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SENATE BILL 6603

State of Washington 66th Legislature 2020 Regular Session

By Senators Keiser and Walsh; by request of Liquor and Cannabis Board

AN ACT Relating to establishing a retail privilege endorsement to a marijuana producer license; amending RCW 69.50.328, 69.50.345, 69.50.366, and 69.50.369; reenacting and amending RCW 69.50.345; adding new sections to chapter 69.50 RCW; creating a new section; providing an effective date; and providing an expiration date.

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

7 <u>NEW SECTION.</u> **Sec. 1.** (1) The legislature finds that it enacted 2015 to close unregulated medical marijuana 8 legislation in dispensaries and merge the unregulated medical and tightly-regulated 9 10 recreational marijuana markets by July 2016. Available evidence 11 suggests that medical marijuana products, also known as department of 12 health-compliant products, are not widely or readily available in the retail marketplace, despite a number of provisions included in the 13 2015 legislation to provide access to medical marijuana products. 14 15 Reasonable access to medical marijuana for qualifying patients across 16 the state is needed; regulatory changes in the marijuana industry are 17 also needed in order to expand production and available inventories 18 of medical marijuana products.

(2) The legislature further finds that in order for the marijuana industry to continue to grow and remain strong, production must remain viable for a wide array of producers. State laws and rules

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- must ensure small-scale producers have a reasonable opportunity to remain in business and offer a diverse range of high-quality products for qualifying patients and other consumers. While sharp declines in marijuana prices have presented a challenge to many producers in the industry, small producers are especially impacted by low prices and the lack of opportunity to achieve economies of scale in their operations.
 - (3) The legislature therefore intends to provide expanded access to medical marijuana while simultaneously creating new avenues for small scale marijuana producers to make their businesses more sustainable through better meeting the needs of patients.

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- 12 **Sec. 2.** RCW 69.50.328 and 2013 c 3 s 5 are each amended to read 13 as follows:
- Except as provided in section 3 of this act, neither a licensed marijuana producer nor a licensed marijuana processor shall have a direct or indirect financial interest in a licensed marijuana retailer.
- NEW SECTION. Sec. 3. A new section is added to chapter 69.50 RCW to read as follows:
 - (1) A retail privilege endorsement to a marijuana producer license is hereby established to permit marijuana producers who held, as of July 1, 2019, the license defined in rule by the board as authorizing the lowest level of production to engage in the retail sale of medical marijuana as provided in this section and section 4 of this act. A marijuana producer holding a retail privilege endorsement may not hold an interest in any other marijuana producer or marijuana retailer license and may not hold any interest in more than one processor license.
 - (2)(a) Retail privilege endorsement holders must meet all marijuana retailer requirements under this chapter and be in compliance with city, town, or county zoning and permit requirements.
 - (b) Marijuana products for sale by the retail privilege endorsement holder must meet department requirements for sale to qualifying patients or designated providers as provided under RCW 69.50.375(4). If usable marijuana is used in the creation of products sold by a marijuana producer holding a retail privilege endorsement, the usable marijuana must be of the marijuana producer's own production. Marijuana producers holding a retail privilege

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endorsement may also sell plants and seeds to qualifying patients holding a valid recognition card under chapter 69.51A RCW.

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- (3) Retail privilege endorsement holders must hold, or employ a person who holds, a medical marijuana consultant certificate under RCW 69.51A.290. The medical marijuana consultant must be on the retail premises when retail sales are being conducted.
- 7 (4) The retail location of the retail privilege endorsement must 8 be at least one mile from:
 - (a) Any retail outlet in operation as of January 1, 2020;
 - (b) Any retail outlet operated by a tribal government; and
- 11 (c) A location where a tribal government intends to conduct 12 retail sales of marijuana products if the tribal government has a 13 marijuana compact and has notified the board by January 1, 2020, of 14 its intent.
- NEW SECTION. Sec. 4. A new section is added to chapter 69.50 RCW to read as follows:
- A home delivery endorsement is established to allow a retail privilege endorsement holder to deliver marijuana products to customers as provided in this subsection.
- 20 (1) Marijuana products delivered under a home delivery 21 endorsement must meet department requirements for sale to qualifying 22 patients or designated providers as provided under RCW 69.50.375(4).
- (2) Home delivery endorsement holders must hold, or employ a person holding, a medical marijuana consultant certificate under RCW 69.51A.290.
- 26 (3) Home delivery endorsement holders must meet all requirements 27 established by the board in rule.
- NEW SECTION. Sec. 5. A new section is added to chapter 69.50 RCW to read as follows:
- The board must adopt rules to implement sections 3 and 4 of this act. These rules must include:
- 32 (1) Application forms and application periods for the retail 33 privilege endorsement and the home delivery endorsement;
- 34 (2) Fees, including any application fees and renewal fees, for 35 the retail privilege endorsement and the home delivery endorsement;
- 36 (3) Other requirements necessary to implement sections 3 and 4 of 37 this act.

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1 **Sec. 6.** RCW 69.50.345 and 2019 c 393 s 2 are each amended to 2 read as follows:

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- The ((state liquor and cannabis)) board, subject to the provisions of this chapter, must adopt rules that establish the procedures and criteria necessary to implement the following:
- (1) Licensing of marijuana producers, marijuana processors, and marijuana retailers, including prescribing forms and establishing application, reinstatement, and renewal fees.
- (a) Application forms for marijuana producers must request the applicant to state whether the applicant intends to produce marijuana for sale by marijuana retailers holding medical marijuana endorsements and the amount of or percentage of canopy the applicant intends to commit to growing plants determined by the department under RCW 69.50.375 to be of a THC concentration, CBD concentration, or THC to CBD ratio appropriate for marijuana concentrates, useable marijuana, or marijuana-infused products sold to qualifying patients.
- (b) The ((state liquor and cannabis)) board must reconsider and increase limits on the amount of square feet permitted to be in production on July 24, 2015, and increase the percentage production space for those marijuana producers who intend to grow plants for marijuana retailers holding medical marijuana endorsements if the marijuana producer designates the increased production space to plants determined by the department under RCW 69.50.375 to be of a THC concentration, CBD concentration, or THC to CBD ratio appropriate for marijuana concentrates, useable marijuana, or marijuana-infused products to be sold to qualifying patients. If current marijuana producers do not use all the increased production space, the ((state liquor and cannabis)) board may reopen the license period for new marijuana producer license applicants but only to those marijuana producers who agree to grow plants for marijuana retailers holding medical marijuana endorsements. Priority in licensing must be given to marijuana producer license applicants who have an application pending on July 24, 2015, but who are not yet licensed and then to new marijuana producer license applicants. After January 1, 2017, any reconsideration of the limits on the amount of square feet permitted to be in production to meet the medical needs of qualifying patients must consider information contained in the medical marijuana authorization database established in RCW 69.51A.230;

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- (2) Determining, in consultation with the office of financial management, the maximum number of retail outlets that may be licensed in each county, taking into consideration:
 - (a) Population distribution;

- (b) Security and safety issues;
- (c) The provision of adequate access to licensed sources of marijuana concentrates, useable marijuana, and marijuana-infused products to discourage purchases from the illegal market; and
- (d) The number of retail outlets holding medical marijuana endorsements necessary to meet the medical needs of qualifying patients. ((The state liquor and cannabis board must reconsider and increase the maximum number of retail outlets it established before July 24, 2015, and allow for a new license application period and a greater number of retail outlets to be permitted in order to accommodate the medical needs of qualifying patients and designated providers. After January 1, 2017,)) Any reconsideration of the maximum number of retail outlets needed to meet the medical needs of qualifying patients must consider information contained in the medical marijuana authorization database established in RCW 69.51A.230;
- (3) Determining the maximum quantity of marijuana a marijuana producer may have on the premises of a licensed location at any time without violating Washington state law;
- (4) Determining the maximum quantities of marijuana, marijuana concentrates, useable marijuana, and marijuana-infused products a marijuana processor may have on the premises of a licensed location at any time without violating Washington state law;
- (5) Determining the maximum quantities of marijuana concentrates, useable marijuana, and marijuana-infused products a marijuana retailer may have on the premises of a retail outlet at any time without violating Washington state law;
- (6) In making the determinations required by this section, the ((state liquor and cannabis)) board shall take into consideration:
 - (a) Security and safety issues;
- (b) The provision of adequate access to licensed sources of marijuana, marijuana concentrates, useable marijuana, and marijuana-infused products to discourage purchases from the illegal market; and
- (c) Economies of scale, and their impact on licensees' ability to both comply with regulatory requirements and undercut illegal market prices;

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

- (8) In consultation with the department of agriculture and the department, establishing classes of marijuana, marijuana concentrates, useable marijuana, and marijuana-infused products according to grade, condition, cannabinoid profile, THC concentration, CBD concentration, or other qualitative measurements deemed appropriate by the ((state liquor and cannabis)) board;
- (9) Establishing reasonable time, place, and manner restrictions and requirements regarding advertising of marijuana, marijuana concentrates, useable marijuana, and marijuana-infused products that are not inconsistent with the provisions of this chapter, taking into consideration:
- 16 (a) Federal laws relating to marijuana that are applicable within 17 Washington state;
 - (b) Minimizing exposure of people under twenty-one years of age to the advertising;
 - (c) The inclusion of medically and scientifically accurate information about the health and safety risks posed by marijuana use in the advertising; and
 - (d) Ensuring that retail outlets with medical marijuana endorsements and retail privilege endorsement holders may advertise themselves as medical retail outlets;
 - (10) Specifying and regulating the time and periods when, and the manner, methods, and means by which, licensees shall transport and deliver marijuana, marijuana concentrates, useable marijuana, and marijuana-infused products within the state;
 - (11) In consultation with the department and the department of agriculture, establishing accreditation requirements for testing laboratories used by licensees to demonstrate compliance with standards adopted by the ((state liquor and cannabis)) board, and prescribing methods of producing, processing, and packaging marijuana, marijuana concentrates, useable marijuana, and marijuana-infused products; conditions of sanitation; and standards of ingredients, quality, and identity of marijuana, marijuana concentrates, useable marijuana, and marijuana-infused products produced, processed, packaged, or sold by licensees;

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

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- 8 Sec. 7. RCW 69.50.345 and 2019 c 393 s 2 and 2019 c 277 s 6 are 9 each reenacted and amended to read as follows:
 - The ((state liquor and cannabis)) board, subject to the provisions of this chapter, must adopt rules that establish the procedures and criteria necessary to implement the following:
 - (1) Licensing of marijuana producers, marijuana processors, and marijuana retailers, including prescribing forms and establishing application, reinstatement, and renewal fees.
 - (a) Application forms for marijuana producers must request the applicant to state whether the applicant intends to produce marijuana for sale by marijuana retailers holding medical marijuana endorsements and the amount of or percentage of canopy the applicant intends to commit to growing plants determined by the department under RCW 69.50.375 to be of a THC concentration, CBD concentration, or THC to CBD ratio appropriate for marijuana concentrates, useable marijuana, or marijuana-infused products sold to qualifying patients.
 - (b) The ((state liquor and cannabis)) board must reconsider and increase limits on the amount of square feet permitted to be in production on July 24, 2015, and increase the percentage production space for those marijuana producers who intend to grow plants for marijuana retailers holding medical marijuana endorsements if the marijuana producer designates the increased production space to plants determined by the department under RCW 69.50.375 to be of a THC concentration, CBD concentration, or THC to CBD ratio appropriate for marijuana concentrates, useable marijuana, or marijuana-infused products to be sold to qualifying patients. If current marijuana producers do not use all the increased production space, the ((state liquor and cannabis)) board may reopen the license period for new marijuana producer license applicants but only to those marijuana producers who agree to grow plants for marijuana retailers holding medical marijuana endorsements. Priority in licensing must be given to marijuana producer license applicants who have an application

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- pending on July 24, 2015, but who are not yet licensed and then to new marijuana producer license applicants. After January 1, 2017, any reconsideration of the limits on the amount of square feet permitted to be in production to meet the medical needs of qualifying patients must consider information contained in the medical marijuana authorization database established in RCW 69.51A.230;
- (2) Determining, in consultation with the office of financial management, the maximum number of retail outlets that may be licensed in each county, taking into consideration:
 - (a) Population distribution;

- (b) Security and safety issues;
- (c) The provision of adequate access to licensed sources of marijuana concentrates, useable marijuana, and marijuana-infused products to discourage purchases from the illegal market; and
- endorsements necessary to meet the medical needs of qualifying patients. ((The state liquor and cannabis board must reconsider and increase the maximum number of retail outlets it established before July 24, 2015, and allow for a new license application period and a greater number of retail outlets to be permitted in order to accommodate the medical needs of qualifying patients and designated providers. After January 1, 2017,)) Any reconsideration of the maximum number of retail outlets needed to meet the medical needs of qualifying patients must consider information contained in the medical marijuana authorization database established in RCW 69.51A.230;
- (3) Determining the maximum quantity of marijuana a marijuana producer may have on the premises of a licensed location at any time without violating Washington state law;
- (4) Determining the maximum quantities of marijuana, marijuana concentrates, useable marijuana, and marijuana-infused products a marijuana processor may have on the premises of a licensed location at any time without violating Washington state law;
- (5) Determining the maximum quantities of marijuana concentrates, useable marijuana, and marijuana-infused products a marijuana retailer may have on the premises of a retail outlet at any time without violating Washington state law;
- (6) In making the determinations required by this section, the ((state liquor and cannabis)) board shall take into consideration:
 - (a) Security and safety issues;

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

- (c) Economies of scale, and their impact on licensees' ability to both comply with regulatory requirements and undercut illegal market prices;
- (7) Determining the nature, form, and capacity of all containers to be used by licensees to contain marijuana, marijuana concentrates, useable marijuana, and marijuana-infused products, and their labeling requirements;
- (8) In consultation with the department of agriculture and the department, establishing classes of marijuana, marijuana concentrates, useable marijuana, and marijuana-infused products according to grade, condition, cannabinoid profile, THC concentration, CBD concentration, or other qualitative measurements deemed appropriate by the ((state liquor and cannabis)) board;
- (9) Establishing reasonable time, place, and manner restrictions and requirements regarding advertising of marijuana, marijuana concentrates, useable marijuana, and marijuana-infused products that are not inconsistent with the provisions of this chapter, taking into consideration:
- 22 (a) Federal laws relating to marijuana that are applicable within 23 Washington state;
 - (b) Minimizing exposure of people under twenty-one years of age to the advertising;
 - (c) The inclusion of medically and scientifically accurate information about the health and safety risks posed by marijuana use in the advertising; and
 - (d) Ensuring that retail outlets with medical marijuana endorsements and retail privilege endorsement holders may advertise themselves as medical retail outlets;
 - (10) Specifying and regulating the time and periods when, and the manner, methods, and means by which, licensees shall transport and deliver marijuana, marijuana concentrates, useable marijuana, and marijuana-infused products within the state;
 - (11) In consultation with the department and the department of agriculture, prescribing methods of producing, processing, and packaging marijuana, marijuana concentrates, useable marijuana, and marijuana-infused products; conditions of sanitation; and standards of ingredients, quality, and identity of marijuana, marijuana

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- 1 concentrates, useable marijuana, and marijuana-infused products 2 produced, processed, packaged, or sold by licensees;
- 3 (12) Specifying procedures for identifying, seizing,
 4 confiscating, destroying, and donating to law enforcement for
 5 training purposes all marijuana, marijuana concentrates, useable
 6 marijuana, and marijuana-infused products produced, processed,
 7 packaged, labeled, or offered for sale in this state that do not
 8 conform in all respects to the standards prescribed by this chapter
 9 or the rules of the ((state liquor and cannabis)) board.
- 10 **Sec. 8.** RCW 69.50.366 and 2017 c 317 s 6 are each amended to 11 read as follows:

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- The following acts, when performed by a validly licensed marijuana producer or employee of a validly licensed marijuana producer in compliance with rules adopted by the ((state liquor and cannabis)) board to implement and enforce this chapter, do not constitute criminal or civil offenses under Washington state law:
- (1) Production or possession of quantities of marijuana that do not exceed the maximum amounts established by the ((state liquor and cannabis)) board under RCW 69.50.345(3);
- 20 (2) Delivery, distribution, and sale of marijuana to a marijuana 21 processor or another marijuana producer validly licensed under this 22 chapter;
 - (3) Delivery, distribution, and sale of immature plants or clones and marijuana seeds to a licensed marijuana researcher, and to receive or purchase immature plants or clones and seeds from a licensed marijuana researcher; ((and))
 - (4) Delivery, distribution, and sale of marijuana or useable marijuana to a federally recognized Indian tribe as permitted under an agreement between the state and the tribe entered into under RCW 43.06.490; and
- 31 <u>(5) Delivery, distribution, and sale of marijuana products under</u> 32 <u>sections 3 and 4 of this act</u>.
- 33 **Sec. 9.** RCW 69.50.369 and 2017 c 317 s 14 are each amended to 34 read as follows:
 - (1) No licensed marijuana producer, processor, researcher, or retailer may place or maintain, or cause to be placed or maintained, any sign or other advertisement for a marijuana business or marijuana product, including useable marijuana, marijuana concentrates, or

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- marijuana-infused product, in any form or through any medium whatsoever within one thousand feet of the perimeter of a school grounds, playground, recreation center or facility, child care center, public park, or library, or any game arcade admission to which is not restricted to persons aged twenty-one years or older.
- (2) Except for the use of billboards as authorized under this section, licensed marijuana retailers may not display any signage outside of the licensed premises, other than two signs identifying the retail outlet by the licensee's business or trade name, stating the location of the business, and identifying the nature of the business. Each sign must be no larger than one thousand six hundred square inches and be permanently affixed to a building or other structure. The location and content of the retail marijuana signs authorized under this subsection are subject to all other requirements and restrictions established in this section for indoor signs, outdoor signs, and other marijuana-related advertising methods.
- (3) A marijuana licensee may not utilize transit advertisements for the purpose of advertising its business or product line. "Transit advertisements" means advertising on or within private or public vehicles and all advertisements placed at, on, or within any bus stop, taxi stand, transportation waiting area, train station, airport, or any similar transit-related location.
- (4) A marijuana licensee may not engage in advertising or other marketing practice that specifically targets persons residing outside of the state of Washington.
- (5) All signs, billboards, or other print advertising for marijuana businesses or marijuana products must contain text stating that marijuana products may be purchased or possessed only by persons twenty-one years of age or older.
 - (6) A marijuana licensee may not:

- (a) Take any action, directly or indirectly, to target youth in the advertising, promotion, or marketing of marijuana and marijuana products, or take any action the primary purpose of which is to initiate, maintain, or increase the incidence of youth use of marijuana or marijuana products;
- 37 (b) Use objects such as toys or inflatables, movie or cartoon 38 characters, or any other depiction or image likely to be appealing to 39 youth, where such objects, images, or depictions indicate an intent

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to cause youth to become interested in the purchase or consumption of marijuana products; or

- (c) Use or employ a commercial mascot outside of, and in proximity to, a licensed marijuana business. A "commercial mascot" means live human being, animal, or mechanical device used for attracting the attention of motorists and passersby so as to make them aware of marijuana products or the presence of a marijuana business. Commercial mascots include, but are not limited to, inflatable tube displays, persons in costume, or wearing, holding, or spinning a sign with a marijuana-related commercial message or image, where the intent is to draw attention to a marijuana business or its products.
- (7) A marijuana licensee that engages in outdoor advertising is subject to the advertising requirements and restrictions set forth in this subsection (7) and elsewhere in this chapter.
- (a) All outdoor advertising signs, including billboards, are limited to text that identifies the retail outlet by the licensee's business or trade name, states the location of the business, and identifies the type or nature of the business. Such signs may not contain any depictions of marijuana plants, marijuana products, or images that might be appealing to children. The ((state liquor and cannabis)) board is granted rule-making authority to regulate the text and images that are permissible on outdoor advertising. Such rule making must be consistent with other administrative rules generally applicable to the advertising of marijuana businesses and products.
 - (b) Outdoor advertising is prohibited:
- (i) On signs and placards in arenas, stadiums, shopping malls, fairs that receive state allocations, farmers markets, and video game arcades, whether any of the foregoing are open air or enclosed, but not including any such sign or placard located in an adult only facility; and
- (ii) Billboards that are visible from any street, road, highway, right-of-way, or public parking area are prohibited, except as provided in (c) of this subsection.
- (c) Licensed retail outlets may use a billboard or outdoor sign solely for the purpose of identifying the name of the business, the nature of the business, and providing the public with directional information to the licensed retail outlet. Billboard advertising is

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subject to the same requirements and restrictions as set forth in (a) of this subsection.

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- (d) Advertising signs within the premises of a retail marijuana business outlet that are visible to the public from outside the premises must meet the signage regulations and requirements applicable to outdoor signs as set forth in this section.
- (e) The restrictions and regulations applicable to outdoor advertising under this section are not applicable to:
- 9 (i) An advertisement inside a licensed retail establishment that 10 sells marijuana products that is not placed on the inside surface of 11 a window facing outward; or
 - (ii) An outdoor advertisement at the site of an event to be held at an adult only facility that is placed at such site during the period the facility or enclosed area constitutes an adult only facility, but in no event more than fourteen days before the event, and that does not advertise any marijuana product other than by using a brand name to identify the event.
- 18 (8) Merchandising within a retail outlet is not advertising for 19 the purposes of this section.
 - (9) This section does not apply to a noncommercial message.
 - (10) (a) The ((state liquor and cannabis)) board must:
- 22 (i) Adopt rules implementing this section and specifically 23 including provisions regulating the billboards and outdoor signs 24 authorized under this section; and
 - (ii) Fine a licensee one thousand dollars for each violation of this section until the ((state liquor and cannabis)) board adopts rules prescribing penalties for violations of this section. The rules must establish escalating penalties including fines and up to suspension or revocation of a marijuana license for subsequent violations.
- 31 (b) Fines collected under this subsection must be deposited into 32 the dedicated marijuana account created under RCW 69.50.530.
- 33 (11) A city, town, or county may adopt rules of outdoor 34 advertising by licensed marijuana retailers that are more restrictive 35 than the advertising restrictions imposed under this chapter. 36 Enforcement of restrictions to advertising by a city, town, or county 37 is the responsibility of the city, town, or county.
- NEW SECTION. Sec. 10. Section 6 of this act expires July 1, 39 2024.

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1 <u>NEW SECTION.</u> **Sec. 11.** Section 7 of this act takes effect July

2 1, 2024.

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