



Marijuana Regulation in Washington State

A 2016 Update

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Disclaimer

Today's presentation is designed to inform this audience of the current status of the implementation of marijuana legalization and regulation, timelines, challenges, and expected next steps.

The views expressed today represent the speaker's summary of this work and are subject to change based on decisions by the WA State Legislature, the WA State Liquor and Cannabis Board, and the Department of Health.



Background on “Medical”

Approved by Voter Initiative 692 in 1998

Granted affirmative defense to criminal prosecution for qualifying patients and primary caregivers who possess no more than a “sixty-day supply”

Key Events

2007 – Definition of sixty-day supply

2009 – Change in federal government’s enforcement policy

2010 – Physician assistants, advanced registered nurse practitioners and naturopaths added as authorizers

2011 – SB 5073 passes but is partially vetoed by Gov. Gregoire

2011 – Change in City of Seattle’s enforcement policy



Medical (continued)

The Law Does Not Authorize

- Commercial production or processing
- Sales or other transactions for consideration
- Regulation or any type of government oversight
- The “right” to use medical marijuana
- Legalization or arrest protection for patients



Enter Initiative 502 in 2012

- 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

[7 grams of extract added in the 2014 legislative session]
- 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)



LCB Agency Objective

Public Safety

- Create a tightly controlled and regulated marijuana market

Agency Role and Responsibilities

- Create the regulatory system
- License producers, processors and retailers
- Enforce laws and rules pertaining to licensees
- Collect and distribute taxes/fees



A Quick Snapshot



Licensed Locations

Producer licenses issued	Producer/Processor licenses issued	Processor licenses issued	Retail licenses issued
137	697	101	350
Pending build out / applicant placed on hold	Producer/Processor pending inspection	Retailer pending inspection	Retailers reporting sales
198	18	57	250 out of 350

As of May 11, 2016



Sales / Tax Activity

Average daily sales WTD	Total sales* (shelf price) FY 2015	Total tax obligation FY 2015
\$2,540,275	\$259,785,729	\$64,946,432
	Total sales* (shelf price) 2016	Total tax obligation 2016
	\$793,121,299	\$151,817,706

As of May 11, 2016

*Shelf price = sales price + tax

In addition, DOR collects Retail Sales and Business and Occupation taxes



Marijuana Enforcement Data

Premise checks	Compliance checks MTD/FYTD	Failed compliance checks MTD/FYTD	Violations issued
April 2016 = 383 FY 2016 = 2853	April 2016 = 67 FY 2016 = 369	April 2016 = 5 FY 2016 = 36	April 2016 = 19 FY 2016 = 238

As of May 11, 2016

MTD = Month to date

FYTD = Fiscal year to date

FY 2016 = Fiscal year 2016, July 1, 2015 – June 30, 2016



Current Revenue Projections

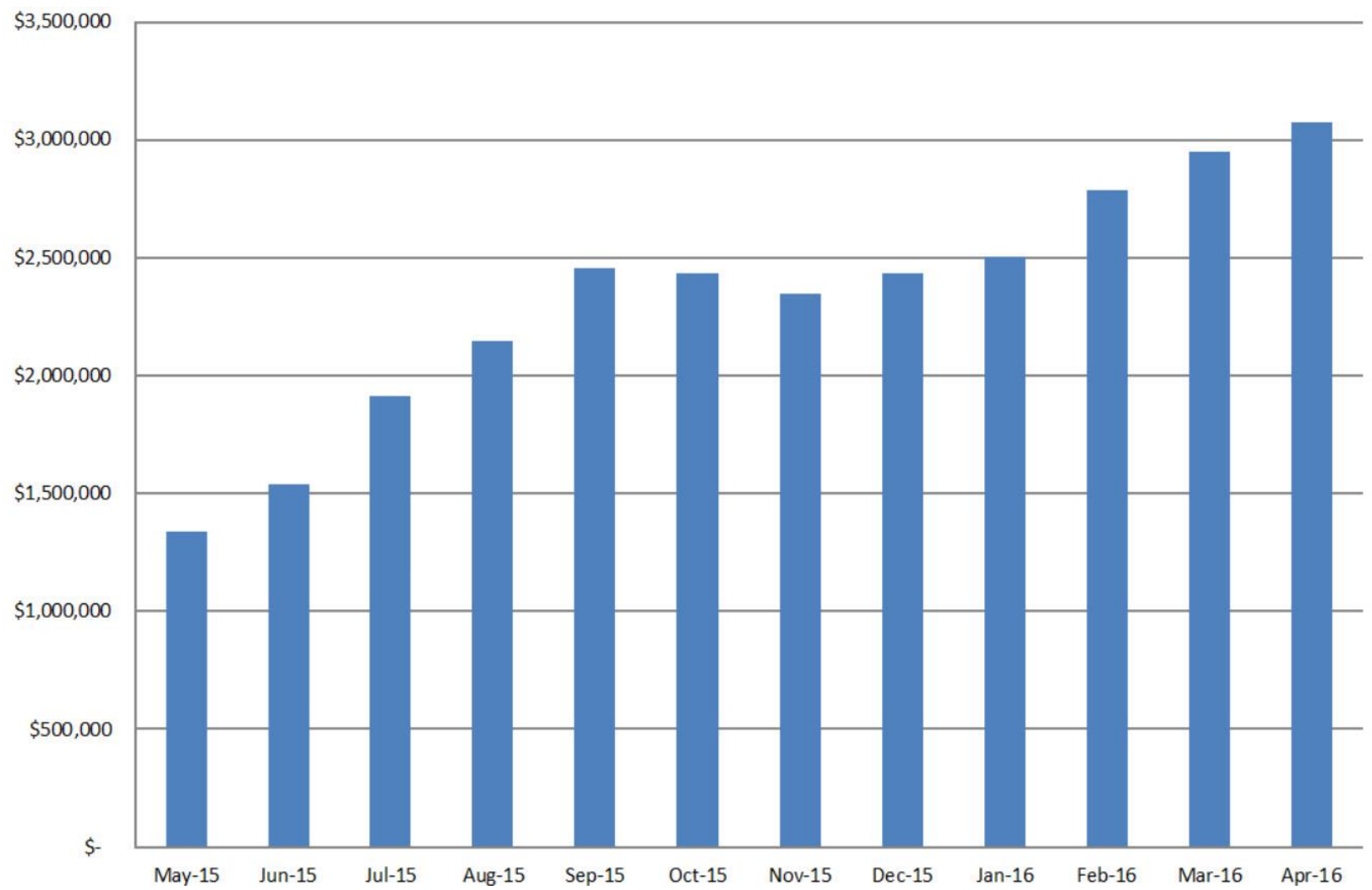
Revenue Projections* (last forecast Feb. 2016)

- FY 2016 \$164.0 million
- FY 2017 \$268.7 million
- FY 2018 \$329.5 million
- FY 2019 \$361.8 million

*includes excise taxes and fees

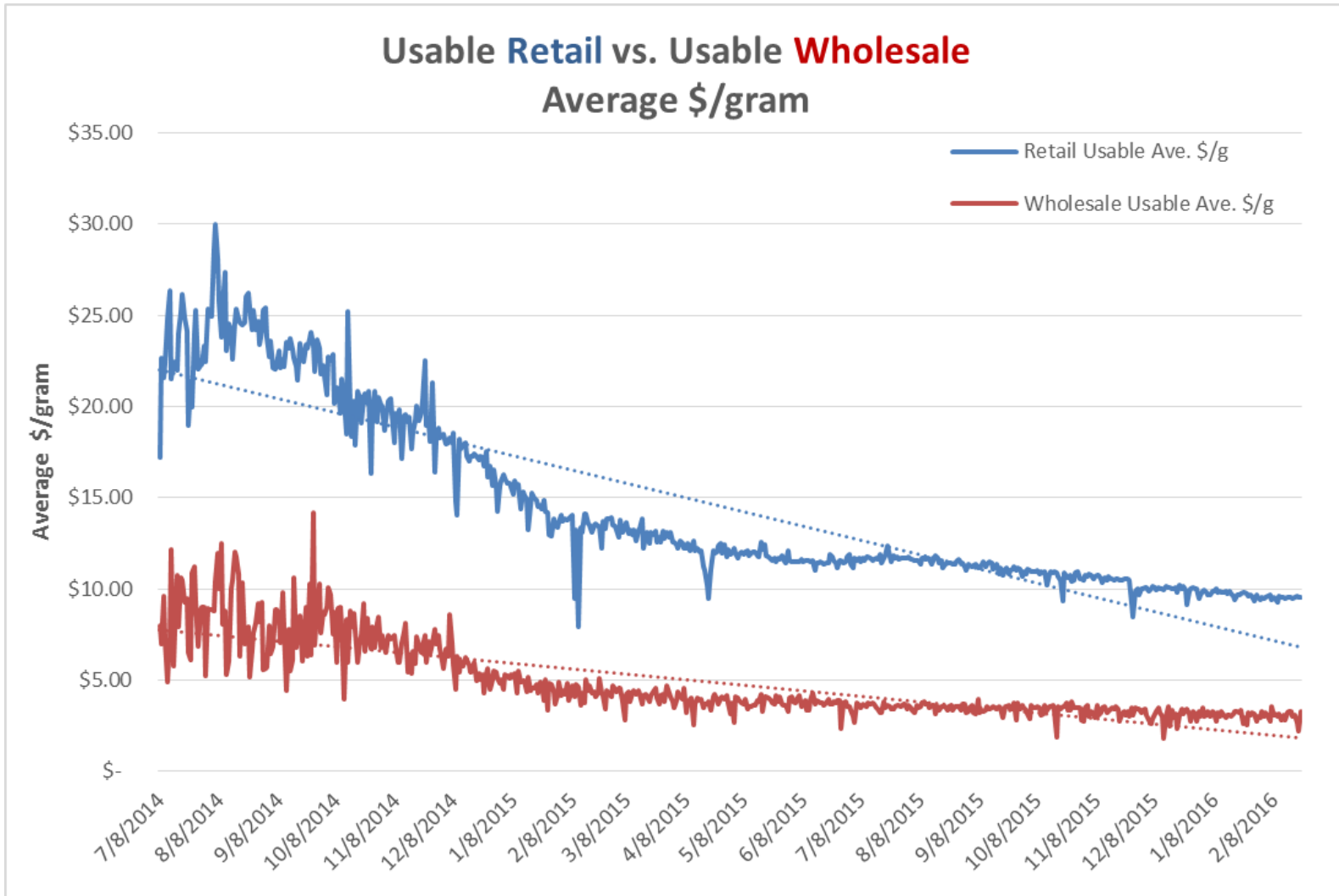


Average Daily Sales Growth





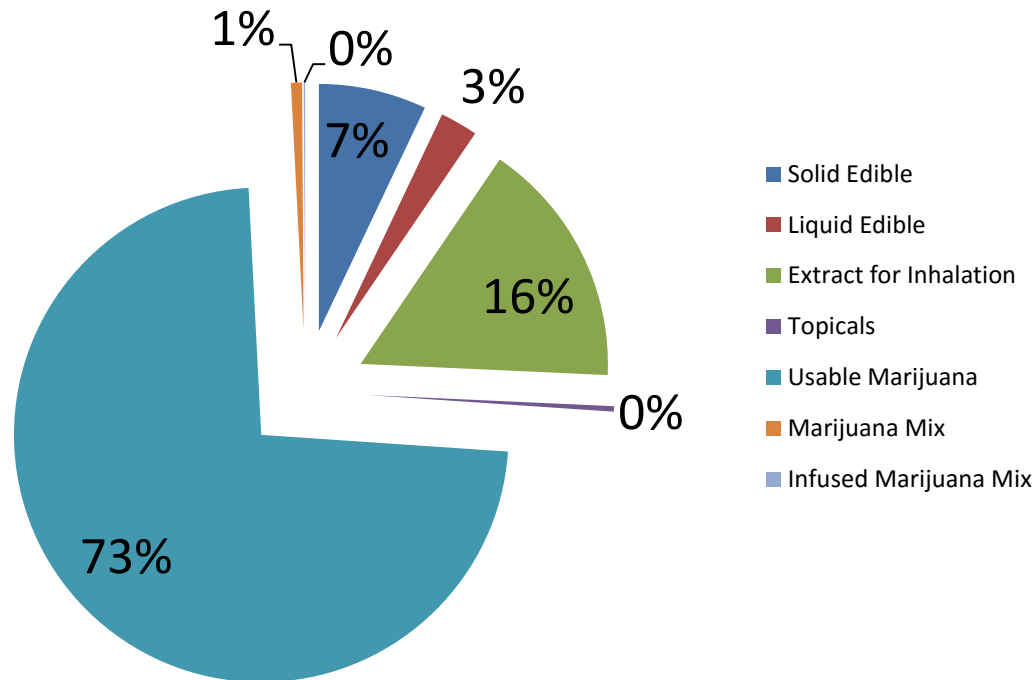
Average Price per Gram





Sales by Product Type

Fiscal 2016





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



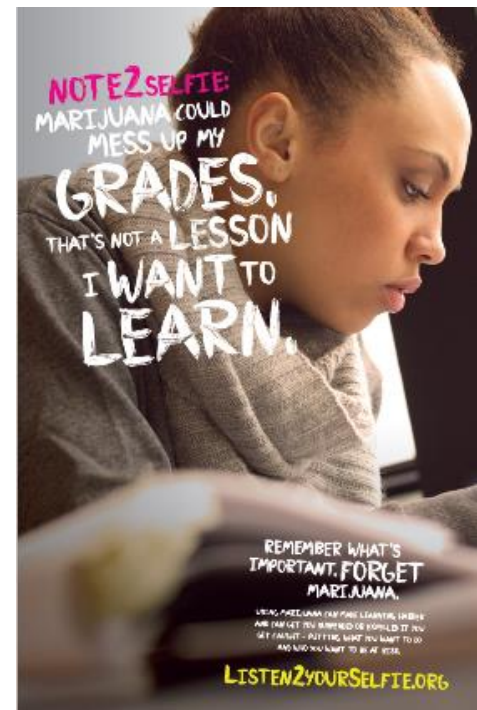
Examples of Funded Activities

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





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 from certain child-centered locations
 - Can be reduced to minimum of 100 feet by local ordinance except for schools and playgrounds

Traceability

- Software system that traces product from start to sale

Security and Safeguards

- Alarm and surveillance video camera requirements
- Hours of operation limited to 8:00 am to 12:00 am



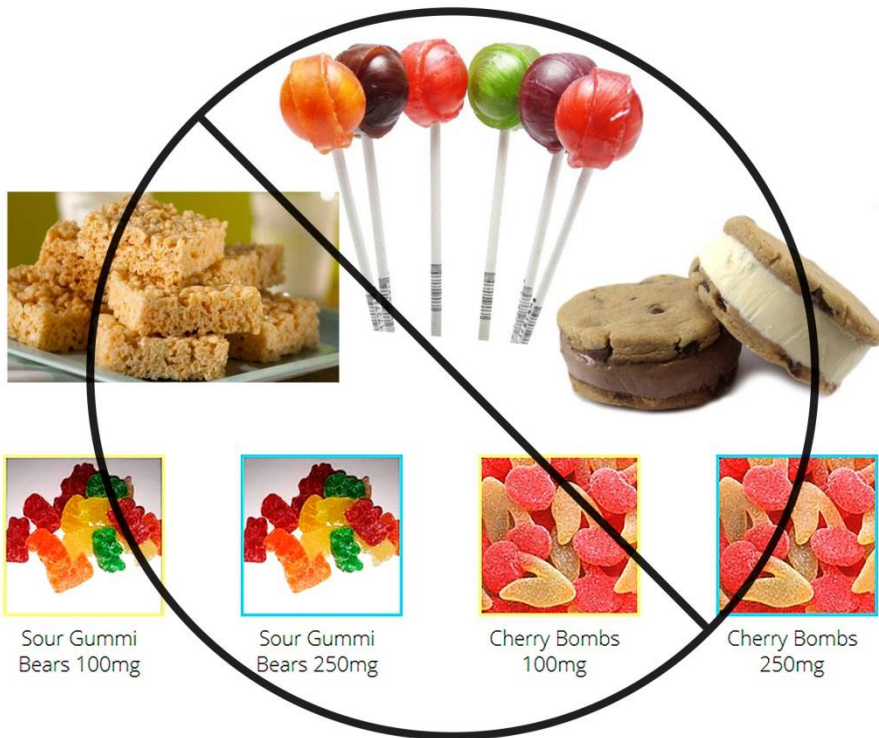
Consumer Safety

Edibles

- 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 tested 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



**Types of products not approved
for licensed stores**

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



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

- Changed taxing structure— Retailer only, 37 percent
- Retailers may have 2 signs (as of 7/1/16)
- Changed revenue distribution
- Permits local government to change buffer zones (by ordinance)
- Clarified that product cannot be opened or consumed in view of the general public or in a public place
- Increased number of stores allowed
- Added research and transportation licenses



Medical Marijuana



SB 5052 – Regulating the Medical Use of Marijuana

Authorizes the Department of Health to:

- Establish a database
- Create a standardized authorization form
- Establish product rules
- Define requirements for medical marijuana consultants
- Establish continuing education for authorizing professions



HB 2136

Department of Health Will:

- Define products “beneficial for medical use” that will be exempt from sales tax when purchased by qualifying patients or designated providers who hold recognition cards.
- Define products with a low THC/high CBD ratio that are “beneficial for medical use” and will be exempt from sales tax when purchased by any person.



Medical – Qualifying Patients

Basic Requirements

- Is a patient of a health care professional
- Has an authorization form from his/her health care professional
- Has been entered into the medical marijuana authorization database and has been provided a recognition card (7/1/2016)



Medical – General Info

Qualifying Patients

- Is a patient of a health care professional
- Has an authorization form
- Has been entered into database and has been provided a recognition card (7/1/2016)

Medical Patients Under 21

- 18-20 with card may enter premises and purchase product
- Under 18 with a recognition card may enter premises with designated provider, may not purchase

Retail Sales

- Current licensed stores may apply for medical endorsement
- Current “dispensaries” may apply for license



Cooperatives

Basic Requirements

- No more than 4 patients/designated providers
- Limit on number of plants
- Patients/designated providers must be entered into the database
- Location must be registered with the LCB
- Additional requirements



Cardholder vs. Non-Cardholder

Cardholder

- May purchase 3 times the recreational limits
- May possess 6 plants and up to 15 if authorized
- Purchases at endorsed retail stores are not subject to sales tax
- Arrest protection
- May participate in a cooperative

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



Resources

- Dedicated website – www.LearnAboutMarijuanaWA.org
- Parent-focused website – www.StartTalkingNow.org
- 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

Thank You!