## PROPOSED RULE MAKING



**CR-102 (June 2024)** (Implements RCW 34.05.320)
Do NOT use for expedited rule making

## **CODE REVISER USE ONLY**

OFFICE OF THE CODE REVISER STATE OF WASHINGTON **FILED** 

DATE: August 14, 2024

TIME: 11:08 AM

WSR 24-17-051

| Agency: Washington State Liquor and Cannabis Board                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                |  |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--|--|
| □ Original Notice                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                |  |  |
| ☐ Supplemental Noti                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | ce to WSR _    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                |  |  |
| ☐ Continuance of WS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | SR             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | ment of Inqu   | uiry was filed as WSR 23-0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | -06-079 ; <b>or</b>                                                            |  |  |
| □ Expedited Rule Ma                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | kingPropo      | sed notice was filed as W                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | WSR; or                                                                        |  |  |
| □ Proposal is exemp                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | t under RCV    | N 34.05.310(4) or 34.05.330                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 30(1); or                                                                      |  |  |
| ☐ Proposal is exemp                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | t under RCV    | N                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | ubject) Rulemaking to amend WAC 314-55-096 concerning                          |  |  |
| vendor, educational, ar                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | nd internal qu | uality samples.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                |  |  |
| Hearing location(s):                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                | ` ' '                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Comment:                                                                       |  |  |
| Date:  Time:  Location: (be specific)  All public Board activity wheld in a "hybrid" environment This means that the public have options for in-person of virtual attendance. The Board activity with the public of the public may also login under the public may application. The public may provide verbal commenduring the specified public comment and rules hearing segments. TVW also regular airs these meetings. Please that although the Boardroom be staffed during a meeting Board members and agence. |                | held in a "hybrid" environned. This means that the public was a portion of the public may also login used to the public may also login used the public may also login. The public may provide verbal comme | will a or pard and using a call-in the soft abluc ents en one one will ag, acy |  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                | rlier than October 9, 2024                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | (Note: This is <b>NOT</b> the <b>effective</b> date)                           |  |  |
| Submit written comments to:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Assistance for persons with disabilities:                                      |  |  |
| Name Cassidy West, Policy and Rules Manager                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Contact Anita Bingham, ADA Coordinator, Human Resources                        |  |  |
| Address PO Box 48030, Olympia WA 98504-3080                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Phone 360-664-1739                                                             |  |  |
| Email rules@lcb.wa.gov                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Fax 360-664-9689                                                               |  |  |
| Fax 360-704-5027                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | TTY 7-1-1 or 1-800-833-6388                                                    |  |  |
| Other                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Email anita.bingham@lcb.wa.gov                                                 |  |  |
| Beginning (date and time) August 14, 2024, 12:00 PM                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Other                                                                          |  |  |
| By (date and time)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | September 2    | 5, 2024, 12:00 PM                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | By (date) September 11, 2024                                                   |  |  |

**Purpose of the proposal and its anticipated effects, including any changes in existing rules:** The proposal aims to amend the regulations regarding vendor, educational, and internal quality samples in WAC 314-55-096 to streamline requirements, reduce the regulatory burden on licensees, and ensure accountability and public safety. The proposed changes are expected to improve efficiency in cannabis sampling processes while maintaining high standards for public safety and product quality. Key changes being proposed are outlined below:

- 1. **Unified Sample Category 'Trade Samples'**: This category merges vendor and educational samples to reduce regulatory complexity and better align with industry practices.
- 2. **Representative Sample Sizes**: Ensures that trade samples reflect the smallest marketable product size to accurately represent consumer products, aiding in more informed business decisions.
- 3. **Quarterly Provision Limits**: Transitioning to quarterly limits accommodates the operational cycles of producers, particularly those with seasonal outdoor production schedules.
- 4. **Equivalency Standards for Different Product Types**: Standard limits across various product types ensure fair and consistent sampling practices.
- 5. **Traceability and Recordkeeping**: All trade samples must be documented in the state's traceability system, including detailed records of product type, trade name, and the receiving licensee. This ensures transparency and facilitates compliance monitoring.
- 6. **Designated Storage Areas**: Trade samples must be stored in designated areas separate from non-sample inventory. This separation is crucial for preventing contamination and ensuring samples are easily identifiable for audit and compliance checks.
- 7. **Employee Sampling**: Employees of licensees can receive up to 15 trade sample units per calendar quarter. These samples must be used strictly for educational purposes and are not to be used as compensation or incentives.
- 8. **Limits on Sample Distribution**: Producers can distribute up to 96 trade sample units of cannabis per calendar quarter to processors, allowing comprehensive product assessment. Processors may provide up to 120 trade sample units of various cannabis products to retailers per quarter, facilitating extensive staff training and product familiarization.
- 9. **Sample Jar Modifications**: Changes include requirements for sample jars to be transparent, allowing customers to view and smell the product. This modification enhances consumer interaction with the product without compromising safety. The proposal also changes requirements for handling useable cannabis when it is no longer needed on display in the sample jar. The rule proposes 2 additional options for retailers: (1) to give the useable cannabis to current employees, which will count towards the employee's allotment; and (2) to dispose the cannabis in accordance with the requirements in WAC 314-55-097. These options are in addition to retailers transferring the cannabis back to the originating processor who provided it, as outlined in the existing rule.

The proposed changes are designed to offer multiple benefits, including, but not limited to:

Enforcement and Education

- 1. Simplified compliance with standardized sample sizes and reduced administrative burden and overhead costs.
- 2. Enhanced understanding and education of budtenders regarding cannabis products.
- 3. More practical and efficient sampling processes that reflect operational realities of the cannabis industry.

Reasons supporting proposal: Rulemaking is needed to update the sampling framework to reflect current industry practices and reduce regulatory burdens while ensuring accountability and public safety. The proposed rule aims to align the sampling regulations more closely with industry realities and operational needs. Statutory authority for adoption: RCW 69.50.342 Statute being implemented: Is rule necessary because of a: Federal Law? ☐ Yes  $\bowtie$  No Federal Court Decision? ☐ Yes  $\bowtie$  No State Court Decision? ☐ Yes  $\bowtie$  No If ves. CITATION: Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters: The proposed changes reflect input from various stakeholders, including industry members and public health partners, seeking to balance business needs with public health concerns. Name of proponent: (person or organization) Washington State Liquor and Cannabis Board **Type of proponent:** □ Private. □ Public. ⊠ Governmental. Name of agency personnel responsible for: Name Office Location Phone Drafting Cassidy West, Policy and 1025 Union Avenue, Olympia, WA 98504 360-878-4235 Rules Manager 360-664-1753 Chandra Wax, Director of Implementation

1025 Union Avenue, Olympia, WA 9850

| Enforcement<br>Enforcement                                                                                                                                                                                                                              | Chandra Wax, Direction                      | tor of 1025 Unic          | n Aveni          | ue, Olympia, WA 9850                       | 360-664-1          | 1726         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------|------------------|--------------------------------------------|--------------------|--------------|
|                                                                                                                                                                                                                                                         | istrict fiscal impact state                 | ment required under       | r RCW 2          | 28A.305.135?                               | ☐ Yes              | ⊠ No         |
|                                                                                                                                                                                                                                                         | statement here:                             |                           |                  |                                            |                    |              |
|                                                                                                                                                                                                                                                         |                                             |                           |                  |                                            |                    |              |
| The public                                                                                                                                                                                                                                              | may obtain a copy of the s                  | school district fiscal in | npact sta        | atement by contacting:                     |                    |              |
| Nar                                                                                                                                                                                                                                                     |                                             | orioor diotriot noodi iii | .paot ott        | atoment by contacting.                     |                    |              |
|                                                                                                                                                                                                                                                         | lress                                       |                           |                  |                                            |                    |              |
| Pho                                                                                                                                                                                                                                                     | ne                                          |                           |                  |                                            |                    |              |
| Fax                                                                                                                                                                                                                                                     |                                             |                           |                  |                                            |                    |              |
| TTY                                                                                                                                                                                                                                                     | ′                                           |                           |                  |                                            |                    |              |
| Ema                                                                                                                                                                                                                                                     | ail                                         |                           |                  |                                            |                    |              |
| Oth                                                                                                                                                                                                                                                     | er                                          |                           |                  |                                            |                    |              |
| Is a cost-ben                                                                                                                                                                                                                                           | efit analysis required un                   | der RCW 34.05.328?        |                  |                                            |                    |              |
| ☐ Yes: /                                                                                                                                                                                                                                                | A preliminary cost-benefit a                | nalysis may be obtair     | ned by d         | ontacting:                                 |                    |              |
| Nar                                                                                                                                                                                                                                                     | ne                                          |                           |                  |                                            |                    |              |
| Add                                                                                                                                                                                                                                                     | ress                                        |                           |                  |                                            |                    |              |
| Pho                                                                                                                                                                                                                                                     | ne                                          |                           |                  |                                            |                    |              |
| Fax                                                                                                                                                                                                                                                     |                                             |                           |                  |                                            |                    |              |
| TTY                                                                                                                                                                                                                                                     |                                             |                           |                  |                                            |                    |              |
| Ema                                                                                                                                                                                                                                                     |                                             |                           |                  |                                            |                    |              |
| Oth                                                                                                                                                                                                                                                     |                                             |                           |                  |                                            |                    |              |
|                                                                                                                                                                                                                                                         | •                                           | -                         | •                | nder RCW 34.05.328 because th              | •                  |              |
|                                                                                                                                                                                                                                                         | rulemaking does not quality<br>5.328(5)(c). | as a significant legis    | iative ru        | le or other rule requiring a cost b        | enerit anai        | ysis under   |
| Regulatory F                                                                                                                                                                                                                                            | airness Act and Small Bu                    | usiness Economic Ir       | npact S          | tatement                                   |                    |              |
| Note: The Go                                                                                                                                                                                                                                            | vernor's Office for Regulate                | ory Innovation and As     | sistance         | e (ORIA) provides support in com           | pleting this       | part.        |
|                                                                                                                                                                                                                                                         | tion of exemptions:                         |                           |                  |                                            |                    |              |
|                                                                                                                                                                                                                                                         |                                             |                           |                  | equirements of the Regulatory Fa           |                    |              |
|                                                                                                                                                                                                                                                         | c for any applicable exempt                 |                           | s, consi         | ult the exemption guide published          | I by ORIA.         | Please       |
|                                                                                                                                                                                                                                                         |                                             | , ,                       | ua da v D(       | 2)W 40 05 064 because this mule w          | ما ما نام ما دام م |              |
|                                                                                                                                                                                                                                                         |                                             |                           |                  | <u>CW 19.85.061</u> because this rule r    |                    |              |
| 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.                                                                                                                                                                                                                                                | raio io bomig adoptod to o                  | omomi or compry was       | i, and a         |                                            | otato ii tiro      | 1010 10 1101 |
| Citation and o                                                                                                                                                                                                                                          | lescription:                                |                           |                  |                                            |                    |              |
| │<br>□ This rule r                                                                                                                                                                                                                                      | proposal, or portions of the                | proposal, is exempt b     | ecause           | the agency has completed the pi            | ilot rule pro      | cess         |
|                                                                                                                                                                                                                                                         | CW 34.05.313 before filing                  |                           |                  |                                            | iot raio pro       | 0000         |
|                                                                                                                                                                                                                                                         |                                             |                           |                  | e provisions of RCW 15.65.570(2            | ) because          | it was       |
| adopted by a                                                                                                                                                                                                                                            | • •                                         | ,                         |                  |                                            | ,                  |              |
| ☐ This rule p                                                                                                                                                                                                                                           | proposal, or portions of the                | proposal, is exempt u     | ınder <u>R</u> ( | CW 19.85.025(3). Check all that a          | apply:             |              |
| _                                                                                                                                                                                                                                                       | RCW 34.05.310 (4)(b)                        | •                         |                  | RCW 34.05.310 (4)(e)                       |                    |              |
|                                                                                                                                                                                                                                                         | (Internal government opera                  | utions)                   |                  | (Dictated by statute)                      |                    |              |
|                                                                                                                                                                                                                                                         | RCW 34.05.310 (4)(c)                        | alono,                    |                  | RCW 34.05.310 (4)(f)                       |                    |              |
|                                                                                                                                                                                                                                                         |                                             | ۸                         | Ш                |                                            |                    |              |
|                                                                                                                                                                                                                                                         | (Incorporation by reference                 | ;)                        |                  | (Set or adjust fees)                       |                    |              |
|                                                                                                                                                                                                                                                         | RCW 34.05.310 (4)(d)                        | `                         |                  | RCW 34.05.310 (4)(g)                       | (")                |              |
|                                                                                                                                                                                                                                                         | (Correct or clarify language                | <del>?</del> )            |                  | ((i) Relating to agency hearings;          | . , .              |              |
|                                                                                                                                                                                                                                                         |                                             |                           |                  | requirements for applying to an or permit) | agency for         | a license    |
| ☐ This rule p                                                                                                                                                                                                                                           | proposal, or portions of the                | proposal, is exempt u     | ınder Ro         | CW 19.85.025(4). (Does not affect          | ct small bus       | sinesses).   |
| -                                                                                                                                                                                                                                                       | proposal, or portions of the                |                           |                  |                                            |                    | ,            |
|                                                                                                                                                                                                                                                         | f how the above exemption                   |                           |                  |                                            |                    |              |
| (2) Scope of                                                                                                                                                                                                                                            | exemptions: Check one.                      |                           |                  |                                            |                    |              |
|                                                                                                                                                                                                                                                         |                                             | Skip section 3.) Exemp    | tions id         | entified above apply to all portion        | s of the rul       | e proposal.  |

| ☐ The rule proposal: Is partially exempt. (Complete section 3.) The exemptions identified above apply to portions of the rule |
|-------------------------------------------------------------------------------------------------------------------------------|
| proposal, but less than the entire rule proposal. Provide details here (consider using this template from ORIA):              |
|                                                                                                                               |

## (3) Small business economic impact statement: Complete this section if any portion is not exempt.

If any portion of 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 minor cost analysis and how the agency determined the proposed rule did not impose more-than-minor costs. Agencies are required to consider costs imposed on business and costs associated with compliance with proposed rules. Agencies are not required under chapter 19.85 RCW to consider indirect costs not associated with compliance.

While the proposed rule simplifies some aspects, such as eliminating the need for special sample unit sizes, they introduce costs related to additional labeling, storage, and enhanced record-keeping requirements. These costs may be partly offset by the elimination of the need for special sample sizes and the simplification of product tracking. Additionally, there may be costs associated with destroying existing sample units that do not comply with new rules, once effective. A transition period of six months will be provided to adjust to the new regulations helping mitigate potential financial impacts on businesses.

Using NAICS code 111918 for cannabis grown in an open field, the US Census North American Industry Classification System (NAICS) describes this code for "This U.S. industry comprises establishments primarily engaged in one of the following: (1) growing crops (except oilseeds and/or grains; vegetables and/or melons; fruits and/or tree nuts; greenhouse, nursery, and/or floriculture products; tobacco; cotton; sugarcane; hay; sugar beets; or peanuts); (2) growing a combination of crops (except a combination of oilseed(s) and grain(s); and a combination of fruit(s) and tree nut(s)) with no one crop or family of crops accounting for one-half of the establishment's agricultural production (i.e., value of crops for market); or (3) gathering tea or maple sap." The US Census NAICS code description at

https://www.census.gov/naics/?input=cannabis&year=2022&details=111998 identifies cannabis grown in an open field as an example of a business that uses this code.

Using NAICS code 424590 for cannabis merchant wholesalers, the US Census NAICS describes this code for "This industry comprises establishments primarily engaged in the merchant wholesale distribution of farm products (except grain and field beans, livestock, raw milk, live poultry, and fresh fruits and vegetables)." The US Census NAICS code description at <a href="https://www.census.gov/naics/?input=cannabis&year=2022&details=424590">https://www.census.gov/naics/?input=cannabis&year=2022&details=424590</a> identifies cannabis merchant wholesalers, as an example of a business that uses this code.

LCB applied the North American Industry Classification System (NAICS) codes 453998 for marijuana stores. The industry descriptions for these codes is presented in the table below, and can be accessed at <a href="https://www.census.gov/library/publications/2017/econ/2017-naics-manual.html">https://www.census.gov/library/publications/2017/econ/2017-naics-manual.html</a>.

LCB applied a default cost when analyzing whether the rules would have a disproportionate impact on small businesses as defined in RCW 19.85.020(3). Per RCW 19.85.020(2), a minor cost means a cost per business that is less than three-tenths of one percent of annual revenue or income, or one hundred dollars, whichever is greater, or one percent of annual payroll.

According to Department of Revenue data from 2023, the total gross business income for NAICS code 459991 was \$647,617,610 for 493 businesses. That produces an average annual gross business income of \$1,313,625.98. Three-tenths of one percent of \$1,313,625.98 is \$3,940.877, rounding up to \$3,940.88.

The remainder of the data is provided by reference to the minor-cost threshold calculator provided by the Office of Regulatory Innovation & Assistance available at

https://www.oria.wa.gov/Portals/\_oria/VersionedDocuments/RFA/Regulatory\_Fairness\_Act/Minor-Cost-Threshold-Calculator.xlsx

| 2022<br>Industry<br>NAICS<br>Code | Estimated Cost of Compliance  Industry Description |                                   | NAICS Code Title                      | Minor<br>Cost<br>Estimate | 1% of Avg<br>Annual Payroll<br>(Threshold)    | 0.3% of Avg<br>Annual Gross<br>Business Income<br>(Threshold) |  |
|-----------------------------------|----------------------------------------------------|-----------------------------------|---------------------------------------|---------------------------|-----------------------------------------------|---------------------------------------------------------------|--|
| 111419                            | \$500.00                                           | Cannabis,<br>grown under<br>cover | Other Food Crops<br>Grown Under Cover | \$3,259.51                | \$3,259.51<br>2021 Dataset<br>pulled from ESD | \$3,195.50<br>2021 Dataset<br>pulled from DOR                 |  |

|        | \$500.00 | Cannabis,                                          | All Other                                                                    | \$11,775.64 | \$11,775.64                                   | \$2,882.31                                    |  |
|--------|----------|----------------------------------------------------|------------------------------------------------------------------------------|-------------|-----------------------------------------------|-----------------------------------------------|--|
| 111998 |          | grown in an                                        | Miscellaneous Crop                                                           |             | 2021 Dataset                                  | 2021 Dataset                                  |  |
|        |          | open field                                         | Farming                                                                      |             | pulled from ESD                               | pulled from DOR                               |  |
| 424590 | \$500.00 | Cannabis<br>merchant<br>wholesalers                | Other Farm Product Raw Material Merchant Wholesalers                         | \$8,809.55  | \$3,948.77<br>2021 Dataset<br>pulled from ESD | \$8,809.55<br>2021 Dataset<br>pulled from DOR |  |
| 459991 | \$500.00 | Marijuana<br>stores,<br>recreational<br>or medical | Tobacco, Electronic<br>Cigarette, and Other<br>Smoking Supplies<br>Retailers | \$3,940.88  | Unavailable*                                  | \$3,940.88<br>2023 Dataset<br>pulled from DOR |  |

As the table demonstrates, the estimated cost of compliance does not exceed the threshold for any of the potential NAICS codes applicable to cannabis licensees. Therefore, implementation of this amended rule is not anticipated to result in more than minor costs on businesses as defined in RCW 19.85.020(2).

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

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

Name Cassidy West

Address 1025 Union Avenue, Olympia, WA 98504

Phone 360-878-4235 Fax 360-704-5027

TTY 7-1-1 or 1-800-833-6388 Email rules@lcb.wa.gov

Other

Date: August 14, 2024

Name: David Postman

Title: Chair

- WAC 314-55-096 ((Vendor, educational)) Trade samples, retail display samples, and internal quality control samples. (1) ((Vendor)) Trade samples: ((Producers or processors may provide free)) Trade samples are samples of useable cannabis, cannabis-infused products, and cannabis concentrates ((to negotiate)), as described in this section, provided for free for the purpose of negotiating a sale and providing education to budtenders engaged in selling cannabis products at retail.
- (a) Trade samples may be provided by a producer to a processor, or by a processor to a retailer.
- (b) Trade samples must be provided free of charge to the receiving licensee.
- (c) Trade samples may only be provided to a licensee that has requested the trade sample or is consenting to receiving the trade sample.
  - (d) Trade samples may be used for:
- (i) Negotiating a sale on product ((the retail licensee does not currently carry. All vendor sample limits are)) not currently carried by the cannabis licensee;
- (ii) Educating budtenders on new products the cannabis retailer has not previously offered for sale to the public; and
- (iii) Educating new budtenders on existing products the retailer sells.
  - (e) A trade sample unit must:
- (i) Be representative of the product being offered for sale on the market;
- (ii) Not be larger than the smallest unit offered for individual sale at retail;
  - (iii) Not exceed the following amounts per unit:
  - (A) 3.5 grams of cannabis;
  - (B) One gram of cannabis concentrate;
- (C) 100 milligrams of cannabis-infused product in solid or liquid form meant to be ingested orally, applied topically, or otherwise taken into the body containing not more than 10 milligrams of active delta-9 THC per serving consistent with the limits provided in WAC 314-55-095.
- (f) The limits on the amount of trade samples offered to cannabis licensees are based on calendar ((months)) quarters.
- (i) Producers may not provide any one licensed processor more than 96 trade sample units of cannabis flower per calendar quarter.
- (ii) Processors may not provide any one licensed retail business more than 120 trade sample units of any combination of useable cannabis, cannabis concentrates, or cannabis-infused products per calendar quarter.
  - (g) The producer or processor must:
- (i) Record the amount of each ((vendor)) trade sample provided by product type and the ((processor or retailer receiving the sample)) trade name of the receiving licensee in the state's traceability system((. The outgoing sample must be clearly labeled));
- tem((. The outgoing sample must be clearly labeled));
  (ii) Clearly label each outgoing sample as a "((vendor)) trade
  sample" ((to negotiate a sale and recorded)) and itemize trade samples
  on a separate transport manifest from products intended for resale;

[ 1 ] OTS-5756.1

- All trade samples must be packaged and labeled in accordance with the requirements in WAC 314-55-105, and include an additional label affixed to the package with the following statement in a style or type of lettering that is bold, clear, and conspicuous when compared with other type, lettering or graphics, and does not obscure other required labeling information: "TRADE SAMPLE NOT FOR RESALE OR DONATION."
- (iii) Locate and store all trade samples in a designated area on the licensed premises, separate from nonsample products being sold to another licensee;
- (iv) Not provide trade samples as a condition for a retailer to purchase the producer or processor's products or in any manner that would cause undue influence over another licensee or industry member;
- (v) Provide the license receiving trade samples of cannabis with the certificate of analysis for all quality assurance and quality control tests conducted on the lot or batch from which the sample was derived;
- (vi) Disclose all chemicals applied to the growing medium and the plants during production and or processing as applicable including, but not limited to, pesticides, fungicides, herbicides, rodenticides, nutrients, fertilizers, and pH control; and
- (vii) Disclose all solvents and other chemicals, that were used during the processing of a cannabis concentrate or cannabis-infused product including, but not limited to, additives and ingredients.
- ((\(\frac{(a) Vendor\)}{\)}) (i) Trade samples may only be given to and used by licensees or current paid employees of ((\(\frac{1}{\text{licensees}}\) who have product ordering authority or employees who provide input on product to licensees or employees of licensees who have purchasing authority to inform purchasing decisions)) the licensee as detailed in a \(\frac{1}{\text{licensee}'\sigma\) written business policy.
- (((b) Producers may not provide any one licensed processor more than eight grams of cannabis flower per month free of charge for the purpose of negotiating a sale.
- (c) Processors may not provide any one licensed retailer more than eight grams of useable cannabis per month free of charge for the purpose of negotiating a sale.
- (d) Processors may not provide any one licensed retailer more than eight units of cannabis-infused products in solid form meant to be ingested orally or otherwise taken into the body per month free of charge for the purpose of negotiating a sale. No single unit may exceed 10 mg of THC.
- (e) Processors may not provide any one licensed retailer more than eight units of cannabis-infused product in liquid form meant to be eaten, swallowed, or otherwise taken into the body per month free of charge for the purpose of negotiating a sale. No single unit may exceed 10 mg of THC.
- (f) Processors may not provide any one licensed retailer more than eight units of cannabis-infused products meant to be applied topically per month free of charge for the purpose of negotiating a sale.
- (g) Processors may not provide any one licensed retailer more than two units of cannabis-infused extract meant for inhalation or infused cannabis mix per month free of charge for the purpose of negotiating a sale. No single unit may exceed 0.5 g.
- (h) A cannabis producer must make quality assurance test results available to any processor receiving samples to negotiate a sale. The

[ 2 ] OTS-5756.1

producer must also provide a statement that discloses all pesticides applied to the cannabis plants and growing medium during production.

- (i) A cannabis processor must make quality assurance test results available to any retailer receiving samples to negotiate a sale. If a cannabis extract was added to the product, the processors must disclose the type of extraction process and any solvent, gas, or other chemical used in the extraction process, or any other compound added to the extract.
- (j) Vendor sample labeling: All vendor samples must be clearly labeled as a vendor sample and meet all labeling requirements of the product to be sampled.
- (i) The unique identifier number generated by the traceability system;
- (ii) The UBI number of the licensed entity providing the sample; and
- (iii) Weight of the product in ounces and grams or volume as applicable.
- (2) Education sampling. Processors)) (i) Trade samples may not be sold, and only be given free of charge to paid employees of the licensed business.
- (ii) Trade samples may not be provided as employee compensation, as an incentive, or reward.
  - (j) Cannabis retailers:
- (i) Must not require a producer or processor to provide free trade samples as a condition for purchasing a licensee's products or in any manner that would cause undue influence over another licensee or industry member.
- (ii) Must locate trade samples in a designated area on the licensed premises, separate from nonsample products for resale, and be clearly identified as trade samples.
- <u>(iii)</u> May provide free <u>trade</u> samples of useable cannabis, cannabis-infused products, and cannabis concentrates to ((<del>retail licensees to give to the licensee's</del>)) <u>current paid</u> employees ((<del>for educational purposes. Products being sampled must be carried by</del>)) <u>of</u> the licensed retailer. ((<del>The processor</del>))
- (iv) Must track all incoming and outgoing trade sample inventory in the state traceability system by product type.
- (v) Must record the <u>sample</u> amount ((of each sample and the retailer receiving the sample)) being provided to each employee in the traceability system including the product type and the name of the employee receiving the sample. ((The outgoing sample must be clearly labeled as "education sample" and recorded on a transport manifest. Once the retailer receives the))
- (vi) Must not provide more than 15 sample((, the retailer must accept the sample in the traceability system prior to distributing samples to the retailer's employees. All employees at a licensed retail location who receive educational samples must be entered into the traceability system for the purpose of distributing education samples.
- (a) Retailers are restricted to receiving a maximum of 100 sample units per calendar month. No more than 10 sample units may be provided to any one employee per calendar month.
  - (b) The maximum size of education samples are:
- (i) Useable cannabis, cannabis mix, and infused cannabis mix One unit not to exceed 0.5 g.
- (ii) Cannabis infused solid or liquid product meant to be ingested orally or otherwise taken into the body One unit not to exceed  $10~\rm mg~THC$ .

[ 3 ] OTS-5756.1

- (iii) Cannabis-infused extract for inhalation One unit not to exceed 0.25 g.
- (iv) Cannabis-infused products for topical application One unit not to exceed 16 ounces.
- (c) Distribution and consumption of all educational samples is limited to retail employees who directly sell product to retail customers. Retail employees who are not involved in direct sales to customers are not eligible for education samples.
- (d) Cannabis retail licensees are prohibited from providing educational samples to their employees as a form of compensation.
- (e) A cannabis processor must make quality assurance test results available to any retailer receiving education samples. If a cannabis extract was added to the product, the processors must disclose the type of extraction process and any solvent, gas, or other chemical used in the extraction process, or any other compound added to the extract.
- (f) Education sample labeling: All education samples must be clearly labeled "education sample" and include the following information on the label:
- (i) The unique identifier number generated by the traceability system;
- (ii) The UBI number and trade name of the licensed entity providing the sample;
  - (iii) Product name or strain name for useable cannabis;
- (iv) Weight of the product in ounces and grams or volume as applicable; and
  - (v) Potency labeled as required under WAC 314-55-105.
- (3) A cannabis processor is not required to provide free samples to negotiate a sale or educational samples to a cannabis retail licensee, and a cannabis retail licensee may not require a cannabis processor to provide free sample to negotiate a sale or educational samples as a condition for purchasing the cannabis processor's products.
  - (4))) units to any one employee within a calendar quarter.
  - (2) Retailers may not provide free samples to customers.
- (3) Internal quality control sampling: Producers and processors may conduct limited self-sampling for quality control. All sample limits are based on calendar ((months)) quarters. Consuming samples for quality control may not take place ((at a)) on the licensed premises. Only the producer, processor, or their paid employees ((of the licensee)) may sample ((the)) cannabis flower, useable cannabis, cannabis-infused products, cannabis concentrates, and edible cannabis-infused product. The producer or processor must record the amount of each sample and the employee(s) conducting the sampling in the state's traceability system.
- (a) Producers may sample  $((\frac{\text{two grams}}{\text{grams}}))$  up to 14 grams of cannabis  $((\frac{\text{flower}}{\text{per}}))$  per  $((\frac{\text{strain, per month}}{\text{month}}))$  harvest, for internal quality  $((\frac{\text{sampling}}{\text{grams}}))$  control.
- (b) Processors may sample ((one unit)) up to eight units per batch of ((a new)) cannabis-infused product meant to be ingested orally or otherwise taken into the body to be offered for sale on the market for internal quality control.
- (c) Processors may sample up to (( $\frac{\text{one unit}}{\text{one unit}}$ ))  $\frac{3.5 \text{ grams}}{\text{concentrates}}$  per batch of (( $\frac{\text{a new cannabis-infused extract for inhalation}}{\text{trates}}$ ))  $\frac{\text{cannabis concentrates}}{\text{to be offered for sale on the market for internal quality control.}}$

[ 4 ] OTS-5756.1

- (d) Processors may sample one unit per batch of a new cannabis mix packaged to be offered for sale on the market. No single sample may exceed 1 g.
- (e) Processors may sample one unit per batch of a new infused cannabis mix to be offered for sale on the market. No sample may exceed  $0.5~\rm g.$
- (f) Processors may sample one unit per batch of a new cannabis-infused product for topical application to be offered for sale on the market. No sample may exceed 16 ounces.
  - (5) Retailers may not provide free samples to customers.

<del>(6)</del>))

- (4) Sample jars:
- (a) All sample jars must be labeled with the following:
- (i) Information identifying it as a sample jar;
- (ii) The UBI number of the licensed entity providing the sample; and
- (iii) Weight of the product in ounces and grams or volume as applicable.
- (b) A processor may provide a retailer free samples of useable cannabis packaged in a <u>transparent</u> sample jar protected by a plastic or metal mesh screen to allow customers to <u>view and</u> smell the product before purchase. The sample jar may not contain more than ((three and one-half)) 3.5 grams of useable cannabis. The plastic or metal mesh screen must be sealed onto the container, and must be free of rips, tears, or holes greater than 2 mm in diameter.
- (c) Neither the sample jar ((and)) or the useable cannabis within may ((not)) be sold, transferred, given away, or otherwise provided to a customer ((and must be returned to the licensed processor who provided the useable cannabis and sample jar.
- (b) Sample jar labeling: All sample jars must be labeled with the following:
- (i) The unique identifier number generated by the traceability system;
- (ii) Information identifying whether it is a vendor sample or sample jar;
- $\overline{\text{(iii)}}$  The UBI number of the licensed entity providing the sample; and
- (iv) Weight of the product in ounces and grams or volume as applicable.
- (c) A cannabis processor must make quality assurance test results available to any retailer receiving sample jars. The processor must also provide a statement that discloses all pesticides applied to the cannabis plants and growing medium during production.
- (d) If a cannabis extract was added to the product, the processor must disclose to the retailer the type of extraction process and any solvent, gas, or other chemical used in the extraction process, or any other compound added to the extract)).
- (d) Any useable cannabis no longer needed for display in sample jars may either be:
- (i) Given to paid employees of the retailer free of charge. The sample amount must be recorded in the state's traceability system and will count towards the employees maximum sample limit described in (1) (j) (vi) of this section;
- (ii) Disposed in accordance with the requirements in WAC 314-55-097 and recorded in the state's traceability system, consistent with WAC 314-55-083; or

[ 5 ]

OTS-5756.1

- (iii) Returned to the processor that provided the sample, to be disposed in accordance with WAC 314-55-097 and recorded in the state's traceability system, consistent with WAC 314-55-083.
- traceability system, consistent with WAC 314-55-083.

  ((<del>(7)</del>)) (5) **Transportation**. Outgoing and return ((<del>vendor</del>)) trade samples and sample jars must adhere to the transportation requirements in WAC 314-55-085.

[ 6 ]

OTS-5756.1