



## Washington State Liquor and Cannabis Board

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Date: April 28, 2021

To: David Postman, Board Chair  
Ollie Garrett, Board Member  
Russ Hauge, Board Member

From: Kathy Hoffman, Policy and Rules Manager

Copy: Rick Garza, Agency Director  
Justin Nordhorn, Policy and External Affairs Director  
Becky Smith, Licensing Director  
Chandra Brady, Director of Enforcement and Education

**Subject:** Amendment to WAC 314-55-075 – Marijuana [cannabis] producer license – Privileges, requirements and fees.

The Policy and Rules Manager requests approval to file a rule proposal (CR 102) for the rule making described in the CR 102 Memorandum attached to this order and presented at the Board meeting on April 28, 2021.

If approved for filing, the tentative timeline for the rule making process is outlined below:

April 28, 2021	Board is asked to approve filing proposed rules (CR 102). CR 102 filed with the Office of the Code Reviser. LCB webpage updated and notice circulated by rules distribution list. Formal comment period begins.
May 19, 2021	Notice published in the Washington State Register.
June 9, 2021	Public hearing held and formal comment period ends.
Not earlier than June 23, 2021	Board is asked to adopt rules if no substantive changes are made (CR 103). Concise Explanatory Statement provided to individuals offering written and oral comment at the public hearing, and during the formal comment period, consistent with RCW 34.05.325. CR103 and adopted rules are filed with the Office of the Code Reviser. LCB webpage updated and notice circulated to all WSLCB GovDelivery subscribers.





## CR 102 Memorandum

### Regarding Amendment to WAC 314-55-075 – Marijuana producer license – Privileges, requirements and fees.

Date: April 28, 2021  
Presented by: Kathy Hoffman, Policy and Rules Manager

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#### Background

RCW 69.50.345(3) directed the Washington State Liquor and Cannabis Board (WSLCB) to adopt rules establishing 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.” WSLCB implemented this directive in rule as WAC 314-55-075(6), establishing a three-tier system based on the amount of actual square footage designated as plant canopy. Within that system, the Tier 1 category authorizes a producer licensee to designate up to two thousand square feet of their premises as plant canopy.

Rules related to canopy assure that a single business is prohibited from producing beyond a certain point within set boundaries for the three tiers of production. The number of production licenses for an individual business is limited to maintain production boundaries for individual businesses. Thus, the three tiers of production provide defined spaces for businesses of different sizes.

#### CR 101

In the time since tier limits were established, WSLCB has received requests from medical cannabis patients and segments of the industry to increase the availability of Department of Health (DOH) compliant cannabis product in licensed retail stores. WSLCB also learned that Tier 1 licensees were concerned about business viability based on canopy space restrictions. Recognizing this, WSLCB opted to begin exploring how it could support Tier 1 producers. Initial ideas included, but were not limited to incentivizing the production of DOH compliant product. On December 18, 2019, the Board approved a [Preproposal Statement of Inquiry](#) (CR 101) to open discussion around revisions and new rule sections that would incrementally expand the plant canopy square footage allowed for licensed Tier 1 producers. This approach supported patient access to safe cannabis products in alignment with the stated priorities of [Second Substitute Senate Bill 5052](#) (2015 legislative session), and was aligned with the goals of improving medically-compliant cannabis availability and identifying barriers to small business success described in WSLCB's [2019 – 2024 Strategic Plan](#).

After the CR 101 was filed, and during the 2020 legislative session, [House Bill \(HB\) 2871](#) and its companion [Senate Bill \(SB\) 6603](#) were introduced. The agency request proposals would have granted the smallest producers additional privileges to help them

compete in the highly competitive marketplace as well as create additional access to medical cannabis products. These bills did not progress.

#### History of Washington State Cannabis Canopy

Early thinking around cannabis production estimated that demand in Washington State could be served by approximately 100 large producers, 100 processors and 350 retailers. After Initiative 502 passed, the Board conducted listening/town hall sessions across the state. One of the prominent themes emerging from these sessions was the request to consider including small businesses in the market to discourage participation in the illicit market. In response, WSLCB made the policy decision to shift focus from larger grows with economy of scale to smaller grows as a way to encourage more participation in the regulated market as a way to curb continued grey and illicit market activity.

Unlike cannabis retailer licenses, there was not a pre-determined cap on producer licenses. Instead, a window for accepting applications was opened, and all applications received during that time were processed. Applicants indicated a preference for one of three tiers that limited the size of their operations. Rules that govern canopy, specifically WAC 314-55-075, were initially promulgated in October 2013, and have been amended several times since then as follows:

WSR	EFFECTIVE DATE	AMENDMENT
<a href="#">14-10-044</a>	May 31, 2014	Expanded production and wholesale activity between licensed producers to include harvest, trim, drying, curing and packaging; expanded sales between licensed producers to include plants, seeds and plant tissues.
<a href="#">15-11-107</a>	June 20, 2015	Expanded the maximum amount of space for cannabis production from two million square feet to eight and one-half million square feet based on marketplace demand and Board approval. (Originally proposed as emergency rule on February 25, 2015 as WSR <a href="#">15-06-029</a> )
<a href="#">15-19-165</a>	September 23, 2015	Emergency rule: Struck language regarding total maximum amount of space for cannabis production; reserved determination for a later date. (Refiled on January 6, 2016 as WSR <a href="#">16-03-001</a> , and on April 6, 2016 as WSR <a href="#">16-08-123</a> )
<a href="#">16-11-110</a>	June 18, 2016	Added requirement that outdoor grow must be physically separated by at least twenty feet from another licensed outdoor grows, and that grows may not share common walls or fences. Permanently struck language regarding total maximum amount of space for cannabis production; reserved determination for a later date (consistent with previous emergency rules).
<a href="#">16-19-102</a>	October 22, 2016	Added allowance for licensed cannabis producers to sell cannabis plants to members of a registered cooperative under the conditions of WAC 314-55-410.
<a href="#">18-22-055</a>	December 1, 2018	Added several allowances, including the sale of immature plants or clones and cannabis seeds to qualifying patients or designated providers, and to licensed cannabis researchers; updated annual license fee; indicated that application window for cannabis producer licenses is closed; added provisions regarding adulteration of usable cannabis; added requirement that cannabis producers must make quality assurance tests available to and processor purchasing product and must label with lot number, UBI number, and product weight.

While rule language concerning the total maximum amount of space for cannabis production was ultimately reserved for a later date, the rules concerning production capacity for each tier have not changed since 2013. Since current rule does not identify

the total maximum amount of space for cannabis production,<sup>1</sup> total licensed canopy is the sum of allowable canopies for all producer licenses issued. This is contrary to the popular belief that total canopy was calculated based on the projected demand with a corresponding number of licenses issued to meet that demand. As a result, WSLCB find that total licensed cannabis canopy and demand are unrelated.

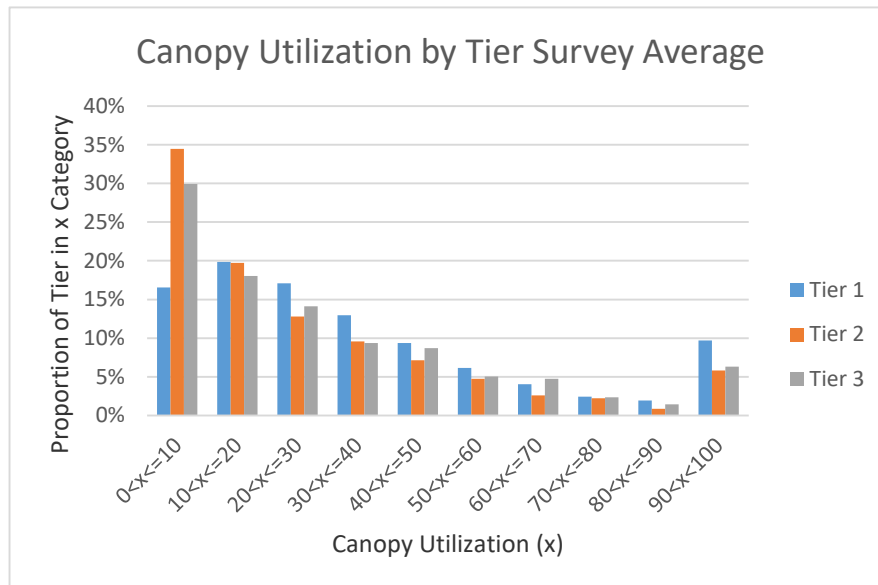
### Current Washington State Cannabis Canopy

To better understand current space utilization of the total licensed canopy, a team of analysts was assembled to conduct field assessments of cannabis licensee production operations. Licensed production operations were evaluated twice each from 2017 to 2019 resulting in [two reports](#)<sup>2</sup> on canopy utilization. Data from the field assessments indicated that most licensees had less square footage in cultivation than their maximum allowance.

For the first report, 792 producers were surveyed. The report concluded that approximately 59% of the total licensed canopy was being utilized for production.

For the follow up report, 773 producers were surveyed. This survey found that approximately 52% of licensed canopy was in production.

Combined data from both reports provides a visualization of average canopy utilization by tier:



Source: [https://lcb.wa.gov/marij/canopy\\_report](https://lcb.wa.gov/marij/canopy_report); WAC 314-55-075(6)-tier designation

The drop in production from the first report to the second report suggests alignment with the end of declining prices as supply and demand adjusted to market dynamics. From the inception of the industry in 2014 through the fall of 2019 there was a steady decline in the price of cannabis as the supply chain completely filled out with producers.

<sup>1</sup> WAC 314-55-075(6): The maximum amount of space for marijuana production cannot exceed the amount licensed. Applicants must designate on their operating plan the size category of the production premises and the amount of actual square footage in their premises that will be designated as plant canopy.

<sup>2</sup> [https://lcb.wa.gov/marij/canopy\\_report](https://lcb.wa.gov/marij/canopy_report)

Prices found their low point in the fall of 2019. At that time, feedback from producers indicated that some were not able to sell all of their product at any price. However, since that time prices seem to be stabilizing and have risen slightly.

This suggests that total licensed canopy is not a constraining factor in overall production, and existing producers have sufficient unused capacity to meet current and future demand for cannabis.

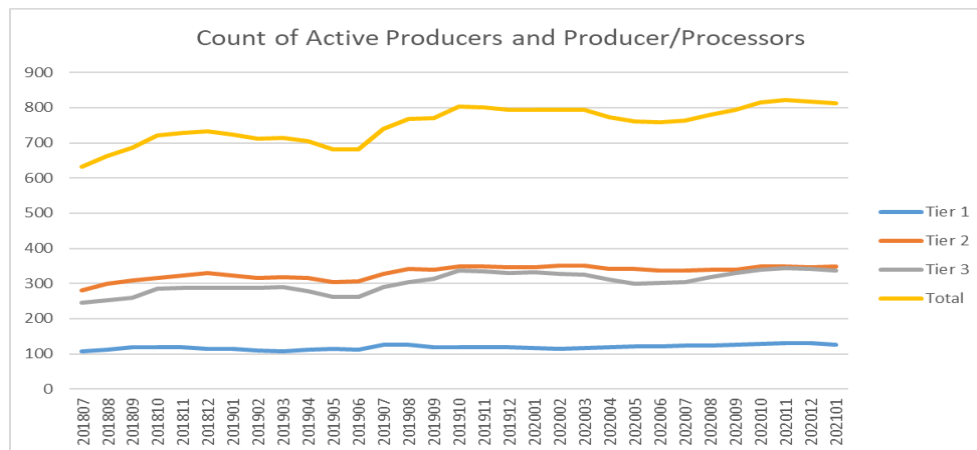
### Projected Impact

As of February 2021, the current 1,074 licenses issued for producing cannabis totals 18,040,000 square feet of licensed canopy.

	Total Licensed	Licensed Canopy Min. (Sq. Ft)	Licensed Canopy Max. (Sq. Ft)	Min. Total	Max. Total
<b>Tier 1</b>	175	0	2,000	-	350,000
<b>Tier 2</b>	464	2,000	10,000	928,000	4,640,000
<b>Tier 3</b>	435	10,000	30,000	4,350,000	13,050,000
<b>Total</b>				<b>5,278,000</b>	<b>18,040,000</b>

Source: WSLCB Licensing Database; WAC 314-55-075(6)-tier designation

Based on current rule,<sup>3</sup> the canopy cap is equivalent to what is currently licensed. WSLCB staff review of data indicated 812 producer licenses are active, suggesting that slightly less than 76% of issued producer licenses are active. For purposes of this analysis, “active” means a producer transferred product by manifest in the previous six months.<sup>4</sup> The chart below provides a visualization of active producers and producer/processors over time.



Source: WSLCB Licensing Database; WSLCB Traceability System; WAC 314-55-075(6)-tier designation

<sup>3</sup> WAC 314-55-075

<sup>4</sup> An “active” license as defined here is an assumption made to allow for meaningful description of reported behavior of marijuana businesses. Since it is an assumption it should be stated clearly in anything that makes reference of those charts in order to make them more robust. While the WSLCB licensing system generally identifies an “active” license as an issued and not suspended license, the definition used in association with the data presented in this document is applied solely to narrow down the population of cannabis business holding a valid license to those that were actively using that license.

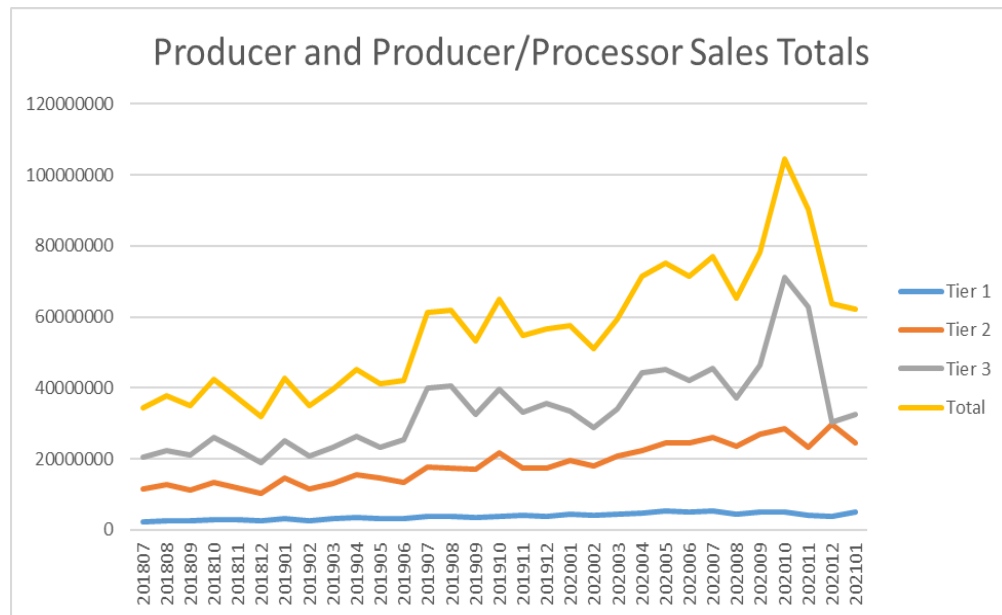
Canopy totals for the 812 licensed, active producers:

	Total Licensed	Licensed Canopy Min. (Sq. Ft)	Licensed Canopy Max. (Sq. Ft)	Min. Total	Max. Total
<b>Tier 1</b>	125	0	2,000	-	250,000
<b>Tier 2</b>	349	2,000	10,000	698,000	3,490,000
<b>Tier 3</b>	338	10,000	30,000	3,380,000	10,140,000
<b>Total</b>				<b>4,078,000</b>	<b>13,880,000</b>

Source: WSLCB Licensing Database; WAC 314-55-075(6)-tier designation

Tier 1 production canopy represents 1.94% of the total licensed canopy. Active Tier 1 production canopy represents 1.8% of the total licensed active canopy. Even if every active Tier 1 licensed producer added an additional 2,000 square feet of production capacity, Tier 1 licensed canopy would represent only 3.6% of the total active licensed plant canopy. This is the equivalent of adding less than 9 Tier 3 licenses in terms of total additional canopy, although that equivalency would be spread out among 125 businesses, and that is assuming that all active Tier 1 licensees double their current production space. The agency does not expect that this will occur.

Additionally, WSLCB anticipates very little overall market impact as a result of allowing Tier 1 production space expansion. Since 2017, Tier 1 producer and producer/processor sales have remained fairly static. In the table below, it is important to note that association between sales and tier is not an indicator of profit, success, or both. The wholesale relationship presented below reflects volume and wholesale totals by month of producer and producer/processor licensees broken out by producer.



Source: WSLCB Licensing Database; WSLCB Traceability System; WAC 314-55-075(6)-tier designation

For these reasons, WSLCB anticipates that providing licensed Tier 1 cannabis producers with the option to expand growing capacity from 2,000 square feet to 4,000 square feet will have little, if any, impact on the current market. At the same time, doing so will add value to the Tier 1 producer license type, support business viability, creating an opportunity and pathway for Tier 1 licensees to become more competitive in an already competitive market.

## **WSLCB Stakeholder Engagement**

As part of the rule development process, two Listen and Learn sessions were held on June 23, 2020 and June 30, 2020 respectively. The first session was virtually attended by approximately 70 unique users, and the second by over 50 unique users. Consistent with the purpose of statement in the CR 101, these two sessions were designed to engage with the industry and other interested parties to review current rule section WAC 314-55-075, pertaining to marijuana producer license – privileges, requirements, and fees. Very few Tier 1 licensees attended or participated in either discussion. Some Tier 1 licensees communicated to rules staff that it was difficult to attend the sessions because they are small businesses and unable to spare personnel during normal business hours, while others indicated a fear of speaking honestly for fear of reprisal from other licensees.

Common themes that emerged from the Listen and Learn sessions:

- Direct sale of cannabis product to the public, possibly limited exclusively to medically compliant product or limited to sale of product only to medical card holders (requires statute change)
- Expanding canopy could support business viability for smaller producers and processors
- Allowance for licensees to move to Tier 2 or Tier 3 depending on maximum state canopy capacity; some suggesting to removal of tiers altogether
- Base licensing fees upon tier level (requires tiers to be established under statute and related statute change to licensing fees)
- Increase allowable licenses held from three to five, in line with total retail licenses allowed – as proposed by participants, would not necessarily be exclusive to Tier 1 licensees
- Canopy square footage requirements are difficult to uniformly measure and infrequently enforced.

The Policy and Rules unit determined that to best elicit feedback directly from Tier 1 licensees, a targeted survey of those licensees would be necessary. The results of that survey were released on April 2, 2021, and posted to the WSLCB rules website.<sup>5</sup>

## **Rule Necessity**

Tier 1 licensees have experienced business sustainability and viability challenges based on canopy space restrictions. The option to expand production capacity is anticipated to

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<sup>5</sup> [Tier1\\_Report\\_FINAL\\_Rev 3 Data Attached.pdf \(wa.gov\)](#)



support Tier 1 producer viability and sustainability in the competitive Washington State cannabis market.

### **Description of Rule Changes**

**Amended Subsection. WAC 314-55-075(6)(a):** Increases Tier 1 square footage designated as canopy from up to two thousand square feet to up to four thousand square feet.

**Amended Subsection. WAC 314-55-075(6)(b):** Modifies Tier 2 square footage designated as canopy from two thousand square feet up to ten thousand square feet, to four thousand square feet up to ten thousand square feet.

**Attachment:**

Listen and Learn Comment Matrix (June 23, 2020 and June 30, 2020 sessions combined)



# PROPOSED RULE MAKING

## CR-102 (December 2017) (Implements RCW 34.05.320)

Do NOT use for expedited rule making

CODE REVISER USE ONLY

**Agency:** Washington State Liquor and Cannabis Board

☒ **Original Notice**

☐ **Supplemental Notice to WSR** \_\_\_\_\_

☐ **Continuance of WSR** \_\_\_\_\_

☒ **Preproposal Statement of Inquiry was filed as WSR 20-01-171 ; or**

☐ **Expedited Rule Making--Proposed notice was filed as WSR** \_\_\_\_\_; or

☐ **Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1); or**

☐ **Proposal is exempt under RCW** \_\_\_\_\_.

**Title of rule and other identifying information:** (describe subject) WAC 314-55-075 – Marijuana [Cannabis] producer license – Privileges, requirements and fees. The Washington State Liquor and Cannabis Board (Board) is proposing rule amendments to expand the plant canopy square footage allowed for licensed Tier 1 marijuana [cannabis] producers.

### Hearing location(s):

Date:	Time:	Location: (be specific)	Comment:
June 9, 2021	10:00am	In response to the coronavirus disease 2019 (COVID-19) public health emergency, the Board will not provide a physical location for this hearing to promote social distancing and the safety of the citizens of Washington state. A virtual public hearing, without a physical meeting space, will be held instead. Board members, presenters, and staff will all participate remotely. The public may login using a computer or device, or call-in using a phone, to listen to the meeting through the WebEx application. The public may provide verbal comments during the specified public comment and rules hearing segments	For more information about board meetings, please visit <a href="https://lcb.wa.gov/boardmeetings/board_meetings">https://lcb.wa.gov/boardmeetings/board_meetings</a> .

**Date of intended adoption:** Not earlier than June 16, 2021 (Note: This is **NOT** the **effective** date)

### Submit written comments to:

Name: Policy and Rules Coordinator

Address: 1025 Union Avenue SE, Olympia WA 98504

Email: [rules@lcb.wa.gov](mailto:rules@lcb.wa.gov)

Fax:

Other:

By (date) June 9, 2021

### Assistance for persons with disabilities:

Contact Claris Nhanabu, ADA Coordinator, Human Resources

Phone: 360-664-1642

Fax: 360-664-9689  
TTY: 7-1-1 or 1-800-833-6388  
Email: Claris.Nhanabu@lcb.wa.gov  
Other:  
By (date) June 2, 2021

**Purpose of the proposal and its anticipated effects, including any changes in existing rules:** Currently, Tier 1 cannabis producer licensees are limited to two-thousand square feet of production canopy. Some of these Tier 1 businesses find it difficult to operate a successful business under the current square footage limit. The proposed rules would expand current Tier 1 canopy from two-thousand to four-thousand square feet of production canopy. It would also align the Tier 2 canopy from two-thousand square feet up to ten-thousand square feet to four-thousand square feet to ten-thousand square feet of production canopy.

**Reasons supporting proposal:** Tier 1 licensees experience business sustainability and viability challenges based on canopy space restrictions. Following two stakeholder engagement sessions, the agency conducted a follow up targeted survey of Tier 1 licensees. One of the most common responses was a request to expand canopy to allow Tier 1 licensees to be competitive in the current market. As of 2019, Tier 1 licensed canopy represents the fewest cannabis production licenses (less than 200) and the smallest amount of overall canopy – approximately 350,000 square feet, or 1.9% of the 18,040,000 square feet of licensed canopy in Washington State. The option to expand growth capacity will add value to the Tier 1 producer license type, support business viability and sustainability, and create an opportunity for Tier 1 producer licensees to become more competitive in the competitive Washington State cannabis market.

**Statutory authority for adoption:** RCW 69.50.342; RCW 69.50.345

**Statute being implemented:** RCW 69.50.345

**Is rule necessary because of a:**

Federal Law?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Federal Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
State Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

If yes, CITATION:

**Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:** N/A

**Name of proponent:** (person or organization) Washington State Liquor and Cannabis Board

<input type="checkbox"/> Private
<input type="checkbox"/> Public
<input checked="" type="checkbox"/> Governmental

**Name of agency personnel responsible for:**

	Name	Office Location	Phone
Drafting:	Policy and Rules Coordinator	1025 Union Avenue SE, Olympia WA 98502	360-664-1760
Implementation:	Becky Smith, Director of	1025 Union Avenue SE, Olympia WA 98502	360-664-1753
Licensing:			
Enforcement:	Chandra Brady, Director of	1025 Union Avenue SE, Olympia WA 98502	360-664-1726
Education and Enforcement			

**Is a school district fiscal impact statement required under RCW 28A.305.135?** ☐ Yes ☒ No

If yes, insert statement here:

The public may obtain a copy of the school district fiscal impact statement by contacting:

Name:  
Address:  
Phone:  
Fax:  
TTY:  
Email:  
Other:

**Is a cost-benefit analysis required under RCW 34.05.328?**

☒ Yes: A preliminary cost-benefit analysis may be obtained by contacting:

Name: Policy and Rules Coordinator

Address: 1025 Union Avenue SE, Olympia WA 98502

Phone: 360-664-1622

Fax:

TTY:

Email:

Other:

☐ No: Please explain:

**Regulatory Fairness Act Cost Considerations for a Small Business Economic Impact Statement:**

This rule proposal, or portions of the proposal, **may be exempt** from requirements of the Regulatory Fairness Act (see chapter 19.85 RCW). Please check the box for any applicable exemption(s):

☐ This rule proposal, or portions of the proposal, is exempt under RCW 19.85.061 because this rule making is being adopted solely to conform and/or comply with federal statute or regulations. Please cite the specific federal statute or regulation this rule is being adopted to conform or comply with, and describe the consequences to the state if the rule is not adopted.

Citation and description:

☐ This rule proposal, or portions of the proposal, is exempt because the agency has completed the pilot rule process defined by RCW 34.05.313 before filing the notice of this proposed rule.

☐ This rule proposal, or portions of the proposal, is exempt under the provisions of RCW 15.65.570(2) because it was adopted by a referendum.

☐ This rule proposal, or portions of the proposal, is exempt under RCW 19.85.025(3). Check all that apply:

☐ RCW 34.05.310 (4)(b)  
(Internal government operations)

☐ RCW 34.05.310 (4)(c)  
(Incorporation by reference)

☐ RCW 34.05.310 (4)(d)  
(Correct or clarify language)

☐ RCW 34.05.310 (4)(e)  
(Dictated by statute)

☐ RCW 34.05.310 (4)(f)  
(Set or adjust fees)

☐ RCW 34.05.310 (4)(g)  
((i) Relating to agency hearings; or (ii) process requirements for applying to an agency for a license or permit)

☐ This rule proposal, or portions of the proposal, is exempt under RCW .

Explanation of exemptions, if necessary:

**COMPLETE THIS SECTION ONLY IF NO EXEMPTION APPLIES**

If the proposed rule is **not exempt**, does it impose more-than-minor costs (as defined by RCW 19.85.020(2)) on businesses?

☒ No Briefly summarize the agency's analysis showing how costs were calculated. The rule does not impose any additional mandatory regulatory burden on applicants or licensees, nor does it change, modify, add cost or otherwise alter the license application process. The option to expand Tier 1 growing capacity is voluntary, and not required.

However, to make that determination, WSLCB applied a default cost of compliance (\$300) when analyzing whether the rules would have a disproportionate impact on small businesses as defined in RCW 19.85.020(3). This represents the following:

- A \$75 fee for an alteration request application;
- \$75 for one and half hours of licensee time to complete forms and communicate with WSLCB regarding expansion;
- \$50 for one hour of licensee time to be present for final inspection;
- \$100 for two hours of work to expand security and video system.
- Estimated total: \$300

Below are calculations for minor cost thresholds for the appropriate NAICS industry codes. While these estimates are largely based on broad application, rather than the three-tiered system in Washington State, even if scaled, it is unlikely that the cost of compliance would exceed 0.3% of average annual gross business income. The estimated minor cost is not anticipated to exceed any of the thresholds for cannabis grown under cover or in an open field. Since this rule provides an *option* to expand capacity to one tier with the smallest number of licensees, and that expansion is not required to remain in compliance, these costs are not mandated but optional. Other costs incurred are also voluntary, such as expanding fence lines and working with

local authorities. For these reasons, the proposed rules are not anticipated to impose more than minor costs on businesses as defined by RCW 19.85.020(2).

2017 Industry NAICS Code	Estimated Cost of Compliance	Industry Description	NAICS Code Title	Minor Cost Estimate	1% of Avg Annual Payroll	0.3% of Avg Annual Gross Business Income
111419	\$300	Cannabis, grown under cover	Other Food Crops Grown Under Cover	\$2,349.42	\$2,349.42 2018 Dataset pulled from ESD	\$2,324.68 2018 Dataset pulled from DOR
111998	\$300	Cannabis, grown in an open field	All Other Miscellaneous Crop Farming	\$9,125.33	\$9,125.33 2018 Dataset pulled from ESD	\$2,834.77 2018 Dataset pulled from DOR

☐ Yes    Calculations show the rule proposal likely imposes more-than-minor cost to businesses, and a small business economic impact statement is required. Insert statement here:

The public may obtain a copy of the small business economic impact statement or the detailed cost calculations by contacting:

Name:  
Address:  
Phone:  
Fax:  
TTY:  
Email:  
Other:

<b>Date:</b> April 28, 2021	<b>Signature:</b>  Place signature here
<b>Name:</b> David Postman	
<b>Title:</b> Board Chair	

**WAC 314-55-075 Marijuana producer license—Privileges, requirements, and fees.** (1)(a) A marijuana producer license allows the licensee to produce, harvest, trim, dry, cure, and package marijuana into lots for sale at wholesale to marijuana processor licensees and to other marijuana producer licensees. A marijuana producer may also produce and sell:

(i) Marijuana plants, seed, and plant tissue culture to other marijuana producer licensees;

(ii) Immature marijuana plants or clones and marijuana seeds to members of a registered cooperative, qualifying patients, or designated providers under the conditions provided in this chapter; and

(iii) Immature marijuana plants or clones and marijuana seeds to a licensed marijuana researcher under the conditions provided in this chapter.

(b) Marijuana production must take place within a fully enclosed secure indoor facility or greenhouse with rigid walls, a roof, and doors. Outdoor production may take place in nonrigid greenhouses, other structures, or an expanse of open or cleared ground fully enclosed by a physical barrier. To obscure public view of the premises, outdoor production must be enclosed by a sight obscure wall or fence at least eight feet high. Outdoor producers must meet security requirements described in WAC 314-55-083. An outdoor grow must be physically separated at least twenty feet from another licensed outdoor grow. In addition, outdoor grows cannot share common walls or fences.

(2) The application fee for a marijuana producer license is two hundred fifty dollars. The applicant is also responsible for paying the fees required by the approved vendor for fingerprint evaluation.

(3) The annual fee for issuance and renewal of a marijuana producer license is one thousand dollars. The annual fee for issuance and renewal of a marijuana producer license is one thousand three hundred eighty-one dollars. The WSLCB will conduct random criminal history checks at the time of renewal that will require the licensee to submit fingerprints for evaluation from the approved vendor. The licensee is responsible for all fees required for criminal history checks.

(4) The application window for marijuana producer licenses is closed. The WSLCB may reopen the marijuana producer application window at subsequent times when the WSLCB deems necessary.

(5) Any entity and/or principals within any entity are limited to an interest, as defined in WAC 314-55-035, in no more than three marijuana producer licenses.

(6) The maximum amount of space for marijuana production cannot exceed the amount licensed. Applicants must designate on their operating plan the size category of the production premises and the amount of actual square footage in their premises that will be designated as plant canopy. There are three categories as follows:

(a) Tier 1 - Less than ~~((two))~~ four thousand square feet;

(b) Tier 2 - ~~((Two))~~ Four thousand square feet up to ten thousand square feet; and

(c) Tier 3 - Ten thousand square feet up to thirty thousand square feet.

(7) The WSLCB may reduce a licensee's or applicant's square footage designated to plant canopy for the following reasons:

(a) If the amount of square feet of production of all licensees exceeds the maximum square feet the WSLCB will reduce the allowed square footage by the same percentage.

(b) If fifty percent production space used for plant canopy in the licensee's operating plan is not met by the end of the first year of operation the WSLCB may reduce the tier of licensure.

(8) If the total amount of square feet of marijuana production exceeds the maximum square feet, the WSLCB reserves the right to reduce all licensee's production by the same percentage or reduce licensee production by one or more tiers by the same percentage.

(9) The maximum allowed amount of marijuana on a producer's premises at any time is as follows:

(a) Outdoor or greenhouse grows - One and one-quarter of a year's harvest; or

(b) Indoor grows - Six months of their annual harvest.

(10) A producer may not treat or otherwise adulterate useable marijuana with any organic or nonorganic chemical or other compound whatsoever to alter the color, appearance, weight, or smell of the useable marijuana.

(11) A marijuana producer must make quality assurance test results available to any processor purchasing product. A marijuana producer must label each lot of marijuana with the following information:

(a) Lot number;

(b) UBI number of the producer; and

(c) Weight of the product.



**Tier 1 Expansion Listen & Learn Sessions**  
**June 23, 2021**  
**June 30, 2021**

Source	Commenter	314-55-075 Subsection	Comment	Date Received
23JUNE L&L	Gary Green		Increasing tier 1 canopy will not address many of the issues facing our small producers/processors. Instead it would have a negative impact by increasing licensing, insurance, operating cost, etc. etc. Many of us do not wish to expand past 2000sqf, instead we wish more direct access to the customer similar to the standards and rules set pertaining to boutique breweries.	6/23/2020
23JUNE L&L	Mark Ambler	Sec 1	Cannabis leaves and flowers have various vitamins, fiber. Difficult to produce a food good. Would like to see fresh, non-dried cannabis available. Remove "immature" from (i) and (ii). Proposes a new (iv) to allow seeds, plant tissue and culture.	6/23/2020
23JUNE L&L	Gary Green	Sec 1	Limits ability to provide to medical patients. Recommends rules similar to boutique breweries.	6/23/2020
23JUNE L&L	Chris Marr		The CR-101 notes that this rule making is prompted by comments regarding lack of availability of DOH compliant product and concerns regarding small producer sustainability. Wouldn't it make sense to elaborate on that and discuss any analysis by LCB?	6/23/2020
23JUNE L&L	Drew Davis	Sec 1	Il or fence at least eight feet high. In addition, outdoor grows cannot share common walls or fences. This would help outdoor grow operations who are near each other maintain safety in numbers and remove issues of unmaintained land and pests in between.	6/23/2020
23JUNE L&L	Drew Davis	Sec 1	Allow tier 1 to sell small quantities directly to medical users	6/23/2020
23JUNE L&L	Crystal Oliver	Sec 1	1b - could benefit from cleaning up. How to define classifications (sun grown/indoor/outdoor) and security recruitments. Supports removal of 20 foot separation; remove separation for grows under same owner. We need a section that talks about the different classifications of productions (indoor, sun grow, etc.), and need to be more thoughtful about the distinctions Fencing/obscuring poses risk and costs to growers. With hemp now fully allowed in full view, should allow cannabis grows to be more visible.	6/23/2020

**Tier 1 Expansion Listen & Learn Sessions**  
**June 23, 2021**  
**June 30, 2021**

23JUNE L&L	Joshua Rutherford	Sec 1	Allow for all producers to sell a limited amount directly to public, with requirement that some of that be strictly for medical users. Would allow growers to produce specific strains for needs of particular medical patients. Revise language around selling only to processors to reflect sale of unprocessed product.	6/23/2020
23JUNE L&L	Ryan Lee	Sec 1	Reducing or eliminating separation; allowing TPI for multiple licenses to abut against grows.	6/23/2020
23JUNE L&L	Shawn DeNae	Sec 1	Fresh material has benefit, especially for medical community. This process should include DOH for medically compliant product discussion, especially when considering QC testing.	6/23/2020
23JUNE L&L	Mark Ambler	Sec 2	Fees seem arbitrary. Strike first sentence. Fee will be cost based determined by LCB.	6/23/2020
23JUNE L&L	Micah Sherman	Sec 1 & 2	Some of this is based on RCW, some is WAC addition. Would like to understand what is and isn't outside of WAC rule making, compared to what's established in RCW and unable to change with legislation.	6/23/2020
23JUNE L&L	Gary Green	New Sec	Add provision for a tier holder to apply to next tier as the licensee begins approaching max capacity.	6/23/2020
23JUNE L&L	Lukas Hunter	New Sec	Provision for allowing a tier holder to increase to next tier so long as state max canopy capacity is not exceeded.	6/23/2020
23JUNE L&L	Mark Ambler	Sec 3	Fees should be based on tier and cost based. Calculation should be based on average per tier (average time/tier 1 producer, etc.)	6/23/2020
23JUNE L&L	Silviano Sanchez	Sec 3	Requirement to pay for LEAF system that is not appropriate as the system is not user friendly or useable.	6/23/2020
23JUNE L&L	Micah Sherman	Sec 3	Criminal history checks in light of social equity - should not apply to prior marijuana offenses.	6/23/2020
23JUNE L&L	Gary Green	Sec 3	Fee should be based on production or by tier; tier 1 fee should be reduced. Licensing fees are prejudiced against marijuana growers.	6/23/2020
23JUNE L&L	Micah Sherman	Sec 3	Fee is in law, criminal history is in rule	6/23/2020
23JUNE L&L	Ryan Lee	Sec 3	Duplicate line for differing fee needs clarification/clean up	6/23/2020

**Tier 1 Expansion Listen & Learn Sessions**  
**June 23, 2021**  
**June 30, 2021**

23JUNE L&L	Shawn Denae	Sec 3	Marijuana convictions don't preclude licensure; \$1300 fee for Leaf use. Do we still need that fee for a system licensees aren't using? Fees based on sales, weight is problematic. Fees by tier more appropriate. Make fees more equitable across tiers.	6/23/2020
23JUNE L&L	Vickie Eneas	Sec 3	At start, fees were at \$595. Increased dramatically, and was supposed to be a onetime increase for LEAF. Why didn't fee go back down?	6/23/2020
23JUNE L&L	Ryan Lee	Sec 4	Propose to open licenses to current licensees in good standing to apply and purchase additional licenses.	6/23/2020
23JUNE L&L	Shirley Grendell	Sec 4	Should allow for currently licensed producers the ability to apply for additional/higher tier licenses	6/23/2020
23JUNE L&L	Shawn Denae	Sec 4	Concern about increasing canopy. Over 1000 growers, only 300 licensees viably producing for 502 system. Current canopy is sufficient, but reallocating licenses based on growers who aren't tax reporting, testing would be more beneficial.	6/23/2020
23JUNE L&L	Lukas Hunter	Sec 4	Strike entire section. Be a policy, not something bound in rule.	6/23/2020
23JUNE L&L	Gary Green	Sec 4	Gives LCB damaging power over market. LCB previously did so with liquor. Should require input from industry regarding increased licenses or canopy. Issue in retailer licenses with Social Equity bill, could issue with growers/producers.	6/23/2020
23JUNE L&L	Mark Ambler	Sec 4	Smallest, most "tread" upon licensees in country. LCB has power to provide tier 1 additional licenses.	6/23/2020
23JUNE L&L	Drew Davis	Sec 4	LCB has the power to open licensing, but must consider overall canopy limit in state. (4) The application window for marijuana producer licenses is closed. The WSLCB may reopen the marijuana producer application window at subsequent times when the WSLCB deems necessary so long as it does not increase the state maximum canopy limits.	6/23/2020
23JUNE L&L	Ryan Lee	Sec 5	Retail allows TPI to hold 5 licenses; this section should be consistent with retail - increase to 5.	6/23/2020
23JUNE L&L	Shawn Denae	Sec 5	Open to licensees holding additional licenses so long as this doesn't increase state canopy limit.	6/23/2020
23JUNE L&L	Drew Davis	Sec 5	Five as parity is appropriate.	6/23/2020

**Tier 1 Expansion Listen & Learn Sessions**  
**June 23, 2021**  
**June 30, 2021**

23JUNE L&L	Gary Green	Sec 5	Purchasing a licensee from a license holder is prohibitively expensive; should be purchased from LCB based on unused canopy	6/23/2020
23JUNE L&L	Crystal Oliver	Sec 5	Supports 5 license parity	6/23/2020
23JUNE L&L	Mark Ambler	Sec 5	Comments should include whether the commenter is a tier 1 producer	6/23/2020
23JUNE L&L	Tony Hilts		My name is Tony Hilts and I am a Medical marijuana patient and provider. In the beginning of marijuana legislation marijuana was made available to medical patients first. With a doctor's authorization. Therefore I believe it is only right that medical marijuana patient and providers should have access to tier 1 licenses. The industry was created first for medical marijuana patients.	6/23/2020
23JUNE L&L	Gary Green		Increasing tier 1 canopy will not address many of the issues facing our small producers/processors. Instead it would have a negative impact by increasing licensing, insurance, operating cost, etc. etc. many of us do not wish to expand past 2000sqf, instead we wish more direct access to the customer similar to the standards and rules set pertaining to boutique breweries.	6/23/2020
30JUNE L&L	Drew Davis	Sec 6	Tier not workable at 2k sq. ft. Allowing 5k sq. ft., do away with tier 1. If canopy space available, allow licensees to apply for tier above current license.	6/30/2020
30JUNE L&L	Lukas Hunter	Sec 6	Not found in statute how canopy is measured.	6/30/2020
30JUNE L&L	Crystal Oliver	Sec 6	Enforcement mechanism for production beyond allowed in licensed tier? Address viability of craft producers.	6/30/2020
30JUNE L&L	Jeff Merryman	Sec 6	Change amount licensed to height/width; some guidance on max allowable	6/30/2020
30JUNE L&L	Joshua Rutherford	Sec 6		6/30/2020
30JUNE L&L	Vicki Eneas	Sec 6	Like to see expansion of tier 1 space. As an outdoor grower, limited in timing and amount that would allow them to be viable.	6/30/2020
30JUNE L&L	Tricia/Frank Schade	Sec 6	5000 sq. ft. or opportunity to become tier 2	6/30/2020

**Tier 1 Expansion Listen & Learn Sessions**  
**June 23, 2021**  
**June 30, 2021**

<b>30JUNE L&amp;L</b>	Jim McCrae	Sec 6/7/8	Make sure everything is adequately defined. Enforcement is not meaningful, licensees are exceeding canopy production. Rule changes not needed when current rules not enforced.	6/30/2020
<b>30JUNE L&amp;L</b>	Ryan Lee	Sec 6	Tier 3+ with option for licensees in a given tier allowed to apply to tier above, based on canopy max.	6/30/2020
<b>30JUNE L&amp;L</b>	Mark Ambler	Sec 6	Canopy utilization has gone done according to 2020 canopy report. Increase sq. ft. to 5000	6/30/2020
<b>30JUNE L&amp;L</b>	Gary Green	Sec 6	Methods to support tier 1, not doing away with Tier 1	6/30/2020
<b>30JUNE L&amp;L</b>	Bethany Rondeaux	Sec 6	Licensees can purchase other licenses for increased canopy	6/30/2020
<b>30JUNE L&amp;L</b>	Shawn DeNae	Sec 7	Reduce sq. ft. for licensees not selling into 502 system; switched to research or reduce canopy. Licensees should be selling at least 80% of production.	6/30/2020
<b>30JUNE L&amp;L</b>	Jim McCrae	Sec 7	Clarify maximum sq. feet allowable; 7(B) is not currently monitored/enforced in any consistent way. Caution on equating sales numbers to utilization. Reduction across the board for all tiers has more impact on smaller producers.	6/30/2020
<b>30JUNE L&amp;L</b>	Crystal Oliver	Sec 7	Used to be a WAC re: state canopy limit. Sections 7/8 are remnants of the previous statewide cap in WAC.	6/30/2020
<b>30JUNE L&amp;L</b>	Jeff Merryman	Sec 7	Reducing canopy because they aren't selling is counterproductive.	6/30/2020
<b>30JUNE L&amp;L</b>	Mark Ambler	Sec 7	Reduce canopy, or increase canopy as needed. Will submit language.	6/30/2020
<b>30JUNE L&amp;L</b>	Joshua Rutherford	Sec 7	Allow each tier to increase or research purposes.	6/30/2020
<b>30JUNE L&amp;L</b>	Crystal Oliver	Sec 8	Remnant from prior defined limit on state canopy; should be stricken	6/30/2020
<b>30JUNE L&amp;L</b>	Mark Ambler	Sec 8	LCB should able to increase as well as decrease.	6/30/2020
<b>30JUNE L&amp;L</b>	Ryan Lee	Sec 8	Recommends striking; other mechanisms to reduce canopy at license level	6/30/2020
<b>30JUNE L&amp;L</b>	Gary Green	Sec 8	Work on license by license; strike section	6/30/2020

**Tier 1 Expansion Listen & Learn Sessions**  
**June 23, 2021**  
**June 30, 2021**

<b>30JUNE L&amp;L</b>	Frank Schade	Sec 8	Sec 7 and 8 should be stricken. Tier 1 needs additional space.	6/30/2020
<b>30JUNE L&amp;L</b>	Jeff Merryman	Sec 8	Section should stricken.	6/30/2020
<b>30JUNE L&amp;L</b>	Drew Davis	Sec 9	Doesn't define annual harvest. Based on previous grow or capacity. Submitting language.	6/30/2020
<b>30JUNE L&amp;L</b>	Crystal Oliver	Sec 9	Unenforceable. Strike section.	6/30/2020
<b>30JUNE L&amp;L</b>	Mark Ambler	Sec 9	Strike section. If not, need understanding of purpose.	6/30/2020
<b>30JUNE L&amp;L</b>	Jeff Merryman	Sec 9	Six months ill-defined. Strike section	6/30/2020
<b>30JUNE L&amp;L</b>	Ryan Lee	Sec 9	Strike section.	6/30/2020
<b>30JUNE L&amp;L</b>	Jim McCrae	Sec 9	How it's been enforced should not dictate whether to have the rule; original intent of rule should be discussed with enforcement.	6/30/2020
<b>30JUNE L&amp;L</b>	Gary Green	Sec 9	Incomplete leftover section; doesn't address processor licensees and how much inventory they have available. Recommends striking.	6/30/2020
<b>30JUNE L&amp;L</b>	Crystal Oliver	Sec 9	If oversupply, producer should be able to store product until supply on market is reduced.	6/30/2020
<b>30JUNE L&amp;L</b>	Drew Davis	Sec 10	Strong opposition to inclusion of language around flavor.	6/30/2020
<b>30JUNE L&amp;L</b>	Jim McCrae	Sec 10	Questions absence of flavor and other discussions whether it appeals to children. Any additions should have stated purpose.	6/30/2020
<b>30JUNE L&amp;L</b>	Shawn DeNae	Sec 10	Supports rule disallowing adulteration.	6/30/2020
<b>30JUNE L&amp;L</b>	Ryan Lee	Sec 11	Split this rule into two separate sections and clarify. Include language that allows labelling a lot in a "reasonable amount of time"	6/30/2020
<b>30JUNE L&amp;L</b>	Crystal Oliver	Sec 11	Supports time allowance for labelling, possibly labelling prior to transport	6/30/2020

**Tier 1 Expansion Listen & Learn Sessions**  
**June 23, 2021**  
**June 30, 2021**

<b>30JUNE L&amp;L</b>	Shawn DeNae	Sec 11	Supports prior to transport, "reasonable timeframe" too loose. Include retailers in QA test results to retailers.	6/30/2020
<b>30JUNE L&amp;L</b>	Gary Green	Sec 11	Should be two rules, QA test separate from labelling.	6/30/2020
<b>30JUNE L&amp;L</b>	Mark Ambler	Sec 11	Producer must "offer" results;	6/30/2020
<b>30JUNE L&amp;L</b>	Jeff Merryman	Sec 11	Two separate rules; overly vague. Costly to test twice (producer test, processor test). Clarity on when product should be labelled.	6/30/2020