

SENATE BILL REPORT

ESHB 1551

As Reported by Senate Committee On:
Labor & Commerce, April 1, 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: Passed House: 3/5/25, 57-39.

Committee Activity: Labor & Commerce: 3/28/25, 3/31/25, 4/01/25 [DP, DNP].

Brief Summary of Bill

- Extends the expiration of the Cannabis Social Equity Program (program) from July 1, 2032, to July 1, 2034.
- Requires the Liquor and Cannabis Board to conduct an evaluation of the program, in consultation with the Department of Commerce, and submit a report to the Legislature and Governor by December 1, 2025.
- Removes a specified grant eligibility restriction for the Cannabis Social Equity Technical Assistance Grant Program that applies to cannabis licensees who meet the social equity applicant criteria.

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: Do pass.

Signed by Senators Saldaña, Chair; Conway, Vice Chair; Alvarado, Ramos and Stanford.

Minority Report: Do not pass.

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.

Signed by Senators King, Ranking Member; Braun, MacEwen and Schoesler.

Staff: Marlon Llanes (786-7423)

Background: Cannabis Social Equity Program. The Cannabis Social Equity Program (program) is administered by the Liquor and Cannabis Board (LCB). The program was developed with input from the Social Equity in Cannabis Task Force and expires on July 1, 2032.

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 or unissued retailer licenses. In 2023, the Legislature expanded the program by, among other things, making cancelled producer and processor licenses available to social equity applicants. LCB was authorized to issue up to 100 processor licenses to social equity applicants, and up to ten producer licenses in conjunction with a processor license. An additional 52 new retailer licenses were also authorized and made available.

Cannabis Social Equity Technical Assistance Grant Program. The Cannabis Social Equity Technical Assistance Grant Program is administered by the Department of Commerce (Commerce). The Dedicated Cannabis Account funds \$3 million annually to Commerce for the grant program. Grants are available to new cannabis license applicants who are 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. In addition to providing grants, Commerce offers mentors to grantees.

Definitions. "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:

- lived in a disproportionately impacted area in Washington State for a minimum of five years between 1980 and 2010;
- has been arrested or convicted of a cannabis offense or has a family member who has been arrested or convicted of a cannabis offense;
- had a household income in the year prior to submitting a social equity application that was less than the median household income within the state of Washington as calculated by the United States Census Bureau; or
- is both a socially and economically disadvantaged individual as defined by the Office of Minority and Women's Business Enterprises under specified law.

Summary of Bill: The program's expiration date is extended from July 1, 2032, to July 1, 2034.

By December 1, 2025, LCB must, in consultation with Commerce, 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, 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 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 began 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 LCB;
- an examination, in consultation with Commerce, of the awarding of grants and the provision of mentorship and opportunities for the alignment of LCB's implementation of the program with Commerce's implementation of the Cannabis Social Equity Technical Assistance Grant Program;
- the demographic information about owners of licensed cannabis businesses who became licensed under the program to the extent the information is available or obtainable by 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 provisions in laws and rules on cannabis licensees in the program with respect to:
 1. permissible locations for the siting of licensed cannabis businesses including specified distance restrictions, zoning or other location restrictions in local government ordinances, and specified local written objections;
 2. the mobility of cannabis licenses to or between jurisdictions;
 3. the ability of 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 to apply for a cannabis license under the program;
 4. prioritizing license applications through use of a third-party contractor using a scoring rubric developed by LCB;
 5. restrictions on the transfer or assumption of a cannabis license issued through the program other than to 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; and
 6. the definition of a social equity applicant.

The grant eligibility restriction related to the Cannabis Social Equity Technical Assistance Grant Program that requires cannabis licensees who meet the social equity applicant criteria to be licensed after April 1, 2023, and before July 1, 2024, is removed.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony (March 28, 2025): PRO: The social equity program is attempting to address historic harms that occurred during the implementation of legalized cannabis to predominantly black and brown participants. There continues to be systemic barriers for social equity licensees, including a lack of access to capital and difficulty locating potential sites for stores. The purpose of this bill is to have LCB evaluate the program so the Legislature is informed and can act if the program is not working.

Persons Testifying (March 28, 2025): PRO: Representative Kristine Reeves.

Persons Signed In To Testify But Not Testifying (March 28, 2025): N/A

Staff Summary of Public Testimony (March 31, 2025): CON: If the bill passes, the social equity program could be paused. There are no pathways for persons of color to obtain cannabis licenses without the program.

OTHER: There is support for efforts to study the efficacy of the social equity program. The licensees that were approved during the first round of licensing are struggling. There is a need for continued oversight and transparency, and a focus on implementing existing recommendations.

Persons Testifying (March 31, 2025):

CON: Peter Manning, Black Excellence In Cannabis.

OTHER: Caitlein Ryan, THE CANNABIS ALLIANCE.

Persons Signed In To Testify But Not Testifying (March 31, 2025): No one.