

# HOUSE BILL REPORT

## ESHB 1551

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**As Passed House:**

March 5, 2025

**Title:** An act relating to extending the cannabis social equity program to evaluate the program and implement efficiencies.

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

**Sponsors:** House Committee on Consumer Protection & Business (originally sponsored by Representatives Reeves, Entenman, Morgan, Kloba, Ormsby, Santos, Doglio and Hill).

**Brief History:**

**Committee Activity:**

Consumer Protection & Business: 2/4/25, 2/19/25 [DPS].

**Floor Activity:**

Passed House: 3/5/25, 57-39.

**Brief Summary of Engrossed Substitute Bill**

- Extends the Cannabis Social Equity Program (Program) by two years to July 1, 2034.
- Requires the Liquor and Cannabis Board to conduct an evaluation of the Program, in consultation with the Department of Commerce, with a report to the Legislature and Governor by December 1, 2025.
- Removes a restriction in the Cannabis Social Equity Technical Assistance Grant Program on the issuance of grants to cannabis licensees who meet the social equity applicant criteria.

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### HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Walen, Chair; Berry, Donaghy, Fosse, Kloba,

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

Morgan, Reeves, Ryu and Santos.

**Minority Report:** Do not pass. Signed by 6 members: Representatives McClintock, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Abbarno, Corry, Steele and Volz.

**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 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. Grants are available to cannabis license applicants who are social equity applicants submitting social equity plans and to cannabis licensees holding a license issued after April 1, 2023, and before July 1, 2024, who meet the social equity applicant criteria. 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 Engrossed Substitute Bill:**

The Program is extended by two years to July 1, 2034. 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.

The restriction in the Grant Program is removed that cannabis licensees who meet the social equity applicant criteria must be licensed after April 1, 2023, and before July 1, 2024, to be eligible for grants.

**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available. New fiscal note requested on March 3, 2025.

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

**Staff Summary of Public Testimony:**

(In support) The Program addresses disparities in Washington's laws relating to the history of cannabis criminalization and the more recent legalization. Black and Brown entrepreneurs in the cannabis industry were unfortunately pushed out of the market during the legalization process. The Program's goal is to help these entrepreneurs get back in the cannabis market and to repair historic harms that have been done. But the Program is facing challenges. During the first round of licensing, there was access to capital for technical assistance through the Grant Program. Yet only five to seven applicants in the first round of licensing have become licensed and opened a business. There are more licenses eligible for issuance in the Program in the next round of licensing. But there are budget challenges and uncertainty about funding levels for technical assistance. In the first round of licensing, each applicant received about \$141,000 in a technical assistance grant. This level of assistance for each applicant or licensee may not be available in the next rounds of licensing. Washington needs to commit to consistent levels of support to help the Program succeed. Analysis is needed so that barriers faced in the first round of licensing are not repeated. The bill will create accountability and inform the Legislature what is working and not working in the Program. The Legislature can then partner with community members to remove the barriers. Access to retail locations is one of the biggest barriers. Every licensee in the Program should have every opportunity for success. The current Program has great intent, but not great outcomes. There is belief that false opportunities are being presented by the issuance of licenses in the face of so many barriers to success. The Program can be improved to be truly equitable and successful.

(Opposed) The original bill reads as pausing the whole Program, to which there is opposition. Black and Brown people were excluded from the industry for the last 10 years, and deserve every opportunity for success. Washington needs to find the resources to properly fund the Program. Other priorities are funded, and in this circumstance direct harm has been done that must be remedied. The Program needs to be fixed, not paused. There were multiple opportunities for the current cannabis market participants to obtain multiple licenses through different licensing rounds. Do not take away this opportunity for current applicants and licensees in the Program by pausing it. More study is not needed. There was a task force in 2020. The studying has already gone on too long. The problems are known and can be addressed, but not if the Program is paused.

(Other) The bill could do more to help current applicants and licensees find solutions to problems. There are recommendations that could be acted on related to helping businesses find locations. The goal of supporting the Program is a shared goal and there is hope the bill will be strengthened during the legislative process. Consider shrinking the currently restrictive buffer zones, examining municipal license caps, making the first round of licenses mobile to a different jurisdiction to the same degree as licenses to be issued during future rounds of licensing, or addressing unfair market conditions around management agreements that are being used to evade the five-license-limit for retailers. Focus on action and solutions, and not only on analysis.

**Persons Testifying:** (In support) Representative Kristine Reeves, prime sponsor; and Paula

Sardinas, FMS Global Strategies.

(Opposed) Peter Manning, Black Excellence In Cannabis; Mike Asai, Black Excellence In Cannabis; Suzanne Brown; and Jeremy Larson, Dondo Enterprises, LLC.

(Other) Caitlein Ryan; Rolando Rodriguez, Green Roads Cannabis; Micah Sherman; Jessica Pichardo, and Canna Luz.

**Persons Signed In To Testify But Not Testifying:** None.