

SENATE BILL REPORT

E2SHB 2334

As Reported by Senate Committee On:
Ways & Means, March 7, 2018

Title: An act relating to the regulation of the use of cannabinoid additives in marijuana products.

Brief Description: Regulating the use of cannabinoid additives in marijuana products.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Sawyer and Kloba).

Brief History: Passed House: 3/06/18, 58-40.

Committee Activity: Ways & Means: 3/07/18, 3/07/18 [DP, DNP, w/oRec].

Brief Summary of Bill

- Authorizes licensed marijuana producers and processors to use cannabidiol (CBD) products obtained from sources other than state licensed producers and processors, provided such products are laboratory tested and meet other specified requirements.
- Creates a definition of a CBD product.
- Provides the Liquor and Cannabis Board (LCB) with rulemaking authority regarding the use of CBD products by licensed marijuana producers and processors, subject to specified restrictions.
- Increases the fee for all marijuana license applications and renewals to \$1,381, effective July 1, 2018.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair; Billig, Carlyle, Conway, Darneille, Fain, Hunt, Keiser, Mullet, Pedersen, Ranker, Rivers, Van De Wege and Wagoner.

Minority Report: Do not pass.

Signed by Senators Braun, Ranking Member; Honeyford, Assistant Ranking Member; Bailey, Becker, Brown and Schoesler.

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.

Minority Report: That it be referred without recommendation.

Signed by Senators Palumbo and Warnick.

Staff: Alia Kennedy (786-7405)

Background: Cannabinoids and Cannabidiol. The term cannabinoid encompasses a wide variety of organic compounds derived from the cannabis plant. CBD is a type of cannabinoid that is believed to have potential health benefits and is the active ingredient in most regulated medical marijuana products produced and sold by LCB licensed marijuana producer/processors and retailers, respectively. In its purest form, CBD does not contain tetrahydrocannabinol (THC), which is the cannabis-derived psychoactive compound that causes euphoric effects. Properly purified CBD products may contain some THC, but the percentage of THC is generally small and does not reach levels typically found in regulated recreational marijuana products. Accordingly, in this state cannabis products, including CBD, that have a THC content of 0.3 percent or less do not meet the statutory definition of marijuana and therefore are not considered to be controlled substances.

CBD Products Obtained Outside of the Initiative 502 Regulatory System. CBD concentrates are often used as an additive by licensed marijuana processors in order to enhance the CBD content of medical marijuana products. Although many marijuana processors have the technical ability to produce CBD concentrates, it is common for marijuana processors to purchase such concentrates from sources operating outside of the marijuana market regulated by the LCB and the Department of Health (DOH).

Most CBD concentrates used by state licensed marijuana processors are derived from hemp and imported from foreign countries engaged in hemp production. These imported CBD concentrates generally enter the country in the form of hemp oil. As a form of cannabis, hemp plants produce CBD that can be extracted and concentrated for use by state licensed marijuana processors in order to increase the CBD content of their medical marijuana products. Whether derived from hemp or marijuana, imported CBD concentrates are not subject to state regulation and therefore are not subject to laboratory testing for toxins and other impurities. Consequently, medical marijuana products that contain imported CBD additives may contain toxic substances that are undetected.

Licenses. The fee for licenses for marijuana producers, processors, and retailers is set in statute. Beginning July 1, 2018, the fee is \$1,300 for both the original application and each annual renewal.

Summary of Bill: State licensed marijuana producers and processors are unrestricted in their use of CBD products for the purpose of enhancing the CBD content of regulated marijuana products, provided such CBD products are lawfully produced by, or purchased from, an in-state producer or processor licensed by the LCB.

Licensees may also use CBD products for CBD enhancement purposes that are either imported or otherwise produced outside of the LCB regulatory system provided the CBD product has:

- a THC level of 0.3 percent or less on a dry weight basis; and

- been tested for contaminants and toxins by an accredited testing laboratory licensed by the LCB.

The term CBD product is defined as being any product containing or consisting of cannabidiol.

The annual fee for issuance and renewal of licenses for marijuana producers, processors and retailers is increased from \$1300 to \$1381, beginning July 1, 2018.

The LCB is authorized to enact the rules necessary to implement the requirements of this section; however, the LCB is prohibited from adopting rules pertaining to either the production or processing practices of the industrial hemp industry or any CBD products that are sold or marked outside of the regulatory framework established in statute.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: Ninety days after adjournment of session in which bill is passed, except for section 3 which takes effect July 1, 2018.

Staff Summary of Public Testimony: PRO: CBD produced overseas may not be subject to laboratory testing for toxins and other impurities, such as pesticides. It is cheap, easy, and legal to import CBD from out of state or out of country; however, people may not be aware that these products are not subject to the same regulations as in Washington and may have harmful additives. This bill only applies to I-502 producers and retailers and does not impact how head shops or vapor shops purchase and sell CBD products. This is good for public safety. The Department of Health testified in the House in favor of this bill. The Washington Association for Substance Abuse and Violence Prevention was initially opposed to I-502, but now that it is done, we want to make sure the marijuana market is safe and properly regulated.

Persons Testifying: PRO: Mary Catherine McAleer, Association of Washington Business; Seth Dawson, Washington Association for Substance Abuse & Violence Prevention.

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