

HOUSE BILL REPORT

HB 1125

As Passed House:
February 1, 2017

Title: An act relating to limiting the total number of retail marijuana licenses that may be held by a retailer and co-owners.

Brief Description: Limiting the total number of retail marijuana licenses that may be held by a retailer and co-owners.

Sponsors: Representatives Condotta, Sawyer and Vick.

Brief History:

Committee Activity:

Commerce & Gaming: 1/17/17, 1/19/17 [DP].

Floor Activity:

Passed House: 2/1/17, 69-28.

Brief Summary of Bill

- Restricts, to a maximum of five, the number of retail marijuana business licenses that may be individually or collectively held by a person, partnership, or corporation.

HOUSE COMMITTEE ON COMMERCE & GAMING

Majority Report: Do pass. Signed by 10 members: Representatives Sawyer, Chair; Kloba, Vice Chair; Condotta, Ranking Minority Member; Vick, Assistant Ranking Minority Member; Barkis, Blake, Farrell, Kirby, Ryu and Young.

Staff: Thamas Osborn (786-7129).

Background:

State Licensing of Marijuana Producers, Processors, and Retailers.

The Liquor and Cannabis Board (LCB) issues three categories of marijuana-related business licenses: (1) the marijuana producer's license entitles the holder to produce marijuana for sale at wholesale to licensed marijuana processors or other producers; (2) the marijuana

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processor's license entitles the holder to process, package, and label marijuana for sale at wholesale to marijuana retailers and other processors; and (3) the marijuana retailer's license entitles the holder to sell marijuana products at retail prices in retail outlets. There are no statutory restrictions on the number of marijuana business licenses that may be issued to individuals, partnerships, or corporations.

The LCB is required to conduct a comprehensive, fair, and impartial evaluation of all applications for the various state-issued marijuana business licenses. However, pursuant to statute, the LCB is granted very broad, discretionary authority to grant or deny a license application. The process of evaluating license applications includes the following:

- the experience and qualifications of the applicant;
- an extensive criminal background check;
- verification that the applicant has the requisite municipal business licenses; and
- an inspection of the premises to be licensed, including an inquiry into the construction and operation of the premises.

Summary of Bill:

The number of retail marijuana business licenses that may be held by an individual, partnership, or corporation are made subject to limitations. Specifically, an individual retail licensee and all other persons or entities with a financial or other ownership interest in the business operating under the license are limited, in the aggregate, to holding a collective total of not more than five retail marijuana licenses.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) By limiting the aggregate number of retail marijuana licenses that may be held by a licensee and its financial associates to a collective maximum of five, this bill will help prevent large conglomerates from dominating the legal marijuana industry in this state. There are some who are in favor of a cap such as this, but think that it should allow a maximum of 10 licenses. Raising the cap to 10 would still present a barrier to market dominance by big businesses. The industry should be allowed to expand, but at this point some limits are needed in order to prevent ownership concentration.

(Opposed) None.

(Other) While some sort of cap is necessary, a maximum of five stores per licensee and its financial associates is too small. The cap should be at least seven, but preferably 10 or more. Also, if the law is to impose a cap on the number of licenses held by a licensee, then a cap should be imposed on producers and processors as well. The state should implement a free

market system, but at the same time impose restrictions that don't allow market domination by a few large businesses.

Persons Testifying: (In support) Representative Condotta, prime sponsor; and Philip Dawdy, Have A Heart.

(Other) Kirk Ludden, VIPER Political Action Committee; Ezra Eickmeyer, Cannabis Retailers for Smart Regulation; Kc Franks, Cannabis Organization of Retail Lake City Establishments; and Liz Hallock.

Persons Signed In To Testify But Not Testifying: None.