



Initiative 502 Implementation

Creating Washington's system of legalized
marijuana

Mary Segawa, MS

Washington State Liquor Control Board (WSLCB)

February 13, 2014



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 subsequent rule-making and legislation.



I-502 Key Elements

Creates world's first comprehensive system of growing, processing and retailing marijuana.

- Legalized system of producing, processing and retailing marijuana for adults age 21 and older
- Decriminalizes possession of:
 - 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 continued

Washington's system...

- Taxation
 - Imposes 25% tax at all three license levels
 - B&O and local sales tax also apply
 - OFM fiscal note estimated between \$0 and \$2 billion over five years
- Public Safety and Education
 - Establishes a THC bloodstream threshold for marijuana DUI's at 5 ng/ml
 - Limits on store locations, advertising and number of outlets
 - Earmarks revenue for healthcare, research and education
- Timing
 - December 1, 2013 deadline to have rules and regulations in place



Agency Objective

Public Safety

- Creating a tightly controlled and regulated marijuana market

Agency Role and Responsibilities:

- Creating a 3-tier regulatory system for marijuana
- Creating licenses for producer, processor and retailer
- Enforcing laws and rules pertaining to licensees
- Collecting and distributing taxes/fees



Laws and Rules

The Difference Between I-502 Laws and Rules

- Laws
 - Enacted by Legislature and signed by Governor
 - Enacted by voters (initiatives and referendums)
 - Initiatives require 2/3 vote by Legislature to change w/in two years
- Rules
 - Detailed regulations necessary to implement the law
 - Clarifies what is allowed or not allowed under law
 - Created by state agency, board (WSLCB) or commission
 - Rules cannot change the law in any way
 - Public and transparent process for creating rules
 - Once final, they provide the structure for participation in the system



U.S. Dept. of Justice Statement (excerpt)

"The Department's guidance in this memorandum rests on its expectation that states and local governments that have enacted laws authorizing marijuana-related conduct will implement strong and effective regulatory and enforcement systems that will address the threat those state laws could pose to public safety, public health and other law enforcement interests."

"A system adequate to that task must not only contain robust controls and procedures on paper; it must also be effective in practice."



DOJ High Priority Areas

Will prosecute individuals or entities to prevent:

- Distribution to minors
- Revenue going to criminal enterprises, gangs and cartels
- Diversion to other states
- State-authorized activity being used as a cover or pretext for trafficking of other illegal drugs or illegal activity
- Violence and the use of firearms in cultivation and distribution
- Drugged driving and exacerbation of other adverse public health consequences
- Growing on public lands
- Possession or use on federal property



Implementation Timeline – 2012-13

- December 6:** Effective date of new law
- September 4:** Revised proposed rules for producer, processor and retailer licenses filed
- October 8/9:** Public hearing(s) on revised rules for all three licenses
- October 16:** Rules adopted
- November 18:** Business Licensing Services accepts Master Business License applications
- November 20:** LCB begins processing applications
- December 1:** Rules are complete (as mandated by law)
- December 20:** 30-day application window closed
- TBD:** Begin issuing producer, processor, and retailer licenses



License Requirements

Public Safety

Consumer Safety



Rules Highlights: License Requirements

30 Day Window

- Registration open for all license types for a 30 calendar day window (Nov-Dec)

State Residency Requirement

- Three month state residency requirement applies to all license structure types

Insurance

- Licensees are required to carry commercial liability insurance



Rules Highlights: License Requirements

License Limits

- Licensed entity or principals limited to three licenses
- Cannot hold producer/processor AND retail license
- One entity cannot hold more than 33 percent of the allowed licenses in any county or city.

Production Limits

- Statewide production limit of two million square feet.

Maximum Allowable Amount on Licensed Location

- Maximums set per location to decrease diversion



Rules Highlights: License Requirements

License Location

- Prohibited within 1000 feet of school, park, transit center, arcade, etc.

Costs and Fees

- \$250 application fee
- \$1,000 annual renewal fee
- Additional fees for background check and filing for local business license

Taxes

- License applicants must submit a signed attestation that they are current on taxes owed to the Washington State Department of Revenue



Rules Highlights: Public Safety

Producer Structures

- Allows producer operations in secure indoor and outdoor grows, as well as greenhouses

Traceability

- Trace product from 8 inches in height to sale
- LCB enforcement can match records to actual product on hand

Local Authority Objections

- Substantial weight given to a local authority during renewal process based upon chronic illegal activity



Rules Highlights: Public Safety

Background Checks

- Personal criminal history form
- Fingerprinting of all potential licensees
- Background checks of licensees and financiers

Point system

- Disqualifying point system similar to liquor (exceptions for possession)

Security and Safeguards

- Alarm and surveillance video camera requirements
- Strict transportation and record keeping requirements
- Hours of operation limited to 8:00 a.m. to 12:00 a.m.



Rules Highlights: Public Safety

Violation Guidelines

- \$1,000 administrative penalty for minors frequenting
- Strict tiered system of violation record over a three year period. Example:
 - Group 1 public safety:
 - First violation: 10 day suspension or \$2,500
 - Second violation: 30 day suspension
 - Third violation: license cancellation
- Furnishing marijuana to a minor: Felony offense

Child Resistant Packaging

- Specific requirements for marijuana and marijuana infused products in solid and liquid forms



Rules Highlights: Public Safety

Advertising Restrictions

- 1000 foot rule
- May not contain statements or illustrations that:
 - Are false or misleading
 - Promote overconsumption
 - Represent that its use has curative or therapeutic effects
 - Depicts a child or may be appealing to children
- Must include:
 - “This product has intoxicating effects and may be habit forming.”
 - “Marijuana can impair concentration, coordination, and judgment. Do not operate a vehicle or machinery under the influence of this drug.”



Rules Highlights: Public Safety

Limits on Retail Stores

- Total number of retail outlets limited to 334 statewide
 - BOTEK Analysis Corporation provided initial county consumption levels
 - Retail stores allocation proportionate to population and consumption
- LCB to provide advance notice to local authority



Rules Highlights: Consumer Safety

Strict Packaging and Labeling Requirements

- Limited servings and concentration per package
- Lot number
- Warning label
- Net weight
- Concentration of THC
- Usage warnings (specific warning for ingestible foods and/or liquids about effect delays)
- Upon request
 - Third party lab that tested lot and results
 - All pesticides, herbicides, fungicides found in product



Rules Highlights: Consumer Safety

Lab Tested and Approved

- All lots will be tested by independent accredited labs
- Established and uniform testing standards

Store Signage and Product Warnings

- No minors allowed in stores
- Required product and usage signs within stores



Rules Highlights: Consumer Safety

Behind the Counter Storage

- No open containers or handling of product
- Sniff jars with sealed, screened-top lids allowed

Defined Serving Size

- Defined serving sizes on marijuana-infused product label
 - 10 mg of THC per serving
 - 100 mg of THC per product
 - A single unit of marijuana-infused extract for inhalation cannot exceed one gram

Transaction Limits on Concentrates

- A single transaction is limited to seven grams of concentrates



Potential Issues and Challenges

Federal Guidelines

- Doesn't change federal law
- Focuses on eight points of emphasis including youth access and public safety

Minimizing Illicit Market

- Balancing product demand with production and over-production

Medical Marijuana

- Competing system that is largely untaxed and unregulated
- Several bills currently being heard in legislature to address medical marijuana

Banking

- Federal banking laws prevent marijuana-related businesses



Staying Connected

- Visit the I-502 Webpage. www.liq.wa.gov
 - Factsheets
 - FAQs
 - Timelines
 - YouTube video and/or audio of public forums
- Listserv with over 6,700 subscribers to date
- Webinars with city and county officials
- Public hearings on rules are posted on website and publicized on the listserv
- News coverage is hard to miss. AP top story of 2012



Thank You

Mary Segawa
mbse@liq.wa.gov
360-664-1771

**Washington State Department of Social and
Health Services**

Initiative 502

Implementation Plans

Division of Behavioral Health and Recovery
Behavioral Health and Services Integration
Administration

February 13, 2014





Distribution of Funds

Tier 1: Funds collected through marijuana excise taxes, license fees, penalties, and forfeitures, will be disbursed every three months as follows:

- **\$1,250,000:** to Liquor Control Board for administration of I-502.
- **\$125,000:** to Department of Social and Health Services (DSHS) for the Healthy Youth Survey.
- **\$50,000:** to DSHS for contract with the WA State Institute for Public Policy to conduct a cost-benefit evaluation.
- **\$5,000:** to University of Washington Alcohol & Drug Abuse Institute for web-based public education materials.





Distribution of Funds

Tier 2:

- 50% to the state's Basic Health Plan
- **15% to the Department of Social & Health Services for Behavioral Health & Recovery**
- 10% to the Department of Health for marijuana education & public health
- 5% to HCA for Community Health Centers
- 1% to the UW and WSU for research on the short- and long-term effects of marijuana use
- .03% to the Building Bridges Programs
- 19.07% to the state general fund





DSHS I-502

- Prevention or Reduction of Substance Use, Abuse and Dependency
 - 85% of programs deemed evidence-based
 - 15% research-based or promising practice
- Healthy Youth Survey and Young Adult Survey
- Cost Benefit Evaluation





Prevention or Reduction of Substance Use, Abuse and Dependency

Prevention funding will be directed to:

- Enhance and expand the DSHS Community Prevention and Wellness Initiative (CPWI) in the highest need communities in each county – 52 sites currently
 - CPWI integrates school-based interventions with community-based coalition driven interventions
- Enhance resources to Tribal Communities





Prevention or Reduction of Substance Use, Abuse and Dependency

Treatment funding will be directed to:

- Provider training and implementation of Evidence-based Practices
- Brief intervention and referral to treatment
- Recovery support services (e.g. housing, employment, education)





Healthy Youth Survey

- School-based survey in grades 6, 8, 10, and 12 every two years
- Fall of 2014 - next scheduled survey
- Collects data on marijuana prevalence, risk and protective factors
- Resources permitting, DSHS plans to expand to young adults through social network survey strategies





Cost Benefit Evaluation

- DSHS will contract with Washington State Institute for Public Policy for the Evaluation
- Key components include;
 - Public Health impacts
 - Health costs associated with marijuana use
 - Impacts of investments in research, evaluation, education, prevention, and intervention programs
 - Economic impacts





I-502 Challenges

- Funding not expected to be available until Fall of 2014
 - Communities feeling the impact of I-502 on youth perception of harm now
- Amount and timeline for funding is dependent on variables, including medical marijuana regulations
- Marketing that youth will see from retail stores, much like tobacco, alcohol, and prescription drugs
- Local law enforcement challenged to enforce the I-502 requirements (smoking in public places)





Resources

- Washington State Department of Social and Health Services, Division of Behavioral Health and Recovery www.dshs.wa.gov/DBHR
- Washington State Liquor Control Board www.liq.wa.gov
- Washington State Department of Health www.doh.wa.gov
- Washington State Institute for Public Policy www.wsipp.wa.gov
- DBHR Athena website is created for prevention professionals to develop, update, and sustain their substance abuse prevention work www.theathenaforum.org
- Alcohol and Drug Abuse Institute, University of Washington www.adai.washington.edu
- Washington State Healthy Youth Survey www.askhys.net





Contact Information

- Sarah Mariani, Behavioral Health Administrator, Division of Behavioral Health and Recovery
 - (360) 725-3774
 - Sarah.Mariani@dshs.wa.gov





PUBLIC HEALTH

**ALWAYS WORKING FOR A SAFER AND
HEALTHIER WASHINGTON**

Marijuana Prevention and Control in WA

February 13, 2013

Paul Davis, MS

Washington State Department of Health



Department of Health Mission

- The Department of Health works to protect and improve the health of people in Washington State.
- We will look for the connection between marijuana use and health problems and address those risks.



The Department of Health has 3 tasks for implementing Initiative 502

- Public health hotline
- Local grants program to support coordinated services
- Media-based education campaigns for adults and youth

Questions or Comments?

PUBLIC HEALTH
ALWAYS WORKING FOR A SAFER AND
HEALTHIER WASHINGTON

Paul.Davis@doh.wa.gov

(360) 236-3642

EXAMINING THE EFFECTS OF I-502:

PRELIMINARY EVALUATION PLANS

Sean Hanley
Senior Research
Associate

Washington
State Institute
for Public
Policy

WHAT DOES I-502 DIRECT WSIPP TO DO?

- Conduct benefit-cost evaluations of the implementation of the initiative
- To include, but not necessarily limited to, examining impacts of I-502 on:
 - Public health
 - Usage rates
 - Public safety and criminal justice
 - Economy
 - State and local agencies
- Reports due to the legislature in September 2015, 2017, 2022, and 2032

OUR RESEARCH APPROACH

- Analysis of administrative and survey data from national, state, and local sources
- Collection and analysis of primary data
- Systematic literature reviews and meta-analysis
- Benefit-cost analysis using WSIPP's ROI model
- Value-neutral
 - We do not have preconceived notions of whether, on balance, legalization will be beneficial or detrimental

WHAT PUBLIC HEALTH OUTCOMES WILL WE EXAMINE?

- Impact of research, education, prevention, and intervention programs on marijuana use
- Health costs associated with marijuana use and decriminalization of marijuana
 - e.g., costs associated with lack of product safety and quality control
- Changes in epidemiologic indicators
 - e.g., marijuana use, use of other substances (complementary or substitution?), marijuana-related MVC, alcohol-related MVC, vital statistics

WHAT OTHER OUTCOMES WILL WE EXAMINE?

- **Public safety and criminal justice:**
 - Impacts on police, court system, jail and prison systems, etc.
- **Economic:**
 - Job creation, workplace safety
- **State and local agencies:**
 - Costs associated with staff time (e.g. LCB), provision of prevention and treatment services (e.g., DBHR)
 - Tax revenues from sale of marijuana distributed to agencies

FOR MORE INFORMATION...

- **About WSIPP:**

- <http://www.wsipp.wa.gov>

- **About our role in the evaluation of I-502:**

- <http://www.wsipp.wa.gov/Files/I-502-Study-Background>

- **Email:**

- Sean Hanley - hanleys@wsipp.wa.gov