



Washington State Liquor Control Board

Small Business Economic Impact Statement – AMENDED September 4, 2013

WAC 314-55 Marijuana Licenses, Application Process, Requirements and Reporting

1. Description of reporting, record keeping and other compliance requirements of the proposed rule:

License applicants must submit a signed attestation that they are current on taxes owed, an operating plan and insurance coverage. The operating plan must include information on:

Producer License	Processor License	Retailer License
Security	Security	Security
Traceability	Traceability	Traceability
Employee qualifications and training	Employee qualifications and training	Employee qualifications and training
Transportation of product including packaging of product for transportation	Transportation of product	
Destruction of waste product	Destruction of waste product	Destruction of waste product
Description of growing operation include growing media, size of grow space allocated for plant production, space allocated for any other business activity, description of all equipment used in the production process, and a list of soil amendments, fertilizers, other crop production aids, or pesticides, utilized in the production process	Description of the types of products to be processed at this location together with a complete description of all equipment and solvents, gases, chemicals and other compounds used to create extracts and for processing of marijuana-infused products	
Testing procedures and protocols	Testing procedures and protocols	
	Description of the types of products to be processed at this location together with a complete description of processing of marijuana-infused products	
	Description of packaging and labeling of products to be processed	
		What array of products are to be sold and how are the products to be displayed to consumers

Marijuana licensees are responsible to keep records that clearly reflect all financial transactions and the financial condition of the business. The following records must be kept and maintained on the licensed premises for a three-year period and must be made available for inspection if requested by an employee of the Liquor Control Board:

- a) Purchase invoices and supporting documents, including the items and/or services purchased, from whom the items were purchased and the date of purchase.
- b) Bank statements and canceled checks for any accounts relating to the licensed business.
- c) Accounting and tax records related to the licensed business and each true party of interest.
- d) Records of all financial transactions related to the licensed business, including contracts and/or agreements for services performed or received that relate to the licensed business.
- e) All employee records including training.
- f) Records of each daily application of pesticides applied to the marijuana plants or growing medium.
- g) Soil amendment, fertilizers or other crop production aids applied to the growing medium or used in the process of growing marijuana.
- h) Production and processing records including harvest and curing, weighing, destruction of marijuana, creating batches of marijuana infused products and packaging into lots and units.
- i) Records of each batch of extracts or infused marijuana products made.
- j) Transportation records as described in WAC 314-55-085.
- k) Inventory records.
- l) All samples sent to an independent testing lab and the quality assurance test results.
- m) All free samples provided to another licensee for purposes of negotiating a sale.
- n) All samples used for quality testing by the producer or processor.
- o) Sample jars containing usable marijuana provided to retailers.
- p) Records of any theft of marijuana seedlings, clones, plants, trim or other plant material, extract, marijuana infused product or other item containing marijuana.

If the marijuana licensee keeps records within an automated data processing and/or point-of-sale system, the system must include a method for producing legible records that will provide the same information required of that type of record within this section.

2. Kinds of professional services that a small business is likely to need in order to comply with such requirements:

The type of professional services needed to comply with the recordkeeping obligations discussed in question one would be bookkeeping and accounting. Businesses may also need legal assistance for zoning laws, agricultural assistance and technology assistance for implementing the traceability system.

3. Costs of compliance for businesses, including costs of equipment, supplies, labor and increased administrative costs:

Indeterminate – There are currently no legally established marijuana businesses in the state.

4. Will compliance with the rules cause businesses to lose sales or revenue?

Indeterminate – There are currently no legally established marijuana businesses in the state.

- 5. Costs of compliance for small businesses compared with the cost of compliance for the ten percent of businesses that are the largest businesses required to comply with the proposed rules using one or more of the following as a basis for comparing costs:**
 - a. Cost per employee;
 - b. Cost per hour of labor; or
 - c. Cost per one hundred dollars of sales

Indeterminate – There are currently no legally established marijuana businesses in the state.

- 6. Steps taken by the agency to reduce the costs of the rule on small businesses, or reasonable justification for not doing so:**

I-502 requires a tightly controlled and regulated marijuana market and includes strict controls to prevent diversion, illegal sales and sales to minors while providing reasonable access to products to mitigate the illicit market. The requirements in the rules are designed to comply with the initiative's mandate.

The Washington State Liquor Control Board contracted with BOTEC Analysis Corporation to provide technical expertise. BOTEC submitted two white papers on the cost of compliance with the draft rules and recommendations to minimize the burden on businesses. After review the Board adopted some of the recommendations and amended the draft rules to attempt to minimize the financial burden on businesses. *BOTEC white papers attached.*

- 7. A description of how the agency will involve small businesses in the development of the rule:**

There is currently no legally established marijuana business, large or small, in Washington State. To reach out to those interested in establishing a marijuana business the Washington State Liquor Control Board held eight public forums across the state on the implementation of Initiative 502. These forums were intended as a means of obtaining broad stakeholder input regarding the implementation of Initiative 502 and the rulemaking process.

Participating stakeholder groups included medical and recreational marijuana users, the prevention community, public safety interests, local government, neighborhood groups and entrepreneurs presently engaged in the medical marijuana industry as well as existing business and investors seeking entry into the new market.

Additionally the Board released initial draft rules for the emerging recreational marijuana market. The purpose of releasing the initial draft rules was to seek public comment before officially initiating the formal draft rule-making process. The initial draft rules were posted on the WSLCB website and issued to over 4,700 subscribers on the agency's I-502 listserv. The Board received 221 comments on the initial draft rules before the CR 102 was filed. After reviewing the comments the Board adopted some of the recommendations and amended the draft rules to attempt to minimize the financial burden on businesses.

Since filing the CR 102 proposed rules on July 3, 2013, the Board received 130 comments. The Board held five public hearings across the state to solicit input. They received sufficient input to warrant re-filing the proposed rules. Under the state Administrative Procedures act, an agency must re-file proposed rules if there are any substantive changes. After reviewing the additional comments the Board adopted some of the recommendations and amended the draft rules to attempt to minimize the financial burden on businesses.

- 8. A list of industries that will be required to comply with the rule:**

All licensed marijuana producers, processors and retailers will be required to comply with these rules.

- 9. An estimate of the number of jobs that will be created or lost as a result of compliance with the proposed rule:**

Indeterminate – There are currently no legally established marijuana businesses in the state. The number of jobs created will depend on the number of applications received and licenses issued.