

HOUSE BILL REPORT

HB 1858

As Reported by House Committee On:
Commerce & Gaming
Appropriations

Title: An act relating to increasing marijuana license fees and adding a temporary additional fee on marijuana licenses issued by the Washington state liquor and cannabis board.

Brief Description: Increasing marijuana license fees and adding a temporary additional fee on marijuana licenses issued by the Washington state liquor and cannabis board.

Sponsors: Representatives Sawyer, Appleton and Kloba; by request of Liquor and Cannabis Board.

Brief History:

Committee Activity:

Commerce & Gaming: 2/7/17, 2/9/17 [DP];
Appropriations: 2/21/17, 2/22/17 [DP].

Brief Summary of Bill

- Imposes an additional temporary fee of \$480 on all applications and renewals of marijuana-related licenses issued under chapter 69.50 RCW. The fee expires on June 30, 2018.
- Increases the annual fee for the issuance and renewal of all marijuana-related licenses from \$1,000 to \$1,300.

HOUSE COMMITTEE ON COMMERCE & GAMING

Majority Report: Do pass. Signed by 8 members: Representatives Sawyer, Chair; Kloba, Vice Chair; Vick, Assistant Ranking Minority Member; Barkis, Blake, Farrell, Kirby and Ryu.

Minority Report: Without recommendation. Signed by 3 members: Representatives Condotta, Ranking Minority Member; Jenkin and Young.

Staff: Thamas Osborn (786-7129).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

Licensing of Marijuana Producers, Processors, and Retailers.

The Liquor and Cannabis Board (LCB) issues three categories of commercial marijuana 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 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. The annual fee for each of the licenses is \$1,000.

Marijuana Research License.

In 2015 a marijuana research license was authorized to permit a licensee to produce and possess marijuana to test chemical potency and composition levels; conduct clinical investigations of marijuana-derived drug products; conduct research on the efficacy and safety of administering marijuana as part of a medical treatment; and conduct genomic or agricultural research.

The LCB is assigned the lead role in the oversight and review of projects submitted by marijuana research license applicants. The LCB must select a scientific reviewer to evaluate project proposals. Marijuana research license applicants must submit to the designated scientific reviewer a description of the research the applicant intends to conduct. The scientific reviewer must then review the project and determine if it meets one of the permitted research purposes. The application is rejected if the scientific reviewer finds that the proposed project does not meet the project criteria established under statute.

The application fee for a marijuana research license is \$250. The annual fee for issuance and renewal of the license is \$1,000.

Summary of Bill:

Temporary Fee for Marijuana-Related Licenses.

Under the bill, an additional temporary fee of \$480 is imposed on all applications and renewals of marijuana-related licenses issued under chapter 69.50 RCW. This fee is applicable to all license applications and modifications received on or after the effective date of the act. It is also applicable to those license renewal applicants whose license expiration is on or after June 30, 2017. This additional fee is applicable to licenses pertaining to marijuana production, processing, retailing, and research. The temporary fee expires as of June 30, 2018.

Increase in Annual Fee for the Issuance and Renewal of Marijuana-Related Licenses.

The annual fee for the issuance and renewal of all marijuana-related licenses is increased from \$1,000 to \$1,300. This fee increase applies to all licenses pertaining to marijuana production, processing, retailing, and research.

Appropriation: None.

Fiscal Note: Available.

Effective Date: This bill takes effect 90 days after adjournment of the session in which the bill is passed, except for sections 2 and 3, relating to increases in the licensing fees for marijuana producers, processors, retailers, and researchers, which take effect July 1, 2018.

Staff Summary of Public Testimony:

(In support) The purpose of the bill is to generate revenue so as to enable the LCB to make needed updates and upgrades to the traceability system. This is the system by which the LCB tracks commercial marijuana "from seed to sale" and is crucial to the Initiative 502 regulatory system with respect to preventing the diversion of marijuana products into the black market. The system now has major shortcomings that need to be addressed. Many licensees have access to, and use, the system to monitor shipments. The bill will help generate the money necessary for the remodeling of the system, which will benefit both the LCB and the industry itself.

(Opposed) The traceability system is a waste of time since the state already has four programs in place to prevent the diversion of marijuana into the black market. The bill just promotes additional bureaucracy that is not needed. There are many more important areas to address with respect to marijuana regulation. The Cole Memo is outdated and no one knows what the new United States Attorney General will do.

Persons Testifying: (In support) Peter Antolin and James Paribello, Liquor and Cannabis Board.

(Opposed) John Worthington, American Alliance for Medical Cannabis.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 20 members: Representatives Ormsby, Chair; Robinson, Vice Chair; Bergquist, Cody, Condotta, Fitzgibbon, Hansen, Hudgins, Jinkins, Kagi, Lytton, Nealey, Pettigrew, Pollet, Sawyer, Senn, Springer, Stanford, Sullivan and Tharinger.

Minority Report: Do not pass. Signed by 12 members: Representatives Chandler, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Buys, Caldier, Haler, Harris, Manweller, Schmick, Taylor, Volz and Wilcox.

Minority Report: Without recommendation. Signed by 1 member: Representative Vick.

Staff: Linda Merelle (786-7092).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Commerce & Gaming:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date: This bill takes effect 90 days after adjournment of the session in which the bill is passed, except for sections 2 and 3, relating to increases in the licensing fees for marijuana producers, which takes effect July 1, 2018.

Staff Summary of Public Testimony:

(In support) The system to regulate marijuana was built to comply with the Cole Memorandum, in which the United States Department of Justice provided guidance to states that had legalized recreational marijuana. The regulations were intended to avoid federal interference in the state legal marijuana marketplace. Crucial to compliance to Initiative 502 and the Cole Memorandum is regulation of product from seed to sale. Many products have been created that were unknown at the time that the original system was designed. The agency will use existing funds for nearly half of the cost. The rest of the cost will be covered by the temporary fee imposed under this bill and the increase in the annual license fee. The new system will be more flexible and adaptable.

(Opposed) None.

Persons Testifying: Rick Garza, Washington State Liquor and Cannabis Board.

Persons Signed In To Testify But Not Testifying: None.