



Adopted Rules Highlights

LCB Rulemaking Objective

- Creating a tightly controlled and regulated marijuana market;
- Including strict controls to prevent diversion, illegal sales, and sales to minors; and
- Providing reasonable access to products to mitigate the illicit market.

LCB Role and Responsibility

- Ensuring public safety is the top priority;
- Creating a three-tier regulatory system for marijuana;
- Creating licenses for producers, processors, and retailers;
- Enforcing laws and rules pertaining to licensees; and
- Collecting and distributing taxes.

Timeline

December 6, 2012	Effective date of new law
September 4, 2013	File Supplemental CR 102 with revised proposed rules
October 9, 2013	Public hearing(s) on proposed rules (time and location TBD)
October 16, 2013	Board adopts or rejects proposed rules
November 18, 2013	BLS begins accepting applications for all three licenses
November 20, 2013	WSLCB begins processing applications (30-day window)
December 1, 2013	Deadline for rules to be complete (as mandated by law)
December 20, 2013	30-day window closes for producer, processor and retailer license applications

Proposed Rules Highlights

License Requirements

- **30-day Window**
 - The LCB will open registration for all license types for a 30-calendar-day window (November 20, 2013)
 - LCB may extend the time or reopen application window at its discretion
- **State Residency Requirement**
 - I-502 requires a three month state residency requirement (all license structure types)
- **Background Checks**
 - Personal criminal history completed by applicant. Risk of license forfeiture if incomplete or incorrect.
 - Fingerprinting of all potential licensees
 - Background checks of license applicants and financiers
- **Point System**
 - The LCB will apply a disqualifying point system similar to liquor
 - All applicants must disclose all arrests and/or convictions
 - Non-disclosure of arrests regardless of conviction will result in point accumulation

- **License Limits**

- Licensed entity or principals limited to ~~three~~ one producer licenses
- Licensed entity or principals limited to three processor licenses
- Licensed entity or principals limited to three retail licenses. Multiple-location licensees not allowed to hold more than 33 percent of the allowed licenses in any county or city.

- **Producer License Reduction**

- The WSLCB received 2,858 marijuana producer applications. The plant canopy of these applications far exceeds a manageable plant canopy set by the Board in its rules.
- To make a manageable plant canopy for marijuana production, the Board filed an interim policy that limits any qualified entity or principals within any entity to one marijuana producer license.
- Applicants will have the option of withdrawing their additional applications for a refund or having their additional applications held up to one year or until the Board determines more marijuana producer licenses are needed.

- **Production Limits**

- The maximum amount of space for marijuana production is limited to two million square feet.
- Applicants must designate on their operating plan the size category of the production premises and the actual square footage in their premises that will be designated as plant canopy. There are three categories:
 - Tier 1: Less than 2,000 square feet;
 - Tier 2: 2,000 square feet to 10,000 square feet;
 - Tier 3: 10,000 square feet to 30,000 square feet.
- The LCB may reduce a licensee's or applicants' square footage designated to plant canopy for the following reasons:
 - If the total amount of square feet for production of all licensees exceeds the two million square feet maximum, the LCB will reduce the allowed square footage by the same percentage.
 - If 50 percent production space used for plant canopy in the licensee's operating plan is not met in the first year of operation, the board may reduce the tier of licensure.
 - If the total amount of square feet of marijuana production exceeds two million square feet, the LCB may reduce all licensees' production by the same percentage or reduce licensee production by one or more tiers by the same percentage.

Note: The Board reduced the production capacity of all tiers by 30 percent to establish the market on February 19, 2014.

- **Maximum Allowable Amount on Licensed Location**

- Producer license
 - Outdoor or greenhouse: 125 percent of its year's harvest
 - Indoor: six months of its annual harvest
- Processor license
 - Six months of their average useable marijuana (plant material); and
 - Six months average of their total production (finished product).
- Retailer license
 - Four months of their average inventory

- **Licensed Location: 1'000 foot Measurement**

- Important Note Regarding the 1,000 foot Measurement: The LCB will file an emergency rule on November 6, 2013, that will revise the current language regarding the 1,000' buffer. The language in the emergency rule will state: "The distance shall be measured as the shortest straight line distance

from the property line of the licensed premises to the property line of an elementary or secondary school, playground, recreation center or facility, child care center, public park, public transit center, library or arcade where admission is not restricted to those age 21 and older.”

- **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

- **Insurance**

- Licensees are required to carry commercial liability insurance.

Public Safety

- **Producer Structures**

- Rules allow producer operations in secure: indoor and outdoor grows as well as greenhouses

- **Traceability**

- LCB will employ a robust and comprehensive traceability system (software) that will trace product from seed/clone to sale.
- LCB enforcement can match records to actual product on hand

- **Background Checks**

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

- **Point System**

- LCB will apply a disqualifying point system similar to liquor (exceptions for possession)

- **Violation Guidelines / Standard Administrative Procedures Act Guidelines**

- \$1,000 criminal penalty for sales to a minor
- Sets strict tiered system of violation record over a three year period
 - Group 1 public safety:
 - First violation: 10 day suspension or \$2,500
 - Second violation: 30 day suspension
 - Third violation: license cancellation

- **Local Authority Objections**

- Substantial weight will be given to a local authority during the renewal process based upon chronic illegal activity associated with the licensee's operation of the premises.

- **Child Resistant Packaging**

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

- **Security and Safeguards**
 - Alarm and surveillance video camera requirements (including minimum pixels and lockbox encasement)
 - Strict transportation and record keeping requirements (no third party transport of product)
 - Hours of operation limited to 8:00 a.m. to 12:00 a.m.
- **Advertising Restrictions**
 - Law restricts advertising within 1,000 feet of schools, public parks, transit centers, arcades, and other areas where children are present.
 - May not contain statements or illustrations that are false or misleading, promotes overconsumption, represents that it has curative or therapeutic effects, depicts a child or may be appealing to children
 - All advertising must contain two statements: a: “This product has intoxicating effects and may be habit forming.” And, b) “Marijuana can impair concentration, coordination, and judgment. Do not operate a vehicle or machinery under the influence of this drug.”
- **Limits on Retail Stores**
 - Total number of retail outlets limited to 334 statewide
 - LCB to provide advance notice to local authority
 - Per I-502, LCB to determine number of retail outlets per county
 - BOTEK Analysis Corporation provided initial county consumption levels
 - Retail stores allocation proportionate to population and consumption

Consumer Safety

- **Behind the Counter Storage**
 - No open containers or handling of product
 - Sniff jars with sealed, screened-top lids allowed
- **Strict Packaging and Label Requirements**
 - Limited servings and concentration per package
 - Lot number
 - Warning label
 - Net weight
 - Concentration of THC
 - Usage warnings (specific warning for ingestible foods/liquids about effect delays)
 - Upon request
 - Third party lab that tested lot and results
 - All pesticides, herbicides, fungicides found in product
- **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 (extracts)**
 - A single transaction is limited to seven grams of marijuana-infused extract for inhalation

- **Lab Tested and Approved (monograph)**
 - All lots will be tested by independent accredited labs
 - Established and uniform testing standards
 - Quality assurance testing

- **Store Signage and Product Warnings**
 - No minors allowed in stores
 - Required product and usage signs within stores

For more information regarding Initiative 502, please visit the Liquor Control Board website at www.liq.wa.gov.

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