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## Consumer Protection & Business Committee

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### HB 1551

**Brief Description:** Extending the cannabis social equity program.

**Sponsors:** Representatives Reeves, Entenman, Morgan, Kloba, Ormsby, Santos, Doglio and Hill.

#### Brief Summary of Bill

- Extends the Cannabis Social Equity Program (Program) by two years to July 1, 2034.
- Prohibits the Liquor and Cannabis Board (LCB) from opening a new license application window through the Program until July 1, 2026, in order for a Program evaluation to be conducted, to ensure successful implementation of the Program.
- Specifies details of the Program evaluation to be conducted by the LCB, in consultation with the Department of Commerce.
- Requires a report to the Legislature and Governor by December 1, 2025, with findings and policy options.

**Hearing Date:** 2/4/25

**Staff:** Peter Clodfelter (786-7127).

#### Background:

A Cannabis Social Equity Program (Program) is administered by the Liquor and Cannabis Board (LCB), and a Cannabis Social Equity Technical Assistance Grant Program (Grant Program) is

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administered by the Department of Commerce (Department). The Legislature directed the creation of the Program in 2020, which was developed with input from the Social Equity in Cannabis Task Force, and runs until July 1, 2032. The Dedicated Cannabis Account funds \$3 million annually to the Department for the Grant Program. The Department also maintains a roster of mentors.

Through the Program, certain cannabis retailer, producer, and processor licenses are available to social equity applicants. Initially, the Program was limited to the issuance or reissuance of cancelled cannabis retailer licenses or certain unissued cannabis retailer licenses, and a first round of licensing for 45 available cannabis retailer licenses was conducted in 2024. While several retailer licenses have been issued through the Program and opened for business, other social equity applicants who received a preliminary letter of approval have been unable to secure a location or complete the licensing process to open for business.

In 2023 the Legislature expanded the Program to include making available cancelled cannabis producer and cannabis processor licenses to social equity applicants, and authorize additional cannabis retailer licenses for issuance in the Program. At any time through these provisions, the LCB may issue up to 100 cannabis processor licenses to social equity applicants. The LCB may also issue up to 10 cannabis producer licenses to social equity applicants in conjunction with a cannabis processor license. An additional 52 new cannabis retailer licenses were also authorized and made available pursuant to the legislation enacted in 2023.

The cannabis producer, processor, and additional retailer licenses made available under the 2023 legislation have not yet been issued. The LCB completed rulemaking updates to the Program effective January 18, 2025, which would govern future licensing activity through the Program.

### **Summary of Bill:**

The Program is extended by two years to July 1, 2034. The LCB may not open a new license application window through the Program and may not issue or reissue a cannabis license through the Program, in order for a Program evaluation to be conducted, to ensure successful implementation of the Program.

By December 1, 2025, and within existing resources, the LCB, in consultation with the Department when specified, must evaluate the Program and submit a report to the Governor and appropriate committees of the Legislature with findings and policy options.

In conducting the evaluation, the LCB must provide opportunities for public comment on the Program from communities throughout Washington. The evaluation must include the following components:

- a review of feedback received by the LCB in public comments from individuals the Program is intended to benefit, the public, and the cannabis industry;
- an examination of the issuance and reissuance of cannabis retailer licenses that occurred before January 1, 2025, including a comparative analysis of the applicants who

successfully secured a location and were issued a cannabis retailer license relative to applicants who remain pending but were issued a preliminary letter of approval by the LCB;

- an examination, in consultation with the Department, of the awarding of grants and the provision of mentorship and opportunities for the alignment of the LCB's implementation work with the Department's implementation work;
- the demographic information about owners of licensed cannabis businesses who became licensed under the Program to the extent such information is available or obtainable by the LCB;
- the identification of any provisions of law or rule and any economic, market, or practical factors that effectively prevent or hinder the successful opening, operation, and business success of cannabis businesses licensed under the Program; and
- an examination of the impact of specific provisions in laws and rules on cannabis licensees in the Program, including distance restrictions in law, zoning and other location restrictions in local government ordinances, the mobility of cannabis licenses to or between jurisdictions, the definition of "social equity applicant," and other provisions.

On July 1, 2026, the restriction on the LCB opening a new license application window under the Program or issuing or reissuing a cannabis license ends.

**Appropriation:** None.

**Fiscal Note:** Requested on January 27, 2025.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.