

SENATE BILL REPORT

HB 1125

As Reported by Senate Committee On:
Commerce, Labor & Sports, March 22, 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: Passed House: 2/01/17, 69-28.

Committee Activity: Commerce, Labor & Sports: 3/09/17, 3/22/17 [DP].

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.

SENATE COMMITTEE ON COMMERCE, LABOR & SPORTS

Majority Report: Do pass.

Signed by Senators Baumgartner, Chair; Keiser, Ranking Minority Member; Conway, Hasegawa, King, Rossi, Saldaña and Wilson.

Staff: Richard Rodger (786-7461)

Background: The Liquor and Cannabis Board (LCB) issues three categories of marijuana-related business licenses: (1) the marijuana producer's license; (2) the marijuana processor's license; and (3) the marijuana retailer's license. 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

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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 limited. 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.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: We have good marijuana retail operators who are at the LCB's limit of three stores and would like to expand. The bill allows an operator to have an interest in up to five stores. The Initiative was designed to promote small businesses such as the marijuana retailers. There are no licenses currently available from the LCB, so any operator who wants to acquire more businesses will have to buy out an existing business. The bill does not expand the total number of licenses available. The cap on the number of stores keeps the ownership diversified and prevents big businesses from taking over the industry.

OTHER: We believe this is the right approach. When the LCB set the original number of authorized retail stores around 300 stores, the LCB placed a three stores limit on individual owners or around 1 percent. The total number of authorized stores is now over 500 stores, so the five store limit maintains the 1 percent individual ownership concept.

Persons Testifying: PRO: Representative Cary Condotta, Prime Sponsor; Ezra Eickmeyer, citizen.

OTHER: James Paribello, Washington State Liquor & Cannabis Board; John Kingsbury, Patients United.

Persons Signed In To Testify But Not Testifying: No one.