
HOUSE BILL 1884

State of Washington

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2025 Regular Session

By Representatives Waters and Reeves

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1 AN ACT Relating to creating regulatory certainty and consistency
2 for Washington's regulated cannabis system by establishing
3 enforcement priorities, creating regulatory processes, and detecting
4 and preventing the illegal inversion and diversion of cannabis and
5 cannabis products into and out of Washington's regulated cannabis
6 system; amending RCW 69.50.562, 69.50.345, 69.50.342, and 34.05.328;
7 adding a new section to chapter 69.50 RCW; and creating a new
8 section.

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

10 NEW SECTION. **Sec. 1.** The regulated cannabis industry in
11 Washington state has, year over year, demonstrated the highest rates
12 of preventing youth access among all the regulated sectors. In
13 addition, the regulated businesses have demonstrated a commitment to
14 the highest standards of safety and contribution to the state by
15 submitting to high testing standards and regulatory oversight.
16 Further, the regulated industry faces extreme challenges in competing
17 with the unregulated illicit market because of the high taxes,
18 inconsistent enforcement and complicated regulatory burdens placed on
19 the regulated market. The legislature intends to partner with those
20 who choose to be regulated and taxed to prevent illegal, unsafe
21 activities that threaten the promise of a new approach to cannabis.

1 Washington has established precedent in creating regulatory
2 certainty, consistency in and prioritization of enforcement
3 activities within the department of labor and industries. The
4 legislature has also previously adopted legislation describing its
5 direction to the agency regarding upholding compliance while
6 prioritizing issues that concern youth access and public safety.
7 Therefore, it is the intent of the legislature that the liquor and
8 cannabis board establish policies and procedures to create more
9 regulatory certainty and set priorities for enforcement activities to
10 focus such activities on the violations that most impact public
11 health and safety and the sustainability of the regulated market.
12 Further, it is the intent of the legislature that the two highest
13 priorities for enforcement shall be youth prevention and prevention
14 of inversion and diversion of cannabis. Finally, it is the intent of
15 the legislature that the board place less priority and effort in
16 pursuing enforcement actions on businesses that do not have a direct
17 impact on these priorities.

18 **Sec. 2.** RCW 69.50.562 and 2022 c 16 s 106 are each amended to
19 read as follows:

20 (1) The board must prescribe procedures for the following:

21 (a) The establishment, within existing resources, and through a
22 collaborative public process including outreach to the regulated
23 cannabis industry, of a hierarchy of enforcement priorities to guide
24 the board's enforcement of this chapter and the board's rules
25 implementing this chapter. The highest enforcement priority in the
26 hierarchy must be placed on youth prevention and prevention of
27 inversion and diversion of cannabis and cannabis products into and
28 out of Washington's cannabis market. The hierarchy must place less
29 emphasis on enforcement of administrative violations that are not the
30 highest enforcement priority;

31 (b) Issuance of written warnings or notices to correct in lieu of
32 penalties, sanctions, or other violations with respect to regulatory
33 violations that have no direct or immediate relationship to public
34 safety as defined by the board;

35 ~~((b))~~ (c) Waiving any fines, civil penalties, or administrative
36 sanctions for violations, that have no direct or immediate
37 relationship to public safety, and are corrected by the licensee
38 within a reasonable amount of time as designated by the board; ~~((and~~

1 ~~(e))~~ (d) A compliance program in accordance with chapter 43.05
2 RCW and RCW 69.50.342, whereby licensees may request compliance
3 assistance and inspections without issuance of a penalty, sanction,
4 or other violation provided that any noncompliant issues are resolved
5 within a specified period of time; and

6 (e) The convening of a meeting of impacted parties, within
7 existing resources, and no later than 20 business days before the
8 effective date of any significant legislative rule, as defined in RCW
9 34.05.328, in order to: (i) Identify ambiguities and remaining areas
10 of concern in the rule; (ii) coordinate education and public
11 relations efforts by all parties; (iii) provide comments regarding
12 internal board training and enforcement plans; and (iv) provide
13 comments regarding appropriate evaluation mechanisms to determine the
14 effectiveness of the new rule. The meeting must include a balanced
15 representation of licensees impacted, board personnel, and other
16 agencies or key stakeholder groups as determined by the board. An
17 existing advisory committee may be used if appropriate.

18 (2) ~~((The))~~ Subject to subsection (1)(a) of this section, the
19 board must adopt rules prescribing penalties for violations of this
20 chapter. The board:

21 (a) May establish escalating penalties for violation of this
22 chapter, provided that the cumulative effect of any such escalating
23 penalties cannot last beyond two years and the escalation applies
24 only to multiple violations that are the same or similar in nature;

25 (b) May not include cancellation of a license for a single
26 violation, unless the board can prove by a preponderance of the
27 evidence:

28 (i) Diversion of cannabis product to the illicit market or sales
29 across state lines;

30 (ii) Furnishing of cannabis product to minors;

31 (iii) Diversion of revenue to criminal enterprises, gangs,
32 cartels, or parties not qualified to hold a cannabis license based on
33 criminal history requirements;

34 (iv) The commission of noncannabis-related crimes; or

35 (v) Knowingly making a misrepresentation of fact to the board, an
36 officer of the board, or an employee of the board related to conduct
37 or an action that is, or alleged to be, any of the violations
38 identified in (b) (i) through (iv) of this subsection (2);

1 (c) May include cancellation of a license for cumulative
2 violations only if a cannabis licensee commits at least four
3 violations within a two-year period of time;

4 (d) Must consider aggravating and mitigating circumstances and
5 deviate from the prescribed penalties accordingly, and must authorize
6 enforcement officers to do the same, provided that such penalty may
7 not exceed the maximum escalating penalty prescribed by the board for
8 that violation; and

9 (e) Must give substantial consideration to mitigating any penalty
10 imposed on a licensee when there is employee misconduct that led to
11 the violation and the licensee:

12 (i) Established a compliance program designed to prevent the
13 violation;

14 (ii) Performed meaningful training with employees designed to
15 prevent the violation; and

16 (iii) Had not enabled or ignored the violation or other similar
17 violations in the past.

18 (3) The board may not consider any violation that occurred more
19 than two years prior as grounds for denial, suspension, revocation,
20 cancellation, or nonrenewal, unless the board can prove by a
21 preponderance of the evidence that the prior administrative violation
22 evidences:

23 (a) Diversion of cannabis product to the illicit market or sales
24 across state lines;

25 (b) Furnishing of cannabis product to minors;

26 (c) Diversion of revenue to criminal enterprises, gangs, cartels,
27 or parties not qualified to hold a cannabis license based on criminal
28 history requirements;

29 (d) The commission of noncannabis-related crimes; or

30 (e) Knowingly making a misrepresentation of fact to the board, an
31 officer of the board, or an employee of the board related to conduct
32 or an action that is, or is alleged to be, any of the violations
33 identified in (a) through (d) of this subsection (3).

34 **Sec. 3.** RCW 69.50.345 and 2023 c 220 s 5 are each amended to
35 read as follows:

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

1 (1) Licensing of cannabis producers, cannabis processors, and
2 cannabis retailers, including prescribing forms and establishing
3 application, reinstatement, and renewal fees.

4 (a) Application forms for cannabis producers must request the
5 applicant to state whether the applicant intends to produce cannabis
6 for sale by cannabis retailers holding medical cannabis endorsements
7 and the amount of or percentage of canopy the applicant intends to
8 commit to growing plants determined by the department under RCW
9 69.50.375 to be of a THC concentration, CBD concentration, or THC to
10 CBD ratio appropriate for cannabis concentrates, useable cannabis, or
11 cannabis-infused products sold to qualifying patients.

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

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

- 37 (i) Population distribution;
- 38 (ii) Security and safety issues;

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

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

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

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

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

26 (3) Determining the maximum quantity of cannabis a cannabis
27 producer may have on the premises of a licensed location at any time
28 without violating Washington state law;

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

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

37 (6) In making the determinations required by this section, the
38 board shall take into consideration:

39 (a) Security and safety issues;

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

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

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

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

16 (9) Establishing reasonable time, place, and manner restrictions
17 and requirements regarding advertising of cannabis, cannabis
18 concentrates, useable cannabis, and cannabis-infused products that
19 are not inconsistent with the provisions of this chapter, taking into
20 consideration:

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

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

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

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

30 (10) Specifying and regulating the time and periods when, and the
31 manner, methods, and means by which, licensees shall transport and
32 deliver cannabis, cannabis concentrates, useable cannabis, and
33 cannabis-infused products within the state;

34 (11) In consultation with the department and the department of
35 agriculture, prescribing methods of producing, processing, and
36 packaging cannabis, cannabis concentrates, useable cannabis, and
37 cannabis-infused products; conditions of sanitation; and standards of
38 ingredients, quality, and identity of cannabis, cannabis
39 concentrates, useable cannabis, and cannabis-infused products
40 produced, processed, packaged, or sold by licensees;

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

8 (13) A review of the board's rules regulating cannabis
9 production, processing, sales, and other cannabis activities, to be
10 initiated by rule making by October 1, 2025, within existing
11 resources, to eliminate or appropriately modify rules found to:

12 (a) Create an undue administrative burden on licensees after
13 considering the relation and effectiveness of the rule to preventing
14 youth access, the inversion and diversion of cannabis and cannabis
15 products into and out of Washington's cannabis market, or furthering
16 public safety efforts;

17 (b) Duplicate areas of enforcement delegated to local control in
18 other legal industries;

19 (c) Have previously resulted in documented inconsistent or
20 contradictory enforcement by board representatives;

21 (d) Duplicate authority granted by the legislature to other
22 agencies, including with respect to the accreditation of independent,
23 third-party testing laboratories by the department of agriculture
24 under RCW 69.50.348; or

25 (e) Require business practices of license holders unrelated to
26 youth access, the prevention of inversion and diversion of cannabis
27 and cannabis products into and out of Washington's cannabis market,
28 or public safety efforts including, but not limited to, requiring
29 licensees or employees to use physical sign-in sheets and name tags.

30 **Sec. 4.** RCW 69.50.342 and 2022 c 16 s 63 are each amended to
31 read as follows:

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

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

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

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

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

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

19 (f) Retail outlet locations and hours of operation;

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

24 (h) Forms to be used for purposes of this chapter and chapter
25 69.51A RCW or the rules adopted to implement and enforce these
26 chapters, the terms and conditions to be contained in licenses issued
27 under this chapter and chapter 69.51A RCW, and the qualifications for
28 receiving a license issued under this chapter and chapter 69.51A RCW,
29 including a criminal history record information check. The board may
30 submit any criminal history record information check to the
31 Washington state patrol and to the identification division of the
32 federal bureau of investigation in order that these agencies may
33 search their records for prior arrests and convictions of the
34 individual or individuals who filled out the forms. The board must
35 require fingerprinting of any applicant whose criminal history record
36 information check is submitted to the federal bureau of
37 investigation;

38 (i) Application, reinstatement, and renewal fees for licenses
39 issued under this chapter and chapter 69.51A RCW, and fees for

1 anything done or permitted to be done under the rules adopted to
2 implement and enforce this chapter and chapter 69.51A RCW;

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

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

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

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

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

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

34 (3) ~~((The))~~ In a manner consistent with RCW 69.50.562 and
35 69.50.345, the board must adopt rules to provide for the
36 establishment of new programs and perfect and expand existing
37 programs for compliance education for licensed cannabis businesses
38 and their employees. The rules must include a voluntary compliance
39 program created in consultation with licensed cannabis businesses and
40 their employees. The voluntary compliance program must include

1 recommendations on abating violations of this chapter and rules
2 adopted under this chapter.

3 NEW SECTION. **Sec. 5.** A new section is added to chapter 69.50
4 RCW to read as follows:

5 (1) The board must regularly audit the data in the cannabis
6 central reporting system to identify outliers or anomalies in data
7 for inconsistencies in reporting, for the purposes of identifying
8 locations where either or both of the following activities are
9 occurring in violation of this chapter, and undertaking enforcement
10 to prevent their occurrence:

11 (a) Inversion of cannabis or cannabis products into the regulated
12 cannabis system involving a person licensed under RCW 69.50.325 as a
13 cannabis producer, processor, or retailer, purchasing or obtaining
14 cannabis or cannabis products from an unauthorized person or source;
15 or

16 (b) Diversion of cannabis or cannabis products out of the
17 regulated cannabis system involving a person licensed under RCW
18 69.50.325 as a cannabis producer, processor, or retailer, selling or
19 transferring cannabis or cannabis products to an unauthorized person
20 or recipient.

21 (2) In addition to data in the cannabis central reporting system
22 including reports of sales of cannabis and cannabis products, for the
23 purpose of administering this section and preventing inversion and
24 diversion of cannabis and cannabis products, the board may also
25 consider and compare any books and records of cannabis licensees that
26 the board has authority to inspect under this chapter and shall also
27 consider and compare the following data or information:

28 (a) The status of a cannabis license issued by the board and
29 whether it is active and valid or whether it has been suspended,
30 revoked, canceled, or has otherwise not been active and valid during
31 any applicable time;

32 (b) The status of a business license issued by the department of
33 revenue and whether it is active and valid or whether it has been
34 suspended, revoked, canceled, or has otherwise not been active and
35 valid during any applicable time; and

36 (c) If the board suspects inversion or diversion activities by a
37 licensee, the board may require the licensee to submit the following
38 for inspection:

39 (i) Water utility billing records;

1 (ii) Electricity and natural gas billing records;

2 (iii) Filings and reports related to taxes or business activity
3 submitted to the department of revenue.

4 (3) For purposes of this section, "cannabis central reporting
5 system" means the system used by the board for the reporting of
6 events or information submitted by or on behalf of cannabis licensees
7 and certified laboratories to the board, as required by the board.

8 **Sec. 6.** RCW 34.05.328 and 2019 c 8 s 405 are each amended to
9 read as follows:

10 (1) Before adopting a rule described in subsection (5) of this
11 section, an agency must:

12 (a) Clearly state in detail the general goals and specific
13 objectives of the statute that the rule implements;

14 (b) Determine that the rule is needed to achieve the general
15 goals and specific objectives stated under (a) of this subsection,
16 and analyze alternatives to rule making and the consequences of not
17 adopting the rule;

18 (c) Provide notification in the notice of proposed rule making
19 under RCW 34.05.320 that a preliminary cost-benefit analysis is
20 available. The preliminary cost-benefit analysis must fulfill the
21 requirements of the cost-benefit analysis under (d) of this
22 subsection. If the agency files a supplemental notice under RCW
23 34.05.340, the supplemental notice must include notification that a
24 revised preliminary cost-benefit analysis is available. A final cost-
25 benefit analysis must be available when the rule is adopted under RCW
26 34.05.360;

27 (d) Determine that the probable benefits of the rule are greater
28 than its probable costs, taking into account both the qualitative and
29 quantitative benefits and costs and the specific directives of the
30 statute being implemented;

31 (e) Determine, after considering alternative versions of the rule
32 and the analysis required under (b), (c), and (d) of this subsection,
33 that the rule being adopted is the least burdensome alternative for
34 those required to comply with it that will achieve the general goals
35 and specific objectives stated under (a) of this subsection;

36 (f) Determine that the rule does not require those to whom it
37 applies to take an action that violates requirements of another
38 federal or state law;

1 (g) Determine that the rule does not impose more stringent
2 performance requirements on private entities than on public entities
3 unless required to do so by federal or state law;

4 (h) Determine if the rule differs from any federal regulation or
5 statute applicable to the same activity or subject matter and, if so,
6 determine that the difference is justified by the following:

7 (i) A state statute that explicitly allows the agency to differ
8 from federal standards; or

9 (ii) Substantial evidence that the difference is necessary to
10 achieve the general goals and specific objectives stated under (a) of
11 this subsection; and

12 (i) Coordinate the rule, to the maximum extent practicable, with
13 other federal, state, and local laws applicable to the same activity
14 or subject matter.

15 (2) In making its determinations pursuant to subsection (1)(b)
16 through (h) of this section, the agency must place in the rule-making
17 file documentation of sufficient quantity and quality so as to
18 persuade a reasonable person that the determinations are justified.

19 (3) Before adopting rules described in subsection (5) of this
20 section, an agency must place in the rule-making file a rule
21 implementation plan for rules filed under each adopting order. The
22 plan must describe how the agency intends to:

23 (a) Implement and enforce the rule, including a description of
24 the resources the agency intends to use;

25 (b) Inform and educate affected persons about the rule;

26 (c) Promote and assist voluntary compliance; and

27 (d) Evaluate whether the rule achieves the purpose for which it
28 was adopted, including, to the maximum extent practicable, the use of
29 interim milestones to assess progress and the use of objectively
30 measurable outcomes.

31 (4) After adopting a rule described in subsection (5) of this
32 section regulating the same activity or subject matter as another
33 provision of federal or state law, an agency must do all of the
34 following:

35 (a) Coordinate implementation and enforcement of the rule with
36 the other federal and state entities regulating the same activity or
37 subject matter by making every effort to do one or more of the
38 following:

39 (i) Deferring to the other entity;

40 (ii) Designating a lead agency; or

1 (iii) Entering into an agreement with the other entities
2 specifying how the agency and entities will coordinate implementation
3 and enforcement.

4 If the agency is unable to comply with this subsection (4)(a),
5 the agency must report to the legislature pursuant to (b) of this
6 subsection;

7 (b) Report to the joint administrative rules review committee:

8 (i) The existence of any overlap or duplication of other federal
9 or state laws, any differences from federal law, and any known
10 overlap, duplication, or conflict with local laws; and

11 (ii) Make recommendations for any legislation that may be
12 necessary to eliminate or mitigate any adverse effects of such
13 overlap, duplication, or difference.

14 (5)(a) Except as provided in (b) of this subsection, this section
15 applies to:

16 (i) Significant legislative rules of the departments of ecology,
17 labor and industries, health, revenue, social and health services,
18 and natural resources, the employment security department, the forest
19 practices board, the office of the insurance commissioner, the state
20 building code council, and the liquor and cannabis board in
21 implementing chapter 69.50 RCW, and to the legislative rules of the
22 department of fish and wildlife implementing chapter 77.55 RCW; and

23 (ii) Any rule of any agency, if this section is voluntarily made
24 applicable to the rule by the agency, or is made applicable to the
25 rule by a majority vote of the joint administrative rules review
26 committee within forty-five days of receiving the notice of proposed
27 rule making under RCW 34.05.320.

28 (b) This section does not apply to:

29 (i) Emergency rules adopted under RCW 34.05.350;

30 (ii) Rules relating only to internal governmental operations that
31 are not subject to violation by a nongovernment party;

32 (iii) Rules adopting or incorporating by reference without
33 material change federal statutes or regulations, Washington state
34 statutes, rules of other Washington state agencies, shoreline master
35 programs other than those programs governing shorelines of statewide
36 significance, or, as referenced by Washington state law, national
37 consensus codes that generally establish industry standards, if the
38 material adopted or incorporated regulates the same subject matter
39 and conduct as the adopting or incorporating rule;

1 (iv) Rules that only correct typographical errors, make address
2 or name changes, or clarify language of a rule without changing its
3 effect;

4 (v) Rules the content of which is explicitly and specifically
5 dictated by statute, including any rules of the department of revenue
6 adopted under the authority of RCW 82.32.762(3);

7 (vi) Rules that set or adjust fees under the authority of RCW
8 19.02.075 or that set or adjust fees or rates pursuant to legislative
9 standards, including fees set or adjusted under the authority of RCW
10 19.80.045;

11 (vii) Rules of the department of social and health services
12 relating only to client medical or financial eligibility and rules
13 concerning liability for care of dependents; or

14 (viii) Rules of the department of revenue that adopt a uniform
15 expiration date for reseller permits as authorized in RCW 82.32.780
16 and 82.32.783.

17 (c) For purposes of this subsection:

18 (i) A "procedural rule" is a rule that adopts, amends, or repeals
19 (A) any procedure, practice, or requirement relating to any agency
20 hearings; (B) any filing or related process requirement for making
21 application to an agency for a license or permit; or (C) any policy
22 statement pertaining to the consistent internal operations of an
23 agency.

24 (ii) An "interpretive rule" is a rule, the violation of which
25 does not subject a person to a penalty or sanction, that sets forth
26 the agency's interpretation of statutory provisions it administers.

27 (iii) A "significant legislative rule" is a rule other than a
28 procedural or interpretive rule that (A) adopts substantive
29 provisions of law pursuant to delegated legislative authority, the
30 violation of which subjects a violator of such rule to a penalty or
31 sanction; (B) establishes, alters, or revokes any qualification or
32 standard for the issuance, suspension, or revocation of a license or
33 permit; or (C) adopts a new, or makes significant amendments to, a
34 policy or regulatory program.

35 (d) In the notice of proposed rule making under RCW 34.05.320, an
36 agency must state whether this section applies to the proposed rule
37 pursuant to (a) (i) of this subsection, or if the agency will apply
38 this section voluntarily.

39 (6) By January 31, 1996, and by January 31st of each even-
40 numbered year thereafter, the office of regulatory assistance, after

1 consulting with state agencies, counties, and cities, and business,
2 labor, and environmental organizations, must report to the governor
3 and the legislature regarding the effects of this section on the
4 regulatory system in this state. The report must document:

5 (a) The rules proposed to which this section applied and to the
6 extent possible, how compliance with this section affected the
7 substance of the rule, if any, that the agency ultimately adopted;

8 (b) The costs incurred by state agencies in complying with this
9 section;

10 (c) Any legal action maintained based upon the alleged failure of
11 any agency to comply with this section, the costs to the state of
12 such action, and the result;

13 (d) The extent to which this section has adversely affected the
14 capacity of agencies to fulfill their legislatively prescribed
15 mission;

16 (e) The extent to which this section has improved the
17 acceptability of state rules to those regulated; and

18 (f) Any other information considered by the office of financial
19 management to be useful in evaluating the effect of this section.

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