
HOUSE BILL 1348

State of Washington

69th Legislature

2025 Regular Session

By Representatives Hackney, Waters, Reeves, Low, Corry, Rule, Barkis, Hill, and Nance

Read first time 01/16/25. Referred to Committee on Consumer Protection & Business.

1 AN ACT Relating to employee ownership of licensed cannabis
2 businesses; amending RCW 69.50.331 and 69.50.325; and creating a new
3 section.

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

5 NEW SECTION. **Sec. 1.** (1) The legislature finds that employee
6 stock ownership plans offer a meaningful employee benefit in a
7 variety of industries and could similarly be offered to cannabis
8 employees. The legislature further finds that the legislature
9 unanimously enacted the expanding employee ownership act in 2023 to
10 provide incentives for creation of employee stock ownership plans in
11 businesses in Washington. In addition to competitive salaries and
12 comprehensive benefits, companies with employee stock ownership plans
13 provide employees with unique wealth-building opportunities. This
14 ensures that employees not only share in the success of the company
15 but also have a pathway to financial security and prosperity.
16 Employee stock ownership plans make employees feel more a part of the
17 success of the business and motivate performance.

18 (2) The legislature further finds that employee stock ownership
19 plans also benefit companies. They serve as catalysts for enhanced
20 employee engagement, paving the way for heightened productivity,
21 innovation, and retention, all of which are vital for fostering

1 superior business performance and sustainable growth. Allowing
2 employee stock ownership plans to be the partial or 100 percent
3 owners of cannabis businesses, will allow these businesses to compete
4 for talent in the workforce that may have a path to participation in
5 an employee stock ownership plan in other industries.

6 (3) The legislature further finds that current laws and rules are
7 cumbersome and would require every employee who participates in the
8 employee stock ownership plan, no matter how small the percentage, to
9 be vetted. This is simply impractical for the business, the
10 employees, and the liquor and cannabis board. Therefore, the
11 legislature intends that the board revise rules to change who is a
12 true party of interest where an employee stock ownership plan is a
13 partial or 100 percent owner of a cannabis business. With the
14 appropriate revisions, the board can continue to ensure that the
15 actual people who control the company are properly vetted and
16 licensed.

17 (4) Allowing employee stock ownership plans to be the partial or
18 100 percent owner of cannabis businesses represents a transformative
19 opportunity to empower employees, foster job satisfaction, and
20 promote long-term stability for cannabis businesses. This can be
21 accomplished with simple statutory and rule changes while still
22 preserving the integrity of true party of interest provisions and the
23 liquor and cannabis board's licensing mandate and processes.

24 (5) Therefore, the legislature intends to allow cannabis
25 businesses to be up to 100 percent owned by an employee stock
26 ownership plan and establish who in a licensed business owned by an
27 employee stock ownership plan must be vetted as a true party of
28 interest.

29 **Sec. 2.** RCW 69.50.331 and 2023 c 220 s 2 are each amended to
30 read as follows:

31 (1) For the purpose of considering any application for a license
32 to produce, process, research, transport, or deliver cannabis,
33 useable cannabis, cannabis concentrates, or cannabis-infused products
34 subject to the regulations established under RCW 69.50.385, or sell
35 cannabis, or for the renewal of a license to produce, process,
36 research, transport, or deliver cannabis, useable cannabis, cannabis
37 concentrates, or cannabis-infused products subject to the regulations
38 established under RCW 69.50.385, or sell cannabis, the board must

1 conduct a comprehensive, fair, and impartial evaluation of the
2 applications timely received.

3 (a) The board may cause an inspection of the premises to be made,
4 and may inquire into all matters in connection with the construction
5 and operation of the premises. For the purpose of reviewing any
6 application for a license and for considering the denial, suspension,
7 revocation, cancellation, or renewal or denial thereof, of any
8 license, the board may consider any prior criminal arrests or
9 convictions of the applicant, any public safety administrative
10 violation history record with the board, and a criminal history
11 record information check. The board may submit the criminal history
12 record information check to the Washington state patrol and to the
13 identification division of the federal bureau of investigation in
14 order that these agencies may search their records for prior arrests
15 and convictions of the individual or individuals who filled out the
16 forms. The board must require fingerprinting of any applicant whose
17 criminal history record information check is submitted to the federal
18 bureau of investigation. The provisions of RCW 9.95.240 and of
19 chapter 9.96A RCW do not apply to these cases. Subject to the
20 provisions of this section, the board may, in its discretion, grant
21 or deny the renewal or license applied for. Denial may be based on,
22 without limitation, the existence of chronic illegal activity
23 documented in objections submitted pursuant to subsections (7)(c) and
24 (10) of this section. Authority to approve an uncontested or
25 unopposed license may be granted by the board to any staff member the
26 board designates in writing. Conditions for granting this authority
27 must be adopted by rule.

28 (b) No license of any kind may be issued to:

29 (i) A person under the age of 21 years;

30 (ii) A person doing business as a sole proprietor who has not
31 lawfully resided in the state for at least six months prior to
32 applying to receive a license;

33 (iii) A partnership, employee cooperative, association, nonprofit
34 corporation, or corporation unless formed under the laws of this
35 state, and unless all of the members thereof are qualified to obtain
36 a license as provided in this section, subject to (c) of this
37 subsection (1); or

38 (iv) A person whose place of business is conducted by a manager
39 or agent, unless the manager or agent possesses the same
40 qualifications required of the licensee.

1 (c) (i) An employee stock ownership plan may own up to 100 percent
2 of the stock in a licensed cannabis business or a business that is an
3 owner of a licensed cannabis business. With respect to any interests
4 held in a business owned by an employee stock ownership plan, the
5 corporate officers and directors, or persons with an equivalent
6 title, of the business applying for or holding a cannabis license are
7 considered the applicant or owner and must qualify for and be named
8 on the cannabis license under this section.

9 (ii) Unless a person is also a corporate officer or director, or
10 holds an equivalent title, of the business applying for or holding a
11 cannabis license, or the person holds an interest in the business
12 outside of an employee stock ownership plan, neither an employee of a
13 cannabis business participating in an employee stock ownership plan,
14 nor the plan administrator of the employee stock ownership plan, nor
15 the trustee of the employee stock ownership plan are:

16 (A) Considered an applicant or owner of a licensed cannabis
17 business under this section or chapter;

18 (B) Considered a true party of interest with respect to the
19 cannabis license under the board's rules;

20 (C) Required to be qualified for or named on the cannabis
21 license;

22 (D) Subject to the residency requirement in subsection (1)(b) of
23 this section; or

24 (E) Subject to criminal or administrative records checks,
25 financial disclosure, or other vetting required under subsection
26 (1)(a) of this section, this chapter, or board rules, that otherwise
27 applies to applicants or prospective owners of licensed cannabis
28 businesses.

29 (iii) For purposes of this subsection:

30 (A) "Employee stock ownership plan" has the same meaning as in
31 section 407(d)(6) of the federal employee retirement income security
32 act of 1974, as amended, as it exists on the effective date of this
33 section; and

34 (B) "Plan administrator" means an individual or company that
35 manages compliance with the requirements of the federal employee
36 retirement income security act of 1974, as amended, as it exists on
37 the effective date of this section, for an employee stock ownership
38 plan.

39 (2) (a) The board may, in its discretion, subject to RCW
40 43.05.160, 69.50.563, 69.50.562, 69.50.334, and 69.50.342(3) suspend

1 or cancel any license; and all protections of the licensee from
2 criminal or civil sanctions under state law for producing,
3 processing, researching, or selling cannabis, cannabis concentrates,
4 useable cannabis, or cannabis-infused products thereunder must be
5 suspended or terminated, as the case may be.

6 (b) The board must immediately suspend the license of a person
7 who has been certified pursuant to RCW 74.20A.320 by the department
8 of social and health services as a person who is not in compliance
9 with a support order. If the person has continued to meet all other
10 requirements for reinstatement during the suspension, reissuance of
11 the license is automatic upon the board's receipt of a release issued
12 by the department of social and health services stating that the
13 licensee is in compliance with the order.

14 (c) The board may request the appointment of administrative law
15 judges under chapter 34.12 RCW who shall have power to administer
16 oaths, issue subpoenas for the attendance of witnesses and the
17 production of papers, books, accounts, documents, and testimony,
18 examine witnesses, receive testimony in any inquiry, investigation,
19 hearing, or proceeding in any part of the state, and consider
20 mitigating and aggravating circumstances in any case and deviate from
21 any prescribed penalty, under rules the board may adopt.

22 (d) Witnesses must be allowed fees and mileage each way to and
23 from any inquiry, investigation, hearing, or proceeding at the rate
24 authorized by RCW 34.05.446. Fees need not be paid in advance of
25 appearance of witnesses to testify or to produce books, records, or
26 other legal evidence.

27 (e) In case of disobedience of any person to comply with the
28 order of the board or a subpoena issued by the board, or any of its
29 members, or administrative law judges, or on the refusal of a witness
30 to testify to any matter regarding which he or she may be lawfully
31 interrogated, the judge of the superior court of the county in which
32 the person resides, on application of any member of the board or
33 administrative law judge, compels obedience by contempt proceedings,
34 as in the case of disobedience of the requirements of a subpoena
35 issued from said court or a refusal to testify therein.

36 (3) Upon receipt of notice of the suspension or cancellation of a
37 license, the licensee must forthwith deliver up the license to the
38 board. Where the license has been suspended only, the board must
39 return the license to the licensee at the expiration or termination
40 of the period of suspension. The board must notify all other

1 licensees in the county where the subject licensee has its premises
2 of the suspension or cancellation of the license; and no other
3 licensee or employee of another licensee may allow or cause any
4 cannabis, cannabis concentrates, useable cannabis, or cannabis-
5 infused products to be delivered to or for any person at the premises
6 of the subject licensee.

7 (4) Every license issued under this chapter is subject to all
8 conditions and restrictions imposed by this chapter or by rules
9 adopted by the board to implement and enforce this chapter. All
10 conditions and restrictions imposed by the board in the issuance of
11 an individual license must be listed on the face of the individual
12 license along with the trade name, address, and expiration date.

13 (5) Every licensee must post and keep posted its license, or
14 licenses, in a conspicuous place on the premises.

15 (6) No licensee may employ any person under the age of 21 years.

16 (7)(a) Before the board issues a new or renewed license to an
17 applicant it must give notice of the application to the chief
18 executive officer of the incorporated city or town, if the
19 application is for a license within an incorporated city or town, or
20 to the county legislative authority, if the application is for a
21 license outside the boundaries of incorporated cities or towns, or to
22 the tribal government if the application is for a license within
23 Indian country, or to the port authority if the application for a
24 license is located on property owned by a port authority.

25 (b) The incorporated city or town through the official or
26 employee selected by it, the county legislative authority or the
27 official or employee selected by it, the tribal government, or port
28 authority has the right to file with the board within twenty days
29 after the date of transmittal of the notice for applications, or at
30 least thirty days prior to the expiration date for renewals, written
31 objections against the applicant or against the premises for which
32 the new or renewed license is asked. The board may extend the time
33 period for submitting written objections upon request from the
34 authority notified by the board.

35 (c) The written objections must include a statement of all facts
36 upon which the objections are based, and in case written objections
37 are filed, the city or town or county legislative authority may
38 request, and the board may in its discretion hold, a hearing subject
39 to the applicable provisions of Title 34 RCW. If the board makes an
40 initial decision to deny a license or renewal based on the written

1 objections of an incorporated city or town or county legislative
2 authority, the applicant may request a hearing subject to the
3 applicable provisions of Title 34 RCW. If a hearing is held at the
4 request of the applicant, board representatives must present and
5 defend the board's initial decision to deny a license or renewal.

6 (d) Upon the granting of a license under this title the board
7 must send written notification to the chief executive officer of the
8 incorporated city or town in which the license is granted, or to the
9 county legislative authority if the license is granted outside the
10 boundaries of incorporated cities or towns.

11 (8) (a) Except as provided in (b) through (e) of this subsection,
12 the board may not issue a license for any premises within 1,000 feet
13 of the perimeter of the grounds of any elementary or secondary
14 school, playground, recreation center or facility, child care center,
15 public park, public transit center, or library, or any game arcade
16 admission to which is not restricted to persons aged 21 years or
17 older.

18 (b) A city, county, or town may permit the licensing of premises
19 within 1,000 feet but not less than 100 feet of the facilities
20 described in (a) of this subsection, except elementary schools,
21 secondary schools, and playgrounds, by enacting an ordinance
22 authorizing such distance reduction, provided that such distance
23 reduction will not negatively impact the jurisdiction's civil
24 regulatory enforcement, criminal law enforcement interests, public
25 safety, or public health.

26 (c) A city, county, or town may permit the licensing of research
27 premises allowed under RCW 69.50.372 within 1,000 feet but not less
28 than 100 feet of the facilities described in (a) of this subsection
29 by enacting an ordinance authorizing such distance reduction,
30 provided that the ordinance will not negatively impact the
31 jurisdiction's civil regulatory enforcement, criminal law
32 enforcement, public safety, or public health.

33 (d) The board may license premises located in compliance with the
34 distance requirements set in an ordinance adopted under (b) or (c) of
35 this subsection. Before issuing or renewing a research license for
36 premises within 1,000 feet but not less than 100 feet of an
37 elementary school, secondary school, or playground in compliance with
38 an ordinance passed pursuant to (c) of this subsection, the board
39 must ensure that the facility:

1 (i) Meets a security standard exceeding that which applies to
2 cannabis producer, processor, or retailer licensees;

3 (ii) Is inaccessible to the public and no part of the operation
4 of the facility is in view of the general public; and

5 (iii) Bears no advertising or signage indicating that it is a
6 cannabis research facility.

7 (e) The board must issue a certificate of compliance if the
8 premises met the requirements under (a), (b), (c), or (d) of this
9 subsection on the date of the application. The certificate allows the
10 licensee to operate the business at the proposed location
11 notwithstanding a later occurring, otherwise disqualifying factor.

12 (f) The board may not issue a license for any premises within
13 Indian country, as defined in 18 U.S.C. Sec. 1151, including any fee
14 patent lands within the exterior boundaries of a reservation, without
15 the consent of the federally recognized tribe associated with the
16 reservation or Indian country.

17 (9) A city, town, or county may adopt an ordinance prohibiting a
18 cannabis producer or cannabis processor from operating or locating a
19 business within areas zoned primarily for residential use or rural
20 use with a minimum lot size of five acres or smaller.

21 (10) In determining whether to grant or deny a license or renewal
22 of any license, the board must give substantial weight to objections
23 from an incorporated city or town or county legislative authority
24 based upon chronic illegal activity associated with the applicant's
25 operations of the premises proposed to be licensed or the applicant's
26 operation of any other licensed premises, or the conduct of the
27 applicant's patrons inside or outside the licensed premises. "Chronic
28 illegal activity" means (a) a pervasive pattern of activity that
29 threatens the public health, safety, and welfare of the city, town,
30 or county including, but not limited to, open container violations,
31 assaults, disturbances, disorderly conduct, or other criminal law
32 violations, or as documented in crime statistics, police reports,
33 emergency medical response data, calls for service, field data, or
34 similar records of a law enforcement agency for the city, town,
35 county, or any other municipal corporation or any state agency; or
36 (b) an unreasonably high number of citations for violations of RCW
37 46.61.502 associated with the applicant's or licensee's operation of
38 any licensed premises as indicated by the reported statements given
39 to law enforcement upon arrest.

1 (11) The board may not issue a cannabis retail license for any
2 premises not currently licensed if:

3 (a) The board receives a written objection from the legislative
4 authority of an incorporated city or town, or county legislative
5 authority, relating to the physical location of the proposed
6 premises;

7 (b) The objection to the location from the incorporated city or
8 town, or county legislative authority, is received by the board
9 within 20 days of the board notifying the incorporated city or town,
10 or county legislative authority, of the proposed cannabis retail
11 location; and

12 (c) The objection to the issuance of a cannabis retail license at
13 the specified location is based on a preexisting local ordinance
14 limiting outlet density in a specific geographic area. For purposes
15 of this subsection (11), a preexisting local ordinance is an
16 ordinance enacted and in effect before the date the applicant submits
17 an application for a cannabis retail license to the board identifying
18 the premises proposed to be licensed. No objection related to the
19 physical location of a proposed premises may be made by a local
20 government under this subsection (11) based on a local ordinance
21 enacted after the date the applicant submits an application for a
22 cannabis retail license to the board identifying the premises
23 proposed to be licensed.

24 (12) After January 1, 2024, all cannabis licensees are encouraged
25 but are not required to submit a social equity plan to the board.
26 Upon confirmation by the board that a cannabis licensee who is not a
27 social equity applicant, and who does not hold a social equity
28 license issued under RCW 69.50.335, has submitted a social equity
29 plan, the board must within 30 days reimburse such a licensee an
30 amount equal to the cost of the licensee's annual cannabis license
31 renewal fee. The license renewal fee reimbursement authorized under
32 this subsection is subject to the following limitations:

33 (a) The board may provide reimbursement one time only to any
34 licensed entity; and

35 (b) Any licensed entity holding more than one cannabis license is
36 eligible for reimbursement of the license renewal fee on only one
37 license.

38 **Sec. 3.** RCW 69.50.325 and 2022 c 16 s 54 are each amended to
39 read as follows:

1 (1) There shall be a cannabis producer's license regulated by the
2 board and subject to annual renewal. The licensee is authorized to
3 produce: (a) Cannabis for sale at wholesale to cannabis processors
4 and other cannabis producers; (b) immature plants or clones and seeds
5 for sale to cooperatives as described under RCW 69.51A.250; and (c)
6 immature plants or clones and seeds for sale to qualifying patients
7 and designated providers as provided under RCW 69.51A.310. The
8 production, possession, delivery, distribution, and sale of cannabis
9 in accordance with the provisions of this chapter and the rules
10 adopted to implement and enforce it, by a validly licensed cannabis
11 producer, shall not be a criminal or civil offense under Washington
12 state law. Every cannabis producer's license shall be issued in the
13 name of the applicant(~~(r)~~) in accordance with RCW 69.50.331 and shall
14 specify the location at which the cannabis producer intends to
15 operate, which must be within the state of Washington(~~(r and the)~~).
16 The holder (~~(thereof)~~) of the cannabis producer's license shall not
17 allow any other person to use the license. The application fee for a
18 cannabis producer's license (~~(shall be two hundred fifty dollars)~~) is
19 \$250. The annual fee for issuance and renewal of a cannabis
20 producer's license (~~(shall be one thousand three hundred eighty-one~~
21 ~~dollars)~~) is \$1,381. A separate license shall be required for each
22 location at which a cannabis producer intends to produce cannabis.

23 (2) There shall be a cannabis processor's license to process,
24 package, and label cannabis concentrates, useable cannabis, and
25 cannabis-infused products for sale at wholesale to cannabis
26 processors and cannabis retailers, regulated by the board and subject
27 to annual renewal. The processing, packaging, possession, delivery,
28 distribution, and sale of cannabis, useable cannabis, cannabis-
29 infused products, and cannabis concentrates in accordance with the
30 provisions of this chapter and chapter 69.51A RCW and the rules
31 adopted to implement and enforce these chapters, by a validly
32 licensed cannabis processor, shall not be a criminal or civil offense
33 under Washington state law. Every cannabis processor's license shall
34 be issued in the name of the applicant(~~(r)~~) in accordance with RCW
35 69.50.331 and shall specify the location at which the licensee
36 intends to operate, which must be within the state of Washington(~~(r~~
37 ~~and the)~~). The holder (~~(thereof)~~) of the cannabis processor's license
38 shall not allow any other person to use the license. The application
39 fee for a cannabis processor's license (~~(shall be two hundred fifty~~
40 ~~dollars)~~) is \$250. The annual fee for issuance and renewal of a

1 cannabis processor's license (~~shall be one thousand three hundred~~
2 ~~eighty one dollars~~) is \$1,381. A separate license shall be required
3 for each location at which a cannabis processor intends to process
4 cannabis.

5 (3) (a) There shall be a cannabis retailer's license to sell
6 cannabis concentrates, useable cannabis, and cannabis-infused
7 products at retail in retail outlets, regulated by the board and
8 subject to annual renewal. The possession, delivery, distribution,
9 and sale of cannabis concentrates, useable cannabis, and cannabis-
10 infused products in accordance with the provisions of this chapter
11 and the rules adopted to implement and enforce it, by a validly
12 licensed cannabis retailer, shall not be a criminal or civil offense
13 under Washington state law. Every cannabis retailer's license shall
14 be issued in the name of the applicant(~~r~~) in accordance with RCW
15 69.50.331 and shall specify the location of the retail outlet the
16 licensee intends to operate, which must be within the state of
17 Washington(~~r and the~~). The holder of the cannabis retailer's
18 license thereof shall not allow any other person to use the license.
19 The application fee for a cannabis retailer's license (~~shall be two~~
20 ~~hundred fifty dollars~~) is \$250. The annual fee for issuance and
21 renewal of a cannabis retailer's license (~~shall be one thousand~~
22 ~~three hundred eighty one dollars~~) is \$1,381. A separate license
23 shall be required for each location at which a cannabis retailer
24 intends to sell cannabis concentrates, useable cannabis, and
25 cannabis-infused products.

26 (b) An individual retail licensee and all other persons or
27 entities with a financial or other ownership interest in the business
28 operating under the license are limited, in the aggregate, to holding
29 a collective total of not more than five retail cannabis licenses.

30 (c) (i) A cannabis retailer's license is subject to forfeiture in
31 accordance with rules adopted by the board pursuant to this section.

32 (ii) The board shall adopt rules to establish a license
33 forfeiture process for a licensed cannabis retailer that is not fully
34 operational and open to the public within a specified period from the
35 date of license issuance, as established by the board, subject to the
36 following restrictions:

37 (A) No cannabis retailer's license may be subject to forfeiture
38 within the first nine months of license issuance; and

39 (B) The board must require license forfeiture on or before
40 twenty-four calendar months of license issuance if a cannabis

1 retailer is not fully operational and open to the public, unless the
2 board determines that circumstances out of the licensee's control are
3 preventing the licensee from becoming fully operational and that, in
4 the board's discretion, the circumstances warrant extending the
5 forfeiture period beyond twenty-four calendar months.

6 (iii) The board has discretion in adopting rules under this
7 subsection (3)(c).

8 (iv) This subsection (3)(c) applies to cannabis retailer's
9 licenses issued before and after July 23, 2017. However, no license
10 of a cannabis retailer that otherwise meets the conditions for
11 license forfeiture established pursuant to this subsection (3)(c) may
12 be subject to forfeiture within the first nine calendar months of
13 July 23, 2017.

14 (v) The board may not require license forfeiture if the licensee
15 has been incapable of opening a fully operational retail cannabis
16 business due to actions by the city, town, or county with
17 jurisdiction over the licensee that include any of the following:

18 (A) The adoption of a ban or moratorium that prohibits the
19 opening of a retail cannabis business; or

20 (B) The adoption of an ordinance or regulation related to zoning,
21 business licensing, land use, or other regulatory measure that has
22 the effect of preventing a licensee from receiving an occupancy
23 permit from the jurisdiction or which otherwise prevents a licensed
24 cannabis retailer from becoming operational.

25 (d) The board may issue cannabis retailer licenses pursuant to
26 this chapter and RCW 69.50.335.

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