the director, as applicable, may, with the approval of the legislature through the passage of a bill, increase the number of cannabis retailer licenses and cannabis producer licenses for the social equity program based on:

(i) The most recent census data available as of January 1, 2023; and

(ii) The annual population estimates published by the office of financial management.

(d) In addition to the cannabis retailer licenses that may be issued under (a) of this subsection, beginning January 1, 2024, and until July 1, 2032, the board may issue up to 52 cannabis retailer licenses for the social equity program.

(e)(i) At the time of licensure, all licenses issued under the social equity program under this section may be located in any city, town, or county in the state that allows cannabis retail, cannabis production, or cannabis processing business activities, as applicable, at the proposed location, regardless of:

(A) Whether a cannabis retailer license, cannabis producer license, or cannabis processor license was originally allocated to or issued in another city, town, or county; and

(B) The maximum number of retail cannabis licenses established by the board for each county under RCW 69.50.345.

(ii) The board or the director, as applicable, must adopt rules establishing a threshold of the number of licenses created by this section that can be located in each county.

(f) After a social equity license has been issued under this section for a specific location, the location of the licensed business may not be moved to a city, town, or county different from the city, town, or county for which it was initially licensed.

(2)(a) In order to be considered for a cannabis retailer license, cannabis processor license, or cannabis producer license under subsection (1) of this section, an applicant must be a social equity applicant and submit required cannabis license materials to the board or the director, as applicable. If the application proposes ownership by more than one person, then at least 51 percent of the proposed ownership structure must reflect the qualifications of a social equity applicant.

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

(3)(a) In determining the priority for issuance of a license among applicants, the board or the director, as applicable, must select a third-party contractor to identify and score social equity applicants, using a scoring rubric developed by the board or the director, as applicable. The board or the director, as applicable, must rely on the score provided by the third-party contractor in issuing licenses.

(b) The board or the director, as applicable, may deny any application submitted under this subsection if:

(i) The board or the director, as applicable, determines that, upon the advice of the third-party contractor, the application does not meet the social equity licensing requirements of this chapter; or

(ii) The board or the director, as applicable, determines the application does not otherwise meet licensing requirements.

(4) The board and the director must adopt rules to implement this section. Prior to adopting any rule implementing this section, the board and the director must consider advice on the social equity program from individuals the program is intended to benefit. Rules may also require that licenses awarded under this section only be transferred to or assumed by individuals or groups of individuals who comply with the requirements for initial licensure as a social equity applicant for a period of at least five years from the date of initial licensure.

(5) The annual fee for issuance, reissuance, or renewal for any license under this section must be waived through July 1, 2032.

(6) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Disproportionately impacted area" means a census tract or comparable geographic area within Washington state where community members were more likely to be impacted by the war on drugs. These areas must be determined in rule by the board or the director, as applicable, in consultation with the office of equity, using a standardized statistical equation to identify areas with demographic indicators consistent with populations most impacted by the war on drugs. These areas must be assessed to account for demographic changes in the composition of the population over time. Disproportionately impacted areas must include census tracts or comparable geographic areas in the top 15th percentile in at least two of the following demographic indicators of populations most impacted by the war on drugs:

(i) The area has a high rate of people living under the federal poverty level;

(ii) The area has a high rate of people who did not graduate from high school;

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

(iv) The area has a high rate of people receiving public assistance.

(b) "Social equity applicant" means an applicant who has at least 51 percent ownership and control by one or more individuals who meet at least two of the following qualifications:

(i) Lived in a disproportionately impacted area in Washington state for a minimum of five years between 1980 and 2010;

(ii) Has been arrested or convicted of a cannabis offense or has a family member who has been arrested or convicted of a cannabis offense;

(iii) Had a household income in the year prior to submitting an application under this section that was less than the median household income within the state of Washington as calculated by the United States census bureau; or

(iv) Is both a socially and economically disadvantaged individual as defined by the office of minority and women's business enterprises under chapter 39.19 RCW.

(c) "Social equity goals" means:

(i) Increasing the number of cannabis retailer, producer, and 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 cannabis prohibition laws.

(7) Except for the process detailed in subsection (1) of this section, the process for creating new cannabis retail licenses under this chapter remains unaltered.

**Sec.**  RCW 69.50.339 and 2022 c 16 s 62 are each amended to read as follows:

(1) If the board or the director, as applicable, approves, a license to produce, process, or sell cannabis may be transferred, without charge, to the surviving spouse or domestic partner of a deceased licensee if the license was issued in the names of one or both of the parties. For the purpose of considering the qualifications of the surviving party to receive a cannabis producer's, cannabis processor's, or cannabis retailer's license, the board or the director, as applicable, may require a criminal history record information check. The board or the director, as applicable, may submit the criminal history record information check to the Washington state patrol and to the identification division of the federal bureau of investigation in order that these agencies may search their records for prior arrests and convictions of the individual or individuals who filled out the forms. The board or the director, as applicable, shall require fingerprinting of any applicant whose criminal history record information check is submitted to the federal bureau of investigation.

(2) The proposed sale of more than ((~~ten~~)) 10 percent of the outstanding or issued stock of a corporation licensed under chapter 3, Laws of 2013, or any proposed change in the officers of such a corporation, must be reported to the board or the director, as applicable, and ((~~board~~)) approval must be obtained before the changes are made. A fee of ((~~seventy-five dollars~~)) $75 will be charged for the processing of the change of stock ownership or corporate officers.

**Sec.**  RCW 69.50.342 and 2022 c 16 s 63 are each amended to read as follows:

(1) For the purpose of carrying into effect the provisions of chapter 3, Laws of 2013 according to their true intent or of supplying any deficiency therein, the board may adopt rules not inconsistent with the spirit of chapter 3, Laws of 2013 as are deemed necessary or advisable. Without limiting the generality of the preceding sentence, the board is empowered to adopt rules regarding the following:

(a) The equipment and management of retail outlets ((~~and premises where cannabis is produced or processed,~~)) and inspection of the retail outlets ((~~and premises where cannabis is produced or processed~~));

(b) The books and records to be created and maintained by retail licensees, the reports to be made thereon to the board, and inspection of the books and records;

(c) ((~~Methods of producing, processing, and~~)) In coordination with the director, methods of packaging cannabis, useable cannabis, cannabis concentrates, and cannabis-infused products; conditions of sanitation; safe handling requirements; ((~~approved pesticides and pesticide testing requirements;~~)) and standards of ingredients, quality, and identity of cannabis, useable cannabis, cannabis concentrates, and cannabis-infused products ((~~produced, processed, packaged, or~~)) sold by licensees;

(d) Security requirements for retail outlets ((~~and premises where cannabis is produced or processed,~~)) and safety protocols for such licensees and their employees;

(e) Screening, hiring, training, and supervising employees of retail licensees;

(f) Retail outlet locations and hours of operation;

(g) Labeling requirements and restrictions on advertisement of cannabis, useable cannabis, cannabis concentrates, cannabis health and beauty aids, and cannabis-infused products for sale in retail outlets;

(h) Forms to be used for purposes of this chapter and chapter 69.51A RCW or the rules adopted to implement and enforce these chapters, the terms and conditions to be contained in licenses issued under this chapter and chapter 69.51A RCW, and the qualifications for receiving a license issued under this chapter and chapter 69.51A RCW, including a criminal history record information check. The board may submit any criminal history record information check to the Washington state patrol and to the identification division of the federal bureau of investigation in order that these agencies may search their records for prior arrests and convictions of the individual or individuals who filled out the forms. The board must require fingerprinting of any applicant whose criminal history record information check is submitted to the federal bureau of investigation;

(i) Application, reinstatement, and renewal fees for licenses issued under this chapter and chapter 69.51A RCW, and fees for anything done or permitted to be done under the rules adopted to implement and enforce this chapter and chapter 69.51A RCW;

(j) The manner of giving and serving notices required by this chapter and chapter 69.51A RCW or rules adopted to implement or enforce these chapters;

(k) Times and periods when, and the manner, methods, and means by which, licensees transport and deliver cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products within the state;

(l) Identification, seizure, confiscation, destruction, or donation to law enforcement for training purposes of all cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products ((~~produced, processed,~~)) sold((~~,~~)) or offered for sale within this state which do not conform in all respects to the standards prescribed by this chapter or chapter 69.51A RCW or the rules adopted to implement and enforce these chapters; and

(m) The prohibition of any type of device used in conjunction with a cannabis vapor product and the prohibition of the use of any type of additive, solvent, ingredient, or compound in the production and processing of cannabis products, including cannabis vapor products, when the board determines, following consultation with the department of health or any other authority the board deems appropriate, that the device, additive, solvent, ingredient, or compound may pose a risk to public health or youth access((~~; and~~

~~(n) Requirements for processors to submit under oath to the department of health a complete list of all constituent substances and the amount and sources thereof in each cannabis vapor product, including all additives, thickening agents, preservatives, compounds, and any other substance used in the production and processing of each cannabis vapor product~~)).

(2) For the purpose of carrying into effect the provisions of chapter 3, Laws of 2013 according to their true intent or of supplying any deficiency therein, the director may adopt rules not inconsistent with the spirit of chapter 3, Laws of 2013 as are deemed necessary or advisable. The director may adopt rules regarding the following:

(a) The equipment and management of the premises where cannabis is produced or processed and inspection of the premises where cannabis is produced or processed;

(b) The books and records to be created and maintained by producer licensees and processor licensees, the reports to be made thereon to the director, and inspection of the books and records;

(c) Methods of producing, processing, and packaging cannabis, useable cannabis, cannabis concentrates, and cannabis-infused products; conditions of sanitation; safe handling requirements; approved pesticides and pesticide testing requirements; and standards of ingredients, quality, and identity of cannabis, useable cannabis, cannabis concentrates, and cannabis-infused products produced, processed, or packaged by licensees;

(d) Screening, hiring, training, and supervising employees of producer licensees and processor licensees;

(e) Forms to be used for purposes of this chapter and chapter 69.51A RCW or the rules adopted to implement and enforce these chapters, the terms and conditions to be contained in producer licenses and processor licenses issued under this chapter, including a criminal history record information check. The director may submit any criminal history record information check to the Washington state patrol and to the identification division of the federal bureau of investigation in order that these agencies may search their records for prior arrests and convictions of the individual or individuals who filled out the forms. The director must require fingerprinting of any applicant whose criminal history record information check is submitted to the federal bureau of investigation;

(f) Application, reinstatement, and renewal fees for producer licenses and processor licenses issued under this chapter and fees for anything done or permitted to be done under the rules adopted to implement and enforce this chapter;

(g) The manner of giving and serving notices required by this chapter or rules adopted to implement or enforce this chapter;

(h) Identification, seizure, confiscation, destruction, or donation to law enforcement for training purposes of all cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products produced or processed within this state which do not conform in all respects to the standards prescribed by this chapter or the rules adopted to implement and enforce this chapter; and

(i) Requirements for processors to submit under oath to the department a complete list of all constituent substances and the amount and sources thereof in each cannabis vapor product, including all additives, thickening agents, preservatives, compounds, and any other substance used in the production and processing of each cannabis vapor product.

(3) Rules adopted on retail outlets holding medical cannabis endorsements must be adopted in coordination and consultation with the department.

((~~(3)~~)) (4) The board and the director, as applicable, must adopt rules to perfect and expand existing programs for compliance education for licensed cannabis businesses and their employees. The rules must include a voluntary compliance program created in consultation with licensed cannabis businesses and their employees. The voluntary compliance program must include recommendations on abating violations of this chapter and rules adopted under this chapter.

**Sec.**  RCW 69.50.345 and 2023 c 220 s 5 are each amended to read as follows:

The board and the director, subject to the provisions of this chapter, must adopt rules that establish the procedures and criteria necessary to implement the following:

(1) Licensing of cannabis producers((~~,~~)) and cannabis processors by the director, and cannabis retailers by the board, including prescribing forms and establishing application, reinstatement, and renewal fees.

(a) Application forms for cannabis producers must request the applicant to state whether the applicant intends to produce cannabis for sale by cannabis retailers holding medical cannabis endorsements and the amount of or percentage of canopy the applicant intends to commit to growing plants determined by the department under RCW 69.50.375 to be of a THC concentration, CBD concentration, or THC to CBD ratio appropriate for cannabis concentrates, useable cannabis, or cannabis-infused products sold to qualifying patients.

(b) The ((~~board~~)) director must reconsider and increase limits on the amount of square feet permitted to be in production on July 24, 2015, and increase the percentage of production space for those cannabis producers who intend to grow plants for cannabis retailers holding medical cannabis endorsements if the cannabis producer designates the increased production space to plants determined by the department under RCW 69.50.375 to be of a THC concentration, CBD concentration, or THC to CBD ratio appropriate for cannabis concentrates, useable cannabis, or cannabis-infused products to be sold to qualifying patients. If current cannabis producers do not use all the increased production space, the ((~~board~~)) director may reopen the license period for new cannabis producer license applicants but only to those cannabis producers who agree to grow plants for cannabis retailers holding medical cannabis endorsements. Priority in licensing must be given to cannabis producer license applicants who have an application pending on July 24, 2015, but who are not yet licensed and then to new cannabis producer license applicants. After January 1, 2017, any reconsideration of the limits on the amount of square feet permitted to be in production to meet the medical needs of qualifying patients must consider information contained in the medical cannabis authorization database established in RCW 69.51A.230;

(2)(a) Except as provided in RCW 69.50.335, ((~~determining~~)) the board, in consultation with the office of financial management, determining the maximum number of retail outlets that may be licensed in each county, taking into consideration:

(i) Population distribution;

(ii) Security and safety issues;

(iii) The provision of adequate access to licensed sources of cannabis concentrates, useable cannabis, and cannabis-infused products to discourage purchases from the illegal market; and

(iv) The number of retail outlets holding medical cannabis endorsements necessary to meet the medical needs of qualifying patients. The board must reconsider and increase the maximum number of retail outlets it established before July 24, 2015, and allow for a new license application period and a greater number of retail outlets to be permitted in order to accommodate the medical needs of qualifying patients and designated providers. After January 1, 2017, any reconsideration of the maximum number of retail outlets needed to meet the medical needs of qualifying patients must consider information contained in the medical cannabis authorization database established in RCW 69.51A.230.

(b)(i) In making the determination under (a) of this subsection, the board must consider written input from an incorporated city or town, or county legislative authority when evaluating concerns related to outlet density.

(ii) An incorporated city or town, or county legislative authority, may enact an ordinance prescribing outlet density limitations. An ordinance may not affect licenses issued before the effective date of the ordinance prescribing outlet density limitations.

(iii) The board may adopt rules to identify how local jurisdiction input will be evaluated;

(3) ((~~Determining~~)) The director determining the maximum quantity of cannabis a cannabis producer may have on the premises of a licensed location at any time without violating Washington state law;

(4) ((~~Determining~~)) The director determining the maximum quantities of cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products a cannabis processor may have on the premises of a licensed location at any time without violating Washington state law;

(5) ((~~Determining~~)) The board determining the maximum quantities of cannabis concentrates, useable cannabis, and cannabis-infused products a cannabis retailer may have on the premises of a retail outlet at any time without violating Washington state law;

(6) In making the determinations required by this section, the board or the director, as applicable, shall take into consideration:

(a) Security and safety issues;

(b) The provision of adequate access to licensed sources of cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products to discourage purchases from the illegal market; and

(c) Economies of scale, and their impact on licensees' ability to both comply with regulatory requirements and undercut illegal market prices;

(7) Determining the nature, form, and capacity of all containers to be used by licensees to contain cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products, and their labeling requirements;

(8) In consultation with the department of agriculture and the department, establishing classes of cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products according to grade, condition, cannabinoid profile, THC concentration, CBD concentration, or other qualitative measurements deemed appropriate by the board;

(9) ((~~Establishing~~)) The board establishing reasonable time, place, and manner restrictions and requirements regarding advertising of cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products that are not inconsistent with the provisions of this chapter, taking into consideration:

(a) Federal laws relating to cannabis that are applicable within Washington state;

(b) Minimizing exposure of people under 21 years of age to the advertising;

(c) The inclusion of medically and scientifically accurate information about the health and safety risks posed by cannabis use in the advertising; and

(d) Ensuring that retail outlets with medical cannabis endorsements may advertise themselves as medical retail outlets;

(10) ((~~Specifying~~)) The board specifying and regulating the time and periods when, and the manner, methods, and means by which, licensees shall transport and deliver cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products within the state;

(11) In consultation with the department ((~~and the department of agriculture~~)), the board and the director, as applicable, prescribing methods of producing, processing, and packaging cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products; conditions of sanitation; and standards of ingredients, quality, and identity of cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products produced, processed, packaged, or sold by licensees;

(12) Specifying procedures for identifying, seizing, confiscating, destroying, and donating to law enforcement for training purposes all cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products produced, processed, packaged, labeled, or offered for sale in this state that do not conform in all respects to the standards prescribed by this chapter or the rules of the board or the director.

**Sec.**  RCW 69.50.348 and 2022 c 135 s 6 and 2022 c 16 s 68 are each reenacted and amended to read as follows:

(1) On a schedule determined by the ((~~board~~)) director, every licensed cannabis producer and processor must submit representative samples of cannabis, useable cannabis, or cannabis-infused products produced or processed by the licensee to an independent, third-party testing laboratory meeting the accreditation requirements established by the state department of ecology. The purpose of testing representative samples is to certify compliance with quality assurance and product standards adopted by the board under RCW 69.50.342 or the department of health under RCW 69.50.375. In conducting tests of cannabis product samples, testing laboratories must adhere to laboratory quality standards adopted by the state department of agriculture under chapter 15.150 RCW. Any sample remaining after testing shall be destroyed by the laboratory or returned to the licensee submitting the sample.

(2) Independent, third-party testing laboratories performing cannabis product testing under subsection (1) of this section must obtain and maintain accreditation.

(3) Licensees must submit the results of inspection and testing for quality assurance and product standards required under RCW 69.50.342 to the ((~~board~~)) director on a form developed by the ((~~board~~)) director.

(4) If a representative sample inspected and tested under this section does not meet the applicable quality assurance and product standards established by the ((~~board~~)) director, the entire lot from which the sample was taken must be destroyed.

(5)(a) The department of ecology may determine, assess, and collect annual fees sufficient to cover the direct and indirect costs of implementing a state cannabis product testing laboratory accreditation program, except for the initial program development costs. The department of ecology must develop a fee schedule allocating the costs of the accreditation program among its accredited cannabis product testing laboratories. The department of ecology may establish a payment schedule requiring periodic installments of the annual fee. The fee schedule must be established in amounts to fully cover, but not exceed, the administrative and oversight costs. The department of ecology must review and update its fee schedule biennially. The costs of cannabis product testing laboratory accreditation are those incurred by the department of ecology in administering and enforcing the accreditation program. The costs may include, but are not limited to, the costs incurred in undertaking the following accreditation functions:

(i) Evaluating the protocols and procedures used by a laboratory;

(ii) Performing on-site audits;

(iii) Evaluating participation and successful completion of proficiency testing;

(iv) Determining the capability of a laboratory to produce accurate and reliable test results; and

(v) Such other accreditation activities as the department of ecology deems appropriate.

(b) The state cannabis product testing laboratory accreditation program initial development costs must be fully paid from the dedicated cannabis account created in RCW 69.50.530.

(6) The department of ecology and the interagency coordination team created in RCW 15.150.020 must act cooperatively to ensure effective implementation and administration of this section.

(7) All fees collected under this section must be deposited in the dedicated cannabis account created in RCW 69.50.530.

**Sec.**  RCW 69.50.351 and 2022 c 16 s 69 are each amended to read as follows:

Except as provided by chapter 42.52 RCW, the director and no member of the board, and no employee of the board or the director, shall have any interest, directly or indirectly, in the producing, processing, or sale of cannabis, useable cannabis, or cannabis-infused products, or derive any profit or remuneration from the sale of cannabis, useable cannabis, or cannabis-infused products other than the salary or wages payable to him or her in respect of his or her office or position, and shall receive no gratuity from any person in connection with the business.

**Sec.**  RCW 69.50.363 and 2022 c 16 s 73 are each amended to read as follows:

The following acts, when performed by a validly licensed cannabis processor or employee of a validly licensed cannabis processor in compliance with rules adopted by the board or the director, as applicable, to implement and enforce chapter 3, Laws of 2013, do not constitute criminal or civil offenses under Washington state law:

(1) Purchase and receipt of cannabis that has been properly packaged and labeled from a cannabis producer validly licensed under chapter 3, Laws of 2013;

(2) Possession, processing, packaging, and labeling of quantities of cannabis, useable cannabis, and cannabis-infused products that do not exceed the maximum amounts established by the board under RCW 69.50.345(4);

(3) Delivery, distribution, and sale of useable cannabis or cannabis-infused products to a cannabis retailer validly licensed under chapter 3, Laws of 2013; and

(4) Delivery, distribution, and sale of useable cannabis, cannabis concentrates, or cannabis-infused products to a federally recognized Indian tribe as permitted under an agreement between the state and the tribe entered into under RCW 43.06.490.

**Sec.**  RCW 69.50.366 and 2022 c 16 s 74 are each amended to read as follows:

The following acts, when performed by a validly licensed cannabis producer or employee of a validly licensed cannabis producer in compliance with rules adopted by the board or the director, as applicable, to implement and enforce this chapter, do not constitute criminal or civil offenses under Washington state law:

(1) Production or possession of quantities of cannabis that do not exceed the maximum amounts established by the board under RCW 69.50.345(3);

(2) Delivery, distribution, and sale of cannabis to a cannabis processor or another cannabis producer validly licensed under this chapter;

(3) Delivery, distribution, and sale of immature plants or clones and cannabis seeds to a licensed cannabis researcher, and to receive or purchase immature plants or clones and seeds from a licensed cannabis researcher; and

(4) Delivery, distribution, and sale of cannabis or useable cannabis to a federally recognized Indian tribe as permitted under an agreement between the state and the tribe entered into under RCW 43.06.490.

**Sec.**  RCW 69.50.372 and 2022 c 16 s 76 are each amended to read as follows:

(1) A cannabis research license is established that permits a licensee to produce, process, and possess cannabis for the following limited research purposes:

(a) To test chemical potency and composition levels;

(b) To conduct clinical investigations of cannabis-derived drug products;

(c) To conduct research on the efficacy and safety of administering cannabis as part of medical treatment; and

(d) To conduct genomic or agricultural research.

(2) As part of the application process for a cannabis research license, an applicant must submit to the ((~~board's~~)) director's designated scientific reviewer a description of the research that is intended to be conducted. The ((~~board~~)) director must select a scientific reviewer to review an applicant's research project and determine that it meets the requirements of subsection (1) of this section, as well as assess the following:

(a) Project quality, study design, value, or impact;

(b) Whether applicants have the appropriate personnel, expertise, facilities/infrastructure, funding, and human/animal/other federal approvals in place to successfully conduct the project; and

(c) Whether the amount of cannabis to be grown by the applicant is consistent with the project's scope and goals.

If the scientific reviewer determines that the research project does not meet the requirements of subsection (1) of this section, the application must be denied.

(3) A cannabis research licensee may only sell cannabis grown or within its operation to other cannabis research licensees. The ((~~board~~)) director may revoke a cannabis research license for violations of this subsection.

(4) A cannabis research licensee may contract with the University of Washington or Washington State University to perform research in conjunction with the university. All research projects, not including those projects conducted pursuant to a contract entered into under RCW 28B.20.502(3), must be approved by the scientific reviewer and meet the requirements of subsection (1) of this section.

(5) In establishing a cannabis research license, the ((~~board~~)) director may adopt rules on the following:

(a) Application requirements;

(b) Cannabis research license renewal requirements, including whether additional research projects may be added or considered;

(c) Conditions for license revocation;

(d) Security measures to ensure cannabis is not diverted to purposes other than research;

(e) Amount of plants, useable cannabis, cannabis concentrates, or cannabis-infused products a licensee may have on its premises;

(f) Licensee reporting requirements;

(g) Conditions under which cannabis grown by licensed cannabis producers and other product types from licensed cannabis processors may be donated to cannabis research licensees; and

(h) Additional requirements deemed necessary by the ((~~board~~)) director.

(6) The production, processing, possession, delivery, donation, and sale of cannabis, including immature plants or clones and seeds, in accordance with this section, RCW 69.50.366(3), and the rules adopted to implement and enforce this section and RCW 69.50.366(3), by a validly licensed cannabis researcher, shall not be a criminal or civil offense under Washington state law. Every cannabis research license must be issued in the name of the applicant, must specify the location at which the cannabis researcher intends to operate, which must be within the state of Washington, and the holder thereof may not allow any other person to use the license.

(7) The application fee for a cannabis research license is ((~~two hundred fifty dollars~~)) $250. The annual fee for issuance and renewal of a cannabis research license is ((~~one thousand three hundred dollars~~)) $1,300. The applicant must pay the cost of the review process directly to the scientific reviewer as designated by the ((~~board~~)) director.

(8) The scientific reviewer shall review any reports made by cannabis research licensees under ((~~board~~)) director rule and provide the ((~~board~~)) director with its determination on whether the research project continues to meet research qualifications under this section.

(9) For the purposes of this section, "scientific reviewer" means an organization that convenes or contracts with persons who have the training and experience in research practice and research methodology to determine whether a project meets the criteria for a cannabis research license under this section and to review any reports submitted by cannabis research licensees under ((~~board~~)) director rule. "Scientific reviewers" include, but are not limited to, educational institutions, research institutions, peer review bodies, or such other organizations that are focused on science or research in its day-to-day activities.

**Sec.**  RCW 69.50.395 and 2022 c 16 s 83 are each amended to read as follows:

(1) A licensed cannabis business may enter into an agreement with any person, business, or other entity for:

(a) Any goods or services that are registered as a trademark under federal law, under chapter 19.77 RCW, or under any other state or international trademark law;

(b) Any unregistered trademark, trade name, or trade dress; or

(c) Any trade secret, technology, or proprietary information used to manufacture a cannabis product or used to provide a service related to any cannabis business.

(2) Any agreements entered into by a licensed cannabis business, as authorized under this section, must be disclosed to the board or the director, as applicable, and may include:

(a) A royalty fee or flat rate calculated based on sales of each product that includes the intellectual property or was manufactured or sold using the licensed intellectual property or service, provided that the royalty fee is no greater than an amount equivalent to ((~~ten~~)) 10 percent of the licensed cannabis business's gross sales derived from the sale of such product;

(b) A flat rate or lump sum calculated based on time or milestones;

(c) Terms giving either party exclusivity or qualified exclusivity as it relates to use of the intellectual property;

(d) Quality control standards as necessary to protect the integrity of the intellectual property;

(e) Enforcement obligations to be undertaken by the licensed cannabis business;

(f) Covenants to use the licensed intellectual property; and

(g) Assignment of licensor improvements of the intellectual property.

(3) A person, business, or entity that enters into an agreement with a licensed cannabis business, where both parties to the agreement are in compliance with the terms of this section, is exempt from the requirement to qualify for a cannabis business license for purposes of the agreements authorized by subsection (1) of this section.

(4) All agreements entered into by a licensed cannabis business, as authorized by this section, are subject to the board's or director's recordkeeping requirements as established by rule.

**Sec.**  RCW 69.50.530 and 2023 c 470 s 1014 are each amended to read as follows:

The dedicated cannabis account is created in the state treasury. All moneys received by the board or the director, as applicable, or any employee thereof, from cannabis-related activities must be deposited in the account. Unless otherwise provided in chapter 4, Laws of 2015 2nd sp. sess., all cannabis excise taxes collected from sales of cannabis, useable cannabis, cannabis concentrates, and cannabis-infused products under RCW 69.50.535, and the license fees, penalties, and forfeitures derived under this chapter from cannabis producer, cannabis processor, cannabis researcher, and cannabis retailer licenses, must be deposited in the account. Moneys in the account may only be spent after appropriation.

**Sec.**  RCW 69.50.540 and 2023 c 470 s 1015 are each amended to read as follows:

(1) For the purposes of this subsection (1), the legislature must appropriate the amounts provided in this subsection:

(a) $12,500,000 annually to the board or the director for administration of this chapter as appropriated and distributed in the omnibus appropriations act;

(b) $11,000,000 annually to the department of health for the following:

(i) Creation, implementation, operation, and management of a cannabis, vapor product, and commercial tobacco education and public health program that contains the following:

(A) A cannabis use public health hotline that provides referrals to substance abuse treatment providers, uses evidence-based or research-based public health approaches to minimizing the harms associated with cannabis use, and does not solely advocate an abstinence-only approach;

(B) Programs that support development and implementation of coordinated intervention strategies for the prevention and reduction of commercial tobacco, vapor product, and cannabis use by youth and cannabis cessation treatment services, including grant programs to local health departments or other local community agencies;

(C) Media-based education campaigns across television, internet, radio, print, and out-of-home advertising, separately targeting youth and adults, that provide medically and scientifically accurate information about the health and safety risks posed by cannabis use; and

(D) Outreach to priority populations regarding commercial tobacco, vapor product, and cannabis use, prevention, and cessation; and

(ii) The Washington poison control center;

(c)(i) $3,000,000 annually to the department of commerce to fund cannabis social equity grants under RCW 43.330.540; and

(ii) $200,000 annually to the department of commerce to fund technical assistance through a roster of mentors under RCW 43.330.540;

(d) $200,000 annually, until June 30, 2032, to the health care authority to contract with the Washington state institute for public policy to conduct the cost-benefit evaluations and produce the reports described in RCW 69.50.550;

(e) $25,000 annually to the University of Washington alcohol and drug abuse institute for the creation, maintenance, and timely updating of web-based public education materials providing medically and scientifically accurate information about the health and safety risks posed by cannabis use;

(f) $300,000 annually to the University of Washington and $175,000 annually to the Washington State University for research on the short-term and long-term effects of cannabis use to include, but not be limited to, formal and informal methods for estimating and measuring intoxication and impairments, and for the dissemination of such research;

(g) $550,000 annually to the office of the superintendent of public instruction to fund grants to building bridges programs under chapter 28A.175 RCW;

(h) $2,423,000 for fiscal year 2022 and $2,423,000 for fiscal year 2023 to the Washington state patrol for a drug enforcement task force;

(i) $270,000 for fiscal year 2022 and $290,000 for fiscal year 2023 to the department of ecology for implementation of accreditation of cannabis product testing laboratories;

(j) $800,000 for each of fiscal years 2020 through 2023 to the department of health for the administration of the cannabis authorization database; and

(k) $621,000 for fiscal year 2022 and $635,000 for fiscal year 2023 to the department of agriculture for compliance-based laboratory analysis of pesticides in cannabis.

(2) ((~~Subsections [Subsection]~~)) Subsection (1)(a) through (g) of this section must be adjusted annually based on the United States bureau of labor statistics' consumer price index for the Seattle area.

(3) After appropriation of the amounts identified in subsection (1) of this section, the legislature must annually appropriate such remaining amounts for the purposes listed in this subsection (3) as follows:

(a) Fifty-two percent to the state basic health plan trust account to be administered by the Washington basic health plan administrator and used as provided under chapter 70.47 RCW;

(b) Eleven percent to the health care authority to:

(i) Design and administer the Washington state healthy youth survey, analyze the collected data, and produce reports, in collaboration with the office of the superintendent of public instruction, department of health, department of commerce, family policy council, ((~~and~~)) board, and director. The survey must be conducted at least every two years and include questions regarding, but not necessarily limited to, academic achievement, age at time of substance use initiation, antisocial behavior of friends, attitudes toward antisocial behavior, attitudes toward substance use, laws and community norms regarding antisocial behavior, family conflict, family management, parental attitudes toward substance use, peer rewarding of antisocial behavior, perceived risk of substance use, and rebelliousness. Funds disbursed under this subsection may be used to expand administration of the healthy youth survey to student populations attending institutions of higher education in Washington;

(ii) Develop, implement, maintain, and evaluate programs and practices aimed at the prevention or reduction of maladaptive substance use, substance use disorder, substance abuse or substance dependence, as these terms are defined in the diagnostic and statistical manual of mental disorders, among middle school and high school-age students, whether as an explicit goal of a given program or practice or as a consistently corresponding effect of its implementation, mental health services for children and youth, and services for pregnant and parenting women. In deciding which programs and practices to fund under this subsection (3)(b)(ii), the director of the health care authority must consult, at least annually, with the University of Washington's social development research group and the University of Washington's alcohol and drug abuse institute; and

(iii) Contract with community health centers to provide primary health and dental care services, migrant health services, and maternity health care services as provided under RCW 41.05.220;

(c)(i) One and one-half percent to counties, cities, and towns where licensed cannabis retailers are physically located. Each jurisdiction must receive a share of the revenue distribution under this subsection (3)(c)(i) based on the proportional share of the total revenues generated in the individual jurisdiction from the taxes collected under RCW 69.50.535, from licensed cannabis retailers physically located in each jurisdiction. For purposes of this subsection (3)(c), 100 percent of the proportional amount attributed to a retailer physically located in a city or town must be distributed to the city or town;

(ii) Three and one-half percent to counties, cities, and towns ratably on a per capita basis. Counties must receive 60 percent of the distribution based on each county's total proportional population. Funds may only be distributed to jurisdictions that do not prohibit the siting of any state licensed cannabis producer, processor, or retailer;

(iii) By September 15th of each year, the board must provide the state treasurer the annual distribution amount made under this subsection (3)(c), if any, for each county and city as determined in (c)(i) and (ii) of this subsection; and

(iv) Distribution amounts allocated to each county, city, and town in (c)(i) and (ii) of this subsection must be distributed in four installments by the last day of each fiscal quarter; and

(d) Thirty-two percent must be deposited in the state general fund.

**Sec.**  RCW 69.50.564 and 2022 c 16 s 108 are each amended to read as follows:

(1) This section applies to the board's issuance of administrative violations to licensed cannabis producers, processors, retailers, transporters, and researchers, when a settlement conference is held between a hearing officer or designee of the board or the director, as applicable, and the cannabis licensee that received a notice of an alleged administrative violation or violations.

(2) If a settlement agreement is entered between a cannabis licensee and a hearing officer or designee of the board or the director, as applicable, at or after a settlement conference, the terms of the settlement agreement must be given substantial weight by the board or the director, as applicable.

(3) For the purposes of this section:

(a) "Settlement agreement" means the agreement or compromise between a licensed cannabis producer, processor, retailer, researcher, transporter, or researcher and the hearing officer or designee of the board or the director, as applicable, with authority to participate in the settlement conference, that:

(i) Includes the terms of the agreement or compromise regarding an alleged violation or violations by the licensee of this chapter, chapter 69.51A RCW, or rules adopted under either chapter, and any related penalty or licensing restriction; and

(ii) Is in writing and signed by the licensee and the hearing officer or designee of the board or the director, as applicable.

(b) "Settlement conference" means a meeting or discussion between a licensed cannabis producer, processor, retailer, researcher, transporter, researcher, or authorized representative of any of the preceding licensees, and a hearing officer or designee of the board or the director, as applicable, held for purposes such as discussing the circumstances surrounding an alleged violation of law or rules by the licensee, the recommended penalty, and any aggravating or mitigating factors, and that is intended to resolve the alleged violation before an administrative hearing or judicial proceeding is initiated.

**Sec.**  RCW 69.50.565 and 2015 2nd sp.s. c 4 s 202 are each amended to read as follows:

(1) Whenever the board or the director, as applicable, determines that a limited liability business entity has collected trust fund taxes and has failed to remit those taxes to the board or the director, as applicable, and that business entity has been terminated, dissolved, or abandoned, or is insolvent, the board or the director, as applicable, may pursue collection of the entity's unpaid trust fund taxes, including penalties on those taxes, against any or all of the responsible individuals. For purposes of this subsection, "insolvent" means the condition that results when the sum of the entity's debts exceeds the fair market value of its assets. The board or the director, as applicable, may presume that an entity is insolvent if the entity refuses to disclose to the board or the director, as applicable, the nature of its assets and liabilities.

(2)(a) For a responsible individual who is the current or a former chief executive or chief financial officer, liability under this section applies regardless of fault or whether the individual was or should have been aware of the unpaid trust fund tax liability of the limited liability business entity.

(b) For any other responsible individual, liability under this section applies only if he or she willfully failed to pay or to cause to be paid to the board the trust fund taxes due from the limited liability business entity.

(3)(a) Except as provided in this subsection (3)(a), a responsible individual who is the current or a former chief executive or chief financial officer is liable under this section only for trust fund tax liability accrued during the period that he or she was the chief executive or chief financial officer. However, if the responsible individual had the responsibility or duty to remit payment of the limited liability business entity's trust fund taxes to the board or the director, as applicable, during any period of time that the person was not the chief executive or chief financial officer, that individual is also liable for trust fund tax liability that became due during the period that he or she had the duty to remit payment of the limited liability business entity's taxes to the board or the director, as applicable, but was not the chief executive or chief financial officer.

(b) All other responsible individuals are liable under this section only for trust fund tax liability that became due during the period he or she had the responsibility or duty to remit payment of the limited liability business entity's taxes to the board or the director, as applicable.

(4) Persons described in subsection (3)(b) of this section are exempt from liability under this section in situations where nonpayment of the limited liability business entity's trust fund taxes was due to reasons beyond their control as determined by the board or the director by rule.

(5) Any person having been issued a notice of unpaid trust fund taxes under this section is entitled to an administrative hearing under RCW 69.50.334 and any such rules the board or director may adopt.

(6) This section does not relieve the limited liability business entity of its trust fund tax liability or otherwise impair other tax collection remedies afforded by law.

(7) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) ((~~"Board" means the state liquor and cannabis board.~~

~~(b)~~)) "Chief executive" means: The president of a corporation or for other entities or organizations other than corporations or if the corporation does not have a president as one of its officers, the highest ranking executive manager or administrator in charge of the management of the company or organization.

((~~(c)~~)) (b) "Chief financial officer" means: The treasurer of a corporation or for entities or organizations other than corporations or if a corporation does not have a treasurer as one of its officers, the highest senior manager who is responsible for overseeing the financial activities of the entire company or organization.

((~~(d)~~)) (c) "Limited liability business entity" means a type of business entity that generally shields its owners from personal liability for the debts, obligations, and liabilities of the entity, or a business entity that is managed or owned in whole or in part by an entity that generally shields its owners from personal liability for the debts, obligations, and liabilities of the entity. Limited liability business entities include corporations, limited liability companies, limited liability partnerships, trusts, general partnerships and joint ventures in which one or more of the partners or parties are also limited liability business entities, and limited partnerships in which one or more of the general partners are also limited liability business entities.

((~~(e)~~)) (d) "Manager" has the same meaning as in RCW ((~~25.15.005~~)) 25.15.006.

((~~(f)~~)) (e) "Member" has the same meaning as in RCW ((~~25.15.005~~)) 25.15.006, except that the term only includes members of member-managed limited liability companies.

((~~(g)~~)) (f) "Officer" means any officer or assistant officer of a corporation, including the president, vice president, secretary, and treasurer.

((~~(h)~~)) (g)(i) "Responsible individual" includes any current or former officer, manager, member, partner, or trustee of a limited liability business entity with unpaid trust fund tax liability.

(ii) "Responsible individual" also includes any current or former employee or other individual, but only if the individual had the responsibility or duty to remit payment of the limited liability business entity's unpaid trust fund tax liability.

(iii) Whenever any taxpayer has one or more limited liability business entities as a member, manager, or partner, "responsible individual" also includes any current and former officers, members, or managers of the limited liability business entity or entities or of any other limited liability business entity involved directly in the management of the taxpayer. For purposes of this subsection ((~~(7)(h)(iii)~~)) (7)(g)(iii), "taxpayer" means a limited liability business entity with unpaid trust fund taxes.

((~~(i)~~)) (h) "Trust fund taxes" means taxes collected from buyers and deemed held in trust under RCW 69.50.535.

((~~(j)~~)) (i) "Willfully failed to pay or to cause to be paid" means that the failure was the result of an intentional, conscious, and voluntary course of action.

**Sec.**  RCW 69.50.580 and 2022 c 16 s 111 are each amended to read as follows:

(1) Applicants for a cannabis producer's, cannabis processor's, cannabis researcher's or cannabis retailer's license under this chapter must display a sign provided by the board on the outside of the premises to be licensed notifying the public that the premises are subject to an application for such license. The sign must:

(a) Contain text with content sufficient to notify the public of the nature of the pending license application, the date of the application, the name of the applicant, and contact information for the board or the director, as applicable;

(b) Be conspicuously displayed on, or immediately adjacent to, the premises subject to the application and in the location that is most likely to be seen by the public;

(c) Be of a size sufficient to ensure that it will be readily seen by the public; and

(d) Be posted within seven business days of the submission of the application to the board or the director, as applicable.

(2) The board or the director, as applicable, must adopt such rules as are necessary for the implementation of this section, including rules pertaining to the size of the sign and the text thereon, the textual content of the sign, the fee for providing the sign, and any other requirements necessary to ensure that the sign provides adequate notice to the public.

(3)(a) A city, town, or county may adopt an ordinance requiring individual notice by an applicant for a cannabis producer's, cannabis processor's, cannabis researcher's, or cannabis retailer's license under this chapter, sixty days prior to issuance of the license, to any elementary or secondary school, playground, recreation center or facility, child care center, church, public park, public transit center, library, or any game arcade admission to which is not restricted to persons aged ((~~twenty-one~~)) 21 years or older, that is within ((~~one thousand~~)) 1,000 feet of the perimeter of the grounds of the establishment seeking licensure. The notice must provide the contact information for the board where any of the owners or operators of these entities may submit comments or concerns about the proposed business location.

(b) For the purposes of this subsection, "church" means a building erected for and used exclusively for religious worship and schooling or other activity in connection therewith.

**Sec.**  RCW 69.50.585 and 2016 sp.s. c 17 s 1 are each amended to read as follows:

(1)(a) Nothing in this chapter prohibits a producer or processor from providing retailers branded promotional items which are of nominal value, singly or in the aggregate. Such items include but are not limited to: Lighters, postcards, pencils, matches, shirts, hats, visors, and other similar items. Branded promotional items:

(i) Must be used exclusively by the retailer or its employees in a manner consistent with its license;

(ii) Must bear imprinted advertising matter of the producer or processor only;

(iii) May be provided by a producer or processor only to retailers and their employees and may not be provided by or through retailers or their employees to retail customers; and

(iv) May not be targeted to youth, including any: (A) Statement, picture, or illustration that depicts a child or other person under legal age for consuming cannabis; (B) objects, such as toys or characters, suggesting the presence of a child, or any other depiction designed in any manner to be especially appealing to children or other persons under legal age to consume cannabis; (C) advertising designed in any manner that would be especially appealing to children or other persons under ((~~twenty-one~~)) 21 years of age; or (D) advertising implying that the consumption of cannabis is fashionable or the accepted course of behavior for persons under ((~~twenty-one~~)) 21 years of age.

(b) A producer or processor is not obligated to provide any such branded promotional items, and a retailer may not require a producer or processor to provide such branded promotional items as a condition for selling any cannabis to the retailer.

(c) Any producer, processor, or retailer or any other person asserting that the provision of branded promotional items as allowed in (a) of this subsection has resulted or is more likely than not to result in undue influence or an adverse impact on public health and safety, or is otherwise inconsistent with the criteria in (a) of this subsection may file a complaint with the ((~~state liquor and cannabis~~)) board or the director, as applicable. Upon receipt of a complaint the ((~~state liquor and cannabis~~)) board or the director, as applicable, may conduct such investigation as it deems appropriate in the circumstances. If the investigation reveals the provision of branded promotional items has resulted in or is more likely than not to result in undue influence or has resulted or is more likely than not to result in an adverse impact on public health and safety or is otherwise inconsistent with (a) of this subsection the ((~~state liquor and cannabis~~)) board or the director, as applicable, may issue an administrative violation notice to the producer, processor, or retailer. The recipient of the administrative violation notice may request a hearing under chapter 34.05 RCW.

(2) Nothing in this chapter prohibits:

(a) Producers or processors from listing on their internet websites information related to retailers who sell or promote their products, including direct links to the retailers' internet websites; and

(b) Retailers from listing on their internet websites information related to producers or processors whose products those retailers sell or promote, including direct links to the producers or processors' websites; or

(c) Producers, processors, and retailers from producing, jointly or together with regional, state, or local industry associations, brochures and materials promoting tourism in Washington state which contain information regarding retail licensees, producers, processors, and their products.

(3) Nothing in this chapter prohibits the performance of personal services offered from time to time by a producer or processor to retailers when the personal services are (a) conducted at a licensed premises, and (b) intended to inform, educate, or enhance customers' knowledge or experience of the manufacturer's products. The performance of personal services may include participation in events and the use of informational or educational activities at the premises of a retailer holding a license under this chapter. A producer or processor is not obligated to perform any such personal services, and a retail licensee may not require a producer or processor to conduct any personal service as a condition for selling cannabis to the retail licensee.

(4) For the purposes of this section, "nominal value" means a value of ((~~thirty dollars~~)) $30 or less.

NEW SECTION. **Sec.**  This act takes effect July 1, 2024.

**--- END ---**