



Implementing Marijuana Regulation in Washington State

A 2016 Update

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WA State Liquor and Cannabis Board

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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



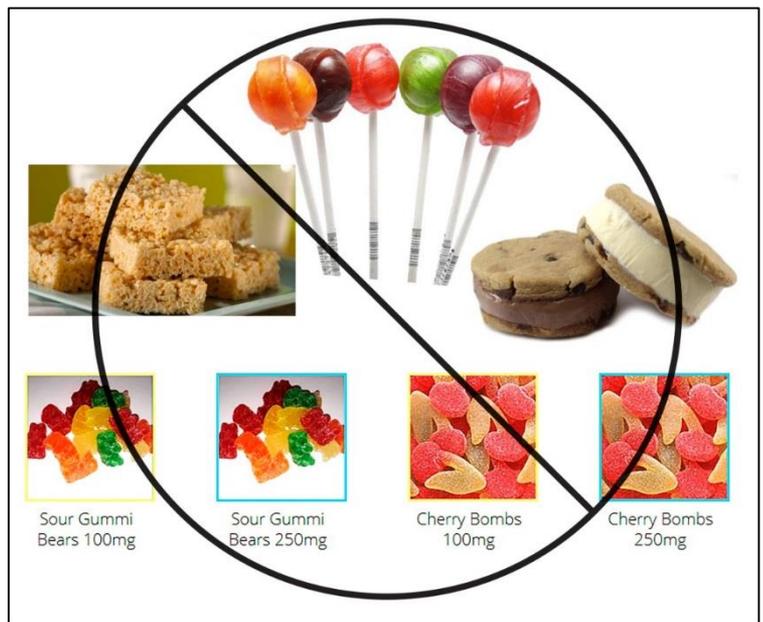
Consumer Safety

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



Sour Gummi Bears 100mg



Sour Gummi Bears 250mg



Cherry Bombs 100mg



Cherry Bombs 250mg





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 cities/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

Licenses	
Producer licenses	174
Producer/Processor licenses	883
Processor licenses	129
Retail licenses	437

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

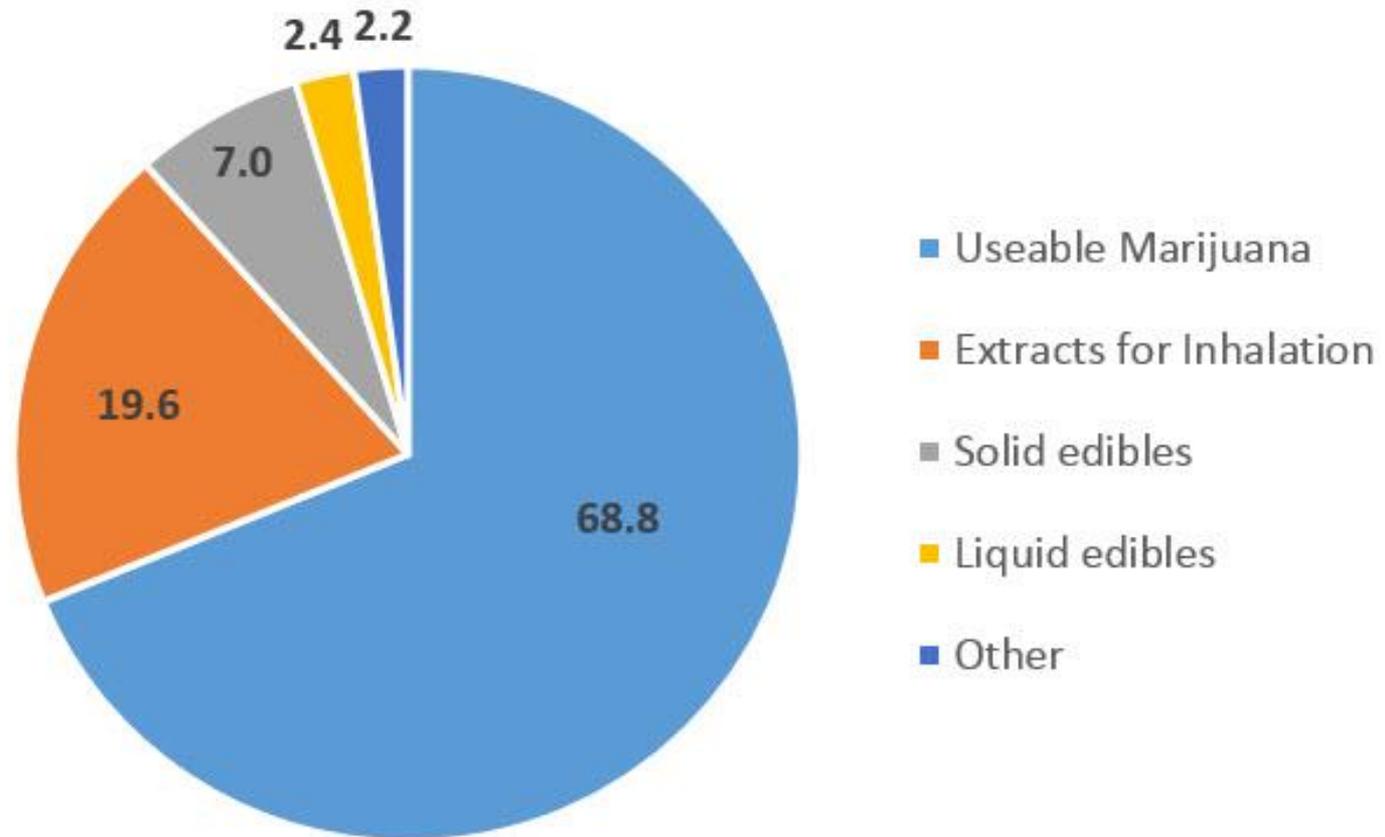


Compliance

Premise checks	Compliance Checks MTD/FYTD	Failed Compliance Checks MTD/FYTD	Violations Issued
Aug 2016 = 414	Aug 2016 = 97	Aug 2016 = 7	Aug 2016 = 26
FY 2017 = 808	FY 2017 = 160	FY 2017 = 14	FY 2017 = 48



Sales by Product Type (%)





Marijuana Enforcement Data

Premise checks	Compliance checks MTD/FYTD	Failed compliance checks MTD/FYTD	Violations issued
Aug 2016 = 414 FY 2017 = 808	Aug 2016 = 97 FY 2017 = 160	Aug 2016 = 7 FY 2017 = 14	Aug 2016 = 26 FY 2017 = 48

As of Sept.21, 2016

MTD = Month to date

FYTD = Fiscal year to date

FY 2017 = Fiscal year 2017, July 1, 2016 – June 30, 2017

(Currently there are approximately 126 enforcement staff in the field for both alcohol and marijuana enforcement efforts.)



lcb.wa.gov

Washington State
Liquor and Cannabis Board

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Marijuana 2016

Marijuana 2016

Find up-to-date information, including how SB5052 affects medical marijuana, here.

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Order Banquet Permits Online

The Liquor and Cannabis Board uses an online application system for citizens to apply for banquet permits.

Alcohol Sales Training

The training courses are intended to increase your understanding of the rules, regulations and training requirements of Washington State's alcohol laws.



Frequently Requested Lists

Home Licensing Services Enforcement Education Careers Business Portal

Public Records Overview

- Make a Public Records Request
- Public Records Index
- Frequently Requested Lists
- FAQs
- Helpful Links
- Contact Public Records

View Edit Outline Revisions Workflow

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 9, 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

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

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



Revenue Projections

Initial excise tax forecast projections (2013)

FY 2015	\$36.3 million
FY 2016	\$80.0 million
FY 2017	\$119.8 million
FY 2018	\$160.2 million
FY 2019	\$193.5 million

Current excise tax forecast projections* (Feb. 2016)

n/a	
FY 2016	\$164.0 million
FY 2017	\$268.7 million
FY 2018	\$329.5 million
FY 2019	\$361.8 million

FY 2016 Actual: \$185,786,493

Alcohol Income and License Fees FY 2015

WSLCB	\$ 189.52 million
Dept. of Revenue	\$ 276.33 million
Total	\$ 465.85 million



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

Estimated Net to Distribute			\$155,882,285	\$260,209,170
Agency	For	I-502*	FY 16	FY 17
Dept. of Social and Health Svcs.	Prevention and reduction of substance abuse	15 percent	\$12,814,000 (8.2 percent)	\$27,786,000 (10.7 percent)
Dept. of Health	Marijuana education and public health program	10 percent	\$7,500,000 (4.8 percent)	\$7,500,000 (2.9 percent)
University of Washington	Research on short- and long-term effects	.6 percent	\$207,000 (.13 percent)	\$207,000 (.08 percent)
Washington State University	Research on short- and long-term effects	.4 percent	\$138,000 (.09 percent)	\$138,000 (.05 percent)
	Basic Health Trust Fund Account	50 percent	\$77,941,000 (50 percent)	\$130,105,000 (50 percent)
WA Health Care Authority	Contracts with community health centers	5 percent	\$5,351,000 (3.4 percent)	\$12,520,000 (4.8 percent)
Supt. of Public Instruction	Drop-out prevention	.3 percent	\$251,000 (.16 percent)	\$511,000 (.2 percent)
General Fund		18.7 percent	\$51,680,285 (33 percent)	\$81,442,170 (31 percent)

*Modified by Legislature in 2015, 2E2SSB 2136



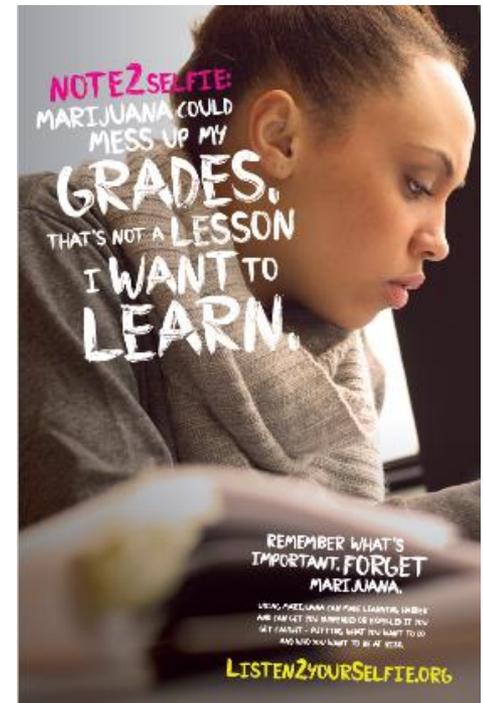
Examples of Funded Activities

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 LGBTQT)
- 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!

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