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**HOUSE BILL 1260**

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**State of Washington**

**67th Legislature**

**2021 Regular Session**

**By** Representatives Wicks, Dolan, Berry, Fitzgibbon, Simmons, Ramel, Ortiz-Self, Bateman, Sells, Lekanoff, and Macri

Read first time 01/18/21. Referred to Committee on Commerce & Gaming.

1 AN ACT Relating to improving the development of the marijuana  
2 market by enacting provisions specific to craft cannabis production;  
3 adding new sections to chapter 69.50 RCW; and providing an expiration  
4 date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 69.50  
7 RCW to read as follows:

8 (1) There is a craft cannabis producer/processor license  
9 available to applicants meeting the qualifications and requirements  
10 in this section. Except as otherwise provided in this section, the  
11 privileges and requirements of a craft cannabis producer/processor  
12 license issued under this section are the same privileges and  
13 requirements of a marijuana producer license and of a marijuana  
14 processor license issued under RCW 69.50.325. To qualify for a craft  
15 cannabis producer/processor license an applicant must meet all  
16 qualifications for a marijuana license in RCW 69.50.331.

17 (2)(a) Except as provided in (b) of this subsection, the amount  
18 of the application fee is \$250 and the amount of the annual license  
19 fee for a craft cannabis producer/processor license is \$2,762.

20 (b)(i) The board shall establish a reduced application fee and  
21 reduced license fee for a craft cannabis producer/processor applicant

1 or licensee who meets the definition of a social equity applicant in  
2 this section.

3 (ii) For an applicant who switches from operating under two  
4 marijuana producer licenses to one license under this section, the  
5 annual license fee is \$4,143 if the licensee is authorized to have up  
6 to an additional 30,000 square feet of seasonal sungrown production  
7 canopy in accordance with subsection (3) of this section. For an  
8 applicant who switches from operating under three marijuana producer  
9 licenses to one license under this section, the license fee is \$5,524  
10 if the licensee is authorized to have up to an additional 60,000  
11 square feet of seasonal sungrown production canopy in accordance with  
12 subsection (3) of this section.

13 (3) (a) The holder of a craft cannabis producer/processor license  
14 may not hold any other marijuana license issued under this chapter,  
15 including another craft cannabis producer/processor license, or have  
16 an ownership interest in, management role in, or exercise control  
17 over a business or entity that holds any other marijuana license or  
18 craft cannabis producer/processor license issued under this chapter.

19 (b) Except as provided in (c) of this subsection, a craft  
20 cannabis producer/processor licensee is subject to the following  
21 production and processing limits:

22 (i) If production is indoors, the licensee may have no more than  
23 10,000 square feet of production canopy;

24 (ii) If production is seasonal sungrown production, the licensee  
25 may have no more than 30,000 square feet of production canopy; and

26 (iii) If production is at a facility at which marijuana is  
27 cultivated by indoor production and seasonal sungrown production, the  
28 licensee must have less than 10,000 square feet of indoor production  
29 canopy. Additionally, the licensee may have seasonal sungrown  
30 production canopy equal to three times the difference between 10,000  
31 square feet and the number of square feet of indoor production canopy  
32 authorized for the licensee. By way of example, without limiting the  
33 authorized combinations of indoor and seasonal sungrown production  
34 canopy under this subsection (3) (b) (iii), a licensee may have:

35 (A) Four thousand square feet of indoor production canopy and  
36 18,000 square feet of seasonal sungrown production canopy;

37 (B) Five thousand square feet of indoor production canopy and  
38 15,000 square feet of seasonal sungrown production canopy; or

39 (C) Nine thousand square feet of indoor production canopy and  
40 3,000 square feet of seasonal sungrown production canopy.

1 (c) In addition to the production canopy authorized in (b) of  
2 this subsection:

3 (i) A craft cannabis producer/processor who previously operated  
4 under two marijuana producer licenses may also produce an additional  
5 30,000 square feet of seasonal sungrown production canopy; and

6 (ii) A craft cannabis producer/processor who previously operated  
7 pursuant to three marijuana producer licenses may also produce an  
8 additional 60,000 square feet of seasonal sungrown production canopy.

9 (4) (a) Pursuant to rules adopted by the board by January 1, 2022,  
10 licensees may make retail sales of marijuana products produced and  
11 processed entirely by the craft cannabis producer/processor from the  
12 licensed production facility. The retail sales limits in RCW  
13 69.50.360(3) apply to retail sales authorized under this subsection.  
14 All taxes applicable to retail sales of marijuana by a marijuana  
15 retailer apply to retail sales of marijuana products by a craft  
16 cannabis producer/processor.

17 (b) For purposes of local zoning and land use ordinances, retail  
18 sales of marijuana by a licensee under this section are considered  
19 ancillary to, and do not alter, the primary use of the property as an  
20 agricultural, industrial, or commercial use. A city, town, or county  
21 may not prohibit a craft cannabis producer/processor from conducting  
22 retail sales of marijuana products authorized under this subsection.

23 (5) (a) Beginning on the effective date of this section, a person,  
24 business, or entity who holds a marijuana producer license issued  
25 under RCW 69.50.325 and who qualifies for a license under this  
26 section, may opt to transition to a license issued under this  
27 section. A licensee who holds a processor license issued under RCW  
28 69.50.325 and who is transitioning to a craft producer/processor  
29 license is not required to pay an additional license fee. A licensee  
30 who does not hold a processor license under RCW 69.50.325 and who is  
31 transitioning to a craft producer/processor license must pay the  
32 difference in the license fee amounts to be issued a license under  
33 this section.

34 (b) The board shall prioritize applications from applicants who  
35 meet the definition of a social equity applicant in this section.

36 (c) (i) There is a maximum number of licenses available under this  
37 section. The board shall issue no more than 50 new craft cannabis  
38 producer/processor licenses to social equity applicants as defined in  
39 this section. A social equity applicant must submit a social equity  
40 plan with the license application. In determining the issuance of a

1 license among social equity applicants, the board may prioritize  
2 applicants based on the extent to which the application addresses the  
3 components of the social equity plan. The board may deny any  
4 application submitted under this subsection if the board determines  
5 that the application does not meet social equity goals, does not meet  
6 social equity plan requirements, or the application does not  
7 otherwise meet the licensing requirements of this chapter.

8 (ii) In addition to licenses issued through (c)(i) of this  
9 subsection, the board shall issue a craft cannabis producer/processor  
10 license to all currently licensed marijuana producers who qualify and  
11 choose to be licensed under this section instead of RCW 69.50.325.

12 (iii) This subsection does not prevent the board from reissuing a  
13 craft cannabis producer/processor license to another qualified  
14 applicant if a craft cannabis producer/processor license is revoked,  
15 relinquished, or canceled.

16 (d) A craft cannabis producer/processor licensed under this  
17 section may opt to transition to a marijuana producer license and a  
18 marijuana processor license issued under RCW 69.50.325.

19 (6) For purposes of this section:

20 (a) "Disproportionately impacted area" means a census tract or  
21 comparable geographic area that satisfies the following criteria,  
22 which may be further defined in rule by the board after consultation  
23 with the commission on African American affairs and other agencies  
24 and stakeholders as determined by the board:

25 (i) The area has a high poverty rate;

26 (ii) The area has a high rate of participation in income-based  
27 federal or state programs;

28 (iii) The area has a high rate of unemployment; and

29 (iv) The area has a high rate of arrest, conviction, or  
30 incarceration related to the sale, possession, use, cultivation,  
31 manufacture, or transport of marijuana.

32 (b) "Indoor production" means marijuana production where  
33 artificial light is used to cultivate the marijuana plants.

34 (c) "Seasonal sungrown production" means marijuana production  
35 conducted outdoors seasonally on an expanse of open or cleared ground  
36 with or without the use of temporary structures.

37 (d) "Social equity applicant" means:

38 (i) An applicant who has at least 51 percent ownership and  
39 control by one or more individuals who have resided for at least five  
40 of the preceding 10 years in a disproportionately impacted area; or

1 (ii) An applicant who has at least 51 percent ownership and  
2 control by at least one individual who has been convicted of a  
3 marijuana offense or is a family member of such an individual.

4 (e) "Social equity goals" means:

5 (i) Increasing the number of craft cannabis producer/processor  
6 licenses held by social equity applicants from disproportionately  
7 impacted areas; and

8 (ii) Reducing accumulated harm suffered by individuals, families,  
9 and local areas subject to severe impacts from the historical  
10 application and enforcement of marijuana prohibition laws.

11 (f) "Social equity plan" means a plan that addresses at least  
12 some of the following elements:

13 (i) A statement that the social equity applicant qualifies as a  
14 social equity applicant and intends to own at least 51 percent of the  
15 proposed craft cannabis producer/processor business or applicants  
16 representing at least 51 percent of the ownership of the proposed  
17 business qualify as social equity applicants;

18 (ii) A description of how issuing a craft cannabis producer/  
19 processor license to the social equity applicant will meet social  
20 equity goals;

21 (iii) The social equity applicant's personal or family history  
22 with the criminal justice system including any offenses involving  
23 marijuana;

24 (iv) The composition of the workforce the social equity applicant  
25 intends to hire;

26 (v) Neighborhood characteristics of the location where the social  
27 equity applicant intends to operate, focusing especially on  
28 disproportionately impacted areas; and

29 (vi) Business plans involving partnerships or assistance to  
30 organizations or residents with connection to populations with a  
31 history of high rates of enforcement of marijuana prohibition.

32 NEW SECTION. **Sec. 2.** A new section is added to chapter 69.50  
33 RCW to read as follows:

34 (1)(a) A task force on cannabis policy is established, with  
35 members as provided in this subsection.

36 (i) The president of the senate shall appoint one member from  
37 each of the two largest caucuses of the senate.

1 (ii) The speaker of the house of representatives shall appoint  
2 one member from each of the two largest caucuses of the house of  
3 representatives.

4 (iii) The board shall appoint five members who are each a  
5 representative of a licensed craft cannabis producer/processor or a  
6 marijuana producer who has applied to convert a marijuana producer  
7 license to a craft cannabis producer/processor license, who wish to  
8 participate on the task force.

9 (iv) The board shall appoint one representative of the board.

10 (b) The task force shall choose its chair from among its  
11 legislative membership. A legislative member shall convene the  
12 initial meeting of the task force. The task force shall convene its  
13 first meeting by January 31, 2022.

14 (2) The task force shall review the following issues:

15 (a) Expanding the number of craft producer/processor licenses to  
16 social equity applicants while also reducing the number of dormant  
17 production licenses that are currently issued;

18 (b) Expanding the craft cannabis economy into other license types  
19 and at other points of the cannabis supply chain;

20 (c) Authorizing craft cannabis producers/processors licensed  
21 under section 1 of this act to sell each other's products from each  
22 other's licensed production facilities;

23 (d) New retail models including worker-owned cooperatives;

24 (e) Policy issues pertaining to social consumption spaces, the  
25 home delivery of marijuana products, and to the supply of and access  
26 to marijuana products for qualifying patients and designated  
27 providers; and

28 (f) How the state and the industry should plan for national  
29 legalization of marijuana and ensure an expansion of equitable  
30 outcomes during that process.

31 (3) Staff support for the task force must be provided by the  
32 board.

33 (4) Legislative members of the task force are reimbursed for  
34 travel expenses in accordance with RCW 44.04.120. Nonlegislative  
35 members are not entitled to be reimbursed for travel expenses if they  
36 are elected officials or are participating on behalf of an employer,  
37 governmental entity, or other organization. Any reimbursement for  
38 other nonlegislative members is subject to chapter 43.03 RCW.

1 (5) (a) Except as provided in (b) of this subsection, the expenses  
2 of the task force must be paid by the board and are subject to the  
3 board's approval.

4 (b) Reimbursements authorized in subsection (4) of this section  
5 for legislative members must be paid jointly by the senate and the  
6 house of representatives.

7 (6) The task force shall report:

8 (a) Preliminary findings and recommendations to the governor and  
9 the appropriate committees of the legislature by September 30, 2022;  
10 and

11 (b) Final findings and recommendations to the governor and the  
12 appropriate committees of the legislature by September 30, 2023.

13 (7) This section expires June 30, 2024.

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