

SENATE BILL REPORT

ESB 5206

As Amended by House, April 16, 2025

Title: An act relating to cannabis retailer advertising.

Brief Description: Concerning cannabis retailer advertising.

Sponsors: Senators MacEwen, Gildon and Stanford.

Brief History:

Committee Activity: Labor & Commerce: 2/10/25, 2/18/25 [DP-WM, w/oRec].

Ways & Means: 2/24/25, 2/27/25 [DP, w/oRec].

Floor Activity: Passed Senate: 3/12/25, 39-9.

Passed House: 4/16/25, 72-23.

Brief Summary of Engrossed Bill

- Modifies restrictions and requirements for advertising signs for licensed cannabis retailers.
- Places the regulation of trade name signs for licensed cannabis retailers under the authority of local jurisdictions.

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Saldaña, Chair; Conway, Vice Chair; King, Ranking Member; Alvarado, Schoesler and Stanford.

Minority Report: That it be referred without recommendation.

Signed by Senator Ramos.

Staff: Susan Jones (786-7404)

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.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Robinson, Chair; Stanford, Vice Chair, Operating; Trudeau, Vice Chair, Capital; Frame, Vice Chair, Finance; Gildon, Ranking Member, Operating; Torres, Assistant Ranking Member, Operating; Schoesler, Ranking Member, Capital; Dozier, Assistant Ranking Member, Capital; Boehnke, Braun, Cleveland, Conway, Hansen, Muzzall, Pedersen, Riccelli, Saldaña, Wagoner, Warnick, Wellman and Wilson, C..

Minority Report: That it be referred without recommendation.

Signed by Senators Dhingra, Hasegawa and Kauffman.

Staff: Corban Nemeth (786-7736)

Background: The Liquor and Cannabis Board (LCB) regulates the adult-use, recreational cannabis system in Washington. State statutes and rules adopted by LCB specify requirements of cannabis signage and advertising.

Except for the use of billboards authorized under state law, licensed cannabis retailers may not display any signage outside of the licensed premises, other than two signs identifying the retail outlet by the business or trade name that state the location and identify the nature of the business. Each sign must be no larger than 1600 square inches, be permanently affixed to a building or other structure, and is subject to other requirements and restrictions established in law, including restrictions on depicting cannabis plants or products, images that might be appealing to children, or the use of commercial mascots in proximity to the licensed premises.

LCB rules specify the text and images permissible on outdoor advertising. Outdoor advertising and billboards are prohibited in specified locations, such as arenas, stadiums, and shopping malls. Cannabis licensees may not use transit advertisements for advertising the business or product line. Advertising signs within the premises of a retail cannabis business that are visible to the public from outside the premises are subject to the same requirements applicable to outdoor signs, with certain exceptions.

A city, town, or county may adopt rules of outdoor advertising by licensed cannabis retailers that are more restrictive, and must enforce its own restrictions.

Summary of Engrossed Bill: Advertising Signage. The number of cannabis-related advertising signs permitted outside a cannabis retailer's licensed premises is increased to four signs and does not include trade name signs or billboards. Advertising signs are permitted to be affixed to the building or hanging in the windows of the licensed premises.

Signs less than 512 square inches are not considered advertising signs if the signs do not include any brand names, trade names, or images of any cannabis product and only include

limited information, such as that the business is open or closed. The use of other signage that does not represent cannabis or cannabis products, the business trade name, nature of the business, or contains only general information not related to the products or services of the cannabis business is not restricted.

Trade Name Signage. Separate trade name signs that display the business name as it appears on the license issued to the licensee are allowed provided they comply with local regulations related to the size and number of signs. The enforcement of trade name sign requirements is the responsibility of the local government. Trade name signs may only reflect the trade name of the licensed business and may not contain cannabis products or product brand names.

Advertising Restrictions and Requirements. Signs and advertising content may not relate to alcohol, tobacco, or motor vehicles. Cannabis advertising is prohibited in the businesses of vapor product licensees or cigarette or tobacco licensees.

Advertisements indicating that only persons 21 years and older may purchase the products must be in text of a reasonable size to consumers. Except for any sales made for a product designated for medical cannabis use by qualifying patients, cannabis licensees may not advertise, offer for sale, or sell cannabis for less than the acquisition cost.

The advertisement requirements and restrictions for licensed cannabis retailers do not apply to Adopt-a-Highway signs erected by the Washington State Department of Transportation (DOT) under a valid sponsorship with DOT.

A definition is provided for trade name.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill takes effect on January 1, 2026.

Staff Summary of Public Testimony (Labor & Commerce): PRO: The Senate passed similar legislation last year and it stalled in the House. The bill provides practicality to the sign regulation of the cannabis industry. The bill also retains local jurisdictional control, so communities can decide what is in their best interest.

The cannabis retail signage rules are cumbersome and create unnecessary confusion between local municipal codes and the LCB rules. Store signage is incredibly expensive. The bill provides much needed clarity and consistency in the cannabis signage regulation. This benefits businesses and the communities. Retailers that understand the rules can

invest in compliant professional signage that enhances the customer experience, supports public safety, and ensures cannabis businesses are easily identifiable.

The bill places the regulation of trade name signage under local jurisdictions, aligning cannabis retailers with other businesses already subject to municipal sign codes. It does not change the LCB's authority to regulate the content of cannabis related signage, ensuring that appropriate restrictions remain in place. A similar system has served the state well under alcohol.

This bill does not relax any restrictions related to the content of trade-named signs. Under this bill, the LCB would maintain jurisdiction to regulate the content of what is on a store sign. That includes restrictions around promotion appealing to children. For years, the LCB enforcement division has interpreted store signage rules inconsistently. This creates uncertainty for retailers related to the number of signs and the size of the trade name sign. When the state resources are scarce, having LCB enforcement officers measuring signs does not make sense. They should focus on the sign content instead.

When the LCB issues a mandate for correction, a non-compliant business often responds by filing lawsuits that can linger in the legal system for years. Meanwhile, compliant businesses incur unnecessary expenses and time correcting minor issues. By transferring the responsibility of signage enforcement to local jurisdictions, LCB can redirect its resources towards more pressing violations that genuinely affect public safety and regulatory integrity. The shift could lead to more effective oversight and enforcement against those who deliberately ignore regulations.

Local jurisdictions regulate signs based on the zoning of the property where the sign is located. Sign regulations are different depending on the zone. Local municipalities can collect money from businesses for signage to recoup their cost for dealing with signage.

We support the increase of the number of signs and the clarification that neutral business information, like an open sign or operating hours, does not count as advertising. These commonsense updates align with cannabis businesses closer with other legal industries.

CON: Initiative 502 created a state responsibility for regulating cannabis advertising. The writers and initiative sponsors' goal was to make sure that exposure to young people under 21 years was not going to happen through cannabis advertising. Passing this responsibility onto our communities does not align with what the voters voted for. Coalitions across the state have told WASAVP that they are seeing issues with their own sign ordinances. There is no cost in the bill for local jurisdictions for the resources they will need for signage. It will take substantial staff time and resources.

Limiting public cannabis promotion is a key strategy to preventing youth use. Advertising has been repeatedly linked to use and to risk factors for use. Research from the University of Washington shows that the predictors of youth using is around the community norms'

experience. The messaging they see for cannabis, alcohol, and other kinds of substances affect youth. The signs we allow in our communities carry messages to the youth of what we value in our community. If we want to protect our young people from using, we need to minimize the impact of cannabis advertising.

A 2023 WSU study found that most teens reported passing a cannabis retailer at least three times a week. Teens in the study looked at packaging and identified multiple permitted characteristics that they found appealing to themselves and to their age. These included bright colors, depictions of fruit, and the use of foils. This bill will increase youth exposure to cannabis promotion.

A testifier gave a personal story of her child who used cannabis and suffers from schizophrenia. His sobriety is helped by lack of exposure to cannabis advertising in his community. Cannabis is very addictive to some people. Unfortunately, some of the billboards are plainly targeted at young girls with their rainbows and fanciful themes or male youth with color schemes that copy major sports teams. The perception of harm from using cannabis is decreasing especially among youth and young adults whose brains are vulnerable to cannabis injury. We don't need to loosen existing the law.

The cannabis retail market has grown the most in areas of lower socioeconomic opportunity in Washington. Young people in these areas will see increased retail promotion with the new allowances in this bill. The addition of new retail licenses is coming over the next few years under social equity licensing and communities will already have more public advertising. Now is not the time for the increases proposed in this bill.

Persons Testifying (Labor & Commerce): PRO: Senator Drew MacEwen, Prime Sponsor; Ian Eisenberg, Uncle Ikes; Scott Atkison, Zips Cannabis; Brooke Davies, Washington CannaBusiness Association; Sara Eltinge, The Herbery; Bethany Rondeaux, Washington Cannabis Licensee Association; Shea Hynes, Lux Pot Shop; Caitlein Ryan, The Cannabis Alliance.

CON: Linda Thompson, Washington Association for Substance misuse and Violence Prevention (WASAVP); Gay-Lynn Beighton; Sarah Ross-Viles, Public Health - Seattle & King County.

Persons Signed In To Testify But Not Testifying (Labor & Commerce): No one.

Staff Summary of Public Testimony (Ways & Means): PRO: This bill distinguishes advertising from trade name signs and the regulation of the content of the signs remains with the LCB, where they should focus. This bill moves the regulations for the size and placement of the signs to local jurisdictions, which is more appropriate. Enforcement officers should not have to measure signs with measuring tapes. We are confused by the fiscal note on this bill because we don't believe this bill would require LCB to do more work than they are currently doing.

CON: The expansion of any signage is unnecessary in a world with GPS and other information about cannabis retailers. Limiting youth exposure to cannabis signage and advertising has always been the bedrock of public policy in the state. We appreciate the state retains authority over the wording in the signs. Research demonstrates that the type and frequency of cannabis advertisements affects young people's attitudes about trying cannabis. We encourage rejection of this bill to show the State's commitment to public health.

Persons Testifying (Ways & Means): PRO: Vicki Christophersen, Washington CannaBusiness Association.

CON: Linda Thompson, Washington Association for Substance misuse and Violence Prevention (WASAVP).

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.

EFFECT OF HOUSE AMENDMENT(S):

- Requires the four authorized cannabis-related advertising signs that are either affixed on the building or hanging in the window of the licensed cannabis retailer's location, to all be on the side of the building with the main entrance.
- Limits the additional trade name signs to a maximum of two trade name signs, instead of providing that the maximum number of trade name signs is to be determined by the city, town, or county in which the licensed cannabis retailer is located.
- Specifies that one of the two trade name signs may be double-sided and, if it contains identical content on each side, is considered to be one trade name sign.