Implementing Marijuana Regulation in Washington State
A 2016 Update

Mary Segawa, MS
WA State Liquor and Cannabis Board
June 21-23, 2016
Overview

- Key elements of I-502
- Agency objective
- Overview of the system
- Key legislative changes
- Issues
- Integration of marijuana for medical use
- Current status
- Marijuana revenue and disbursements
- Resources
Disclaimer

Today’s presentation is designed to inform this audience of the current status of Initiative 502’s implementation, its timeline, challenges facing the state and expected next steps.

The views expressed today represent the speaker’s summary of these current events and are subject to change based on the final decisions of the Board.
I-502 Key Elements.

- Legalized system of producing, processing and retailing marijuana for adults age 21 and older
- Decriminalizes possession of one ounce of marijuana
  - 1 ounce of useable marijuana for smoking
  - 16 ounces in solid form
  - 72 ounces in liquid form
- Creates three-tier system of licensing, regulation and taxation similar to alcohol
  - Producer license (grower)
  - Processor license (prepares for retail)
  - Retail license (operates marijuana only stores)
Key Elements.

• Taxation
  • Excise tax rate of 37 percent on final marijuana sales
• Public Safety and Education
  • THC bloodstream threshold for marijuana DUI’s
  • Limits on store locations, advertising and number of outlets
  • Revenue for healthcare, research and education
Laws and Rules

The Difference Between I-502 Laws and Rules

- **Laws (RCW)**
  - Enacted by Legislature and signed by Governor
  - Enacted by voters (initiatives and referendums)

- **Rules (WAC)**
  - Detailed regulations necessary to implement the law
  - Clarifies what is allowed or not allowed under law
  - Created by state agency, board (WSLCB) or commission
  - Cannot change the law in any way
  - Public and transparent process
  - Once final, they provide the structure for participation in the system
Agency Objective

Public Safety

• Create a tightly controlled and regulated marijuana market

Agency Role and Responsibilities

• Create a 3-tier regulatory system for marijuana
• Create licenses for producer, processor and retailer
• Enforce laws and rules pertaining to licensees
  – Inspections
  – Traceability System
  – Compliance checks
• Collect and distribute taxes/fees
The System
Licensing

Requirements

• Criminal history investigation
• Financial background investigation
• Six-month residency requirement
  • Entity must be formed in Washington State
• 1000 foot buffer zone

Traceability

• Software system that traces product from start to sale.
• Allows the LCB to monitor and track any plant or product at any time.

Security and Safeguards

• Alarm and surveillance video camera requirements
• Strict transportation and record keeping
• Hours of operation limited to 8:00 am to 12:00 am
Consumer Safety

Strict Packaging and Labeling Requirements

- Limited servings and concentration per package
  - Servings individually wrapped
  - Homogenized to ensure uniform THC concentration

- Warning Labels

- Usage warnings
  - Specific warnings for edible foods and liquids about effect delays

- Upon request
  - Third party lab that tests lot and results
  - All pesticides, herbicides, fungicides found in product

Store Signage

- No minors allowed in stores
- Prohibiting opening a package and/or consuming in public
Consumer Safety

Restrictions

• No more than 10 mg THC per serving
• No more than 10 servings per package
• Each serving individually wrapped
• Childproof packaging
• Cannot be “especially” appealing to children”
• Must be homogenized
Consumer Safety

[Images of various food items and a 'NOT FOR KIDS' emergency contact poster]
Consumer Safety

Warning Labels on the Package

For all marijuana products

• “This product has intoxicating effects and may be habit forming.”
• “This product may be unlawful outside of Washington state.”

Addition for edibles

• “Caution: When eaten or swallowed, the intoxicating effects of this drug may be delayed by two or more hours.”
2015 Key Legislative Changes

2E2SHB 2136 Concerning comprehensive marijuana market reforms to ensure a well-regulated and taxed marijuana market in Washington state. Signed by the Governor 06-30-2015

- Consolidates taxes—Retailer only, 37 percent
- Allows 2 signs, removes display restrictions
- Changes revenue distribution
- Permits local ordinances to change buffer zones
- Clarifies public use restrictions
- Expands retail store limits
- Adds research and transportation licenses
Issues

Bans and Moratoria
• Court ruled that because I-502 was silent on bans/moratoria that cites/counties can ban marijuana businesses

Federal Guidelines
• Does not change federal law
• Allows tribes to participate in the market

Banking
• Dept. of the Treasury allows banks to do business with marijuana licensees

Advertising
• Balancing free speech with restrictions in the law
Advertising
Medical Marijuana
Medical – Qualifying Patients

Requirements

• Patient of a health care professional
• Qualifying condition - objectively assessed and evaluated
• WA State resident when diagnosed
• Authorization form from health care professional
• Examinations - in-person at health care professional’s permanent business location
• Beginning July 1, 2016 - entered into the medical marijuana authorization database and provided a recognition card
Cardholder vs. Non-Cardholder

**Cardholder**
- May purchase 3 times the recreational limits
- May possess 6 plants and up to 15 if authorized
- Purchases sales tax exempt
- Arrest protection
- May participate in a cooperative
- May purchase higher THC products

**Non Cardholder**
- Restricted to purchasing the recreational limits
- May only possess 4 plants
- Purchases at retail stores are subject to sales tax
- Affirmative defense only
- May not participate in a cooperative
Medical – Health Care Professional

A Health Care Professional Must:

• Have a documented relationship with the patient as principal provider or specialist
• Complete an in-person physical examination
• Document the condition and that the patient may benefit from treatment with medical marijuana
• Document other measures to treat the condition
Retail Licensees – Medical Endorsement

- Cannot permit medical professionals to write authorizations at retail site
- Must be able to enter patients into database and issue recognition cards
- Must provide products that meet medical definition as designated by DOH
- Must keep appropriate records
- May sell products with a THC concentration of .03 or less
Medical – Retail Licensees

• Qualifying patients 18-21 years old with a recognition card may enter premises and purchase product
• Qualifying patients under 18 with a recognition card may enter with designated provider, may not purchase
• Strict training requirements for all employees

Medical Marijuana Consultant

• Can assist customers with selection of products
• DOH is responsible for certification requirements
Cooperatives

- Up to 4 patients/designated providers, at the residence of one of the members
- May grow the total amount authorized for the 4 members, maximum 60 plants
- Patients/designated providers must be entered into the database
- Location must be registered with the LCB; subject to inspection by the LCB and law enforcement
- Cannot be within one mile of a marijuana retailer
- Limited to one cooperative per tax parcel
- Qualifying patients/designated providers may only participate in one cooperative
A Quick Snapshot
Implementation Status

<table>
<thead>
<tr>
<th>Licenses</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producer licenses</td>
<td>174</td>
</tr>
<tr>
<td>Producer/Processor licenses</td>
<td>883</td>
</tr>
<tr>
<td>Processor licenses</td>
<td>129</td>
</tr>
<tr>
<td>Retail licenses</td>
<td>437</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Total sales* (shelf price)</th>
<th>Total tax obligation</th>
</tr>
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<tbody>
<tr>
<td>FY 2015</td>
<td>$259,785,729</td>
<td>$ 64,946,432</td>
</tr>
<tr>
<td>FY 2016</td>
<td>$972,729,675</td>
<td>$185,786,493</td>
</tr>
<tr>
<td>FY 2017 (9/21/16)</td>
<td>$343,443,528</td>
<td>$ 65,488,248</td>
</tr>
<tr>
<td>Average daily sales WTD</td>
<td>$4,509,442</td>
<td></td>
</tr>
</tbody>
</table>

*Shelf price = sales price + tax. In addition, DOR collects Retail Sales and Business and Occupation taxes.
### Compliance

<table>
<thead>
<tr>
<th>Premise checks</th>
<th>Compliance Checks MTD/FYTD</th>
<th>Failed Compliance Checks MTD/FYTD</th>
<th>Violations Issued</th>
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<tr>
<td>FY 2017 = 808</td>
<td>FY 2017 = 160</td>
<td>FY 2017 = 14</td>
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Sales by Product Type (%)
# Marijuana Enforcement Data

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MTD = Month to date  
FYTD = Fiscal year to date  
FY 2017 = Fiscal year 2017, July 1, 2016 – June 30, 2017

As of Sept. 21, 2016

(Currently there are approximately 126 enforcement staff in the field for both alcohol and marijuana enforcement efforts.)
lcb.wa.gov
Frequently Requested Lists

Marijuana
- Marijuana: Approved Infused Products List
- Marijuana: Approved Testing Labs
- Marijuana Education Event Resources
- Marijuana: Enforcement and Education Data
  - Marijuana Enforcement Visits (w/date and type)
  - Marijuana Violations
  - Enforcement News Bulletins
- Marijuana: Fiscal Year 2016 Distributions
- Marijuana License Applicants (contains both applicants and issued licenses)
  When active licenses come up for renewal or are undergoing some sort of change their status is changed from "Active" to "Pending (Issued)." Please include "Pending (Issued)" when filtering to see all currently active licenses.
- Marijuana; Medically Endorsed Stores
- Marijuana Retail Stores Allocation
  Updated May 8, 2016
- Marijuana Retail Store Status by Location
  Updated May 17, 2016
- Marijuana Sales Activity
  - Fiscal Year 2015 Sales and Excise Tax by County
- Marijuana Sales Activity by License Number
  - Weekly Marijuana Report
    - Fiscal Year 2015 Data
Marijuana Revenue
## Revenue

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## Revenue Projections

### Initial excise tax forecast projections (2013)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2015</td>
<td>$36.3 million</td>
</tr>
<tr>
<td>FY 2016</td>
<td>$80.0 million</td>
</tr>
<tr>
<td>FY 2017</td>
<td>$119.8 million</td>
</tr>
<tr>
<td>FY 2018</td>
<td>$160.2 million</td>
</tr>
<tr>
<td>FY 2019</td>
<td>$193.5 million</td>
</tr>
</tbody>
</table>

### Current excise tax forecast projections* (Feb. 2016)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2016</td>
<td>n/a</td>
</tr>
<tr>
<td>FY 2016</td>
<td>$164.0 million</td>
</tr>
<tr>
<td>FY 2017</td>
<td>$268.7 million</td>
</tr>
<tr>
<td>FY 2018</td>
<td>$329.5 million</td>
</tr>
<tr>
<td>FY 2019</td>
<td>$361.8 million</td>
</tr>
</tbody>
</table>

FY 2016 Actual: $185,786,493

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## Alcohol Income and License Fees FY 2015

<table>
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<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>WSLCB</td>
<td>$ 189.52 million</td>
</tr>
<tr>
<td>Dept. of Revenue</td>
<td>$ 276.33 million</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 465.85 million</strong></td>
</tr>
</tbody>
</table>
Funding Disbursements

Quarterly allocations per I-502

Dept. of Social and Health Services

Healthy Youth and Young Adult Surveys $125,000
Contract with the WA Institute for Public Policy for cost-benefit evaluation $50,000

Univ. of Washington Alcohol & Drug Abuse Institute

Web-based public education $5,000
(www.LearnAboutMarijuanaWA.org)

Liquor Control Board*

Administration and regulation $1,250,000

*Changed to Liquor and Cannabis Board, July 2015
## Funding Disbursements

<table>
<thead>
<tr>
<th>Estimated Net to Distribute</th>
<th>$155,882,285</th>
<th>$260,209,170</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agency</strong></td>
<td><strong>For</strong></td>
<td>I-502*</td>
</tr>
<tr>
<td>Dept. of Social and Health Svcs.</td>
<td>Prevention and reduction of substance abuse</td>
<td>15 percent</td>
</tr>
<tr>
<td>Dept. of Health</td>
<td>Marijuana education and public health program</td>
<td>10 percent</td>
</tr>
<tr>
<td>University of Washington</td>
<td>Research on short- and long-term effects</td>
<td>.6 percent</td>
</tr>
<tr>
<td>Washington State University</td>
<td>Research on short- and long-term effects</td>
<td>.4 percent</td>
</tr>
<tr>
<td></td>
<td>Basic Health Trust Fund Account</td>
<td>50 percent</td>
</tr>
<tr>
<td>WA Health Care Authority</td>
<td>Contracts with community health centers</td>
<td>5 percent</td>
</tr>
<tr>
<td>Supt. of Public Instruction</td>
<td>Drop-out prevention</td>
<td>.3 percent</td>
</tr>
<tr>
<td>General Fund</td>
<td></td>
<td>18.7 percent</td>
</tr>
</tbody>
</table>

*Modified by Legislature in 2015, 2E2SSB 2136*
Examples of Funded Activities

**DSHS – Substance abuse prevention and treatment**
- Increase in youth treatment services
- Increased support for and expansion of community- and school-based services
- Grants for community-based services for prevention
- Training in Life Skills and other prevention and treatment programs
- Tribal Prevention and Treatment grants

**DOH**
- Media-based educational campaigns
  - Parents and other adult influencers
  - Youth
- Marijuana and Tobacco community grants
  - General population
  - Priority populations (African American, Latino/Hispanic, Asian/Pacific Islander, American Indian/Alaska Native, and LGBQT)
- Marijuana Hotline
- Tobacco cessation services
Resources

• Start Talking Now – www.StartTalkingNow.org
• Athena Forum – www.theathenaforum.org
• University of Washington Alcohol and Drug Abuse Institute – www.LearnAboutMarijuanaWA.org
• Healthy Youth Survey – www.askhys.net
• WA State Liquor and Cannabis Board – https://lcb.wa.gov
  – Sign up for the Listserv
• WA State Department of Health – www.doh.wa.gov
  – Sign up for the Listserv
• WA State Division of Behavioral Health and Recovery – www.dshs.wa.gov/bhsia/division-behavioral-health-and-recovery
Thank You!

Contact Information

Mary Segawa
360-664-1771
mary.segawa@lcb.wa.gov

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