



WACA 2022 LEGISLATIVE AND REGULATORY AGENDA

Washington Cannabusiness Association (WACA) membership engages each year in a democratic process to identify and prioritize legislative and regulatory priorities for the upcoming legislative session.

Access to Capital

Washington may have been one of the first to get into the cannabis market, but our state will languish and begin to diminish in influence if frontline innovators of the industry cannot grow, evolve, and develop. Of the 34 states with some form of legal cannabis, Washington and Alaska are the only states that have restricted investment to in-state residents only – a barrier not faced by any other industry. WACA continues to support **eliminating the residency requirement for cannabis business owners to facilitate opportunities for licensees to grow their businesses, provide stable jobs and contribute to the state economy.**

Empower Washington Cannabis Businesses to Grow and Thrive

Every licensed business in the cannabis industry in Washington state is a small business or start-up. More often than not, license holders have put everything on the line to open their businesses. To encourage stability and predictability in the market, there are a myriad of small changes that would have significant positive impacts on licensed businesses.

We can work to position Washington cannabis businesses to compete successfully in a future domestic and global marketplace.

In 2020 the regulated marketplace directly supported 11,330 jobs and contributed \$695.4 million in tax revenues benefiting state and local public services. When accounting for indirect and induced economic activity, the legal marketplace supported 18,360 jobs and created \$2.7 billion in business revenues in 2020. To ensure an upward trajectory and secure Washington’s leadership in the cannabis sector, the

system must be aligned with what has been learned since voters passed I-502 in 2012. WACA will collaborate with elected officials and the WSLCB to ensure the regulatory framework reflects the maturity of the industry, reduces unnecessary regulatory oversight, and eases business processes including, but not limited to:

Update	System Flaw	Recommended Update
Signage Requirements	Signage requirements for retailers are confusing.	Allow retailers to follow local regulations as it relates to store signage.
Waste Disposal Requirements	Waste disposal requirements, including a required quarantine for the waste itself, are overly restrictive – especially given that waste products have very little THC.	Evaluate the current quarantine requirement for waste to determine if it is necessary to prevent diversion and adjust waste disposal requirements for producers/processors based on the findings of the evaluation.
Sampling Rules	Sampling regulations are unreasonably restrictive and have not been updated since the regulated industry was in its infancy.	Support informed consumer choice and a deeper base of knowledge about products by updating sampling rules at all levels so that processors don’t have to create entirely distinct product lines with distinct packaging and sizes in order to provide information to retail buyers trying to accurately meet the needs of their customers.
Update Transportation Regulations	Regulated cannabis products may only be transported from one licensed location to another in a state certified vehicle in a 24-48 hour window from when the product is manifested including approved routes for drivers from which they cannot deviate no matter the circumstances.	Recognize reasonable flexibility in transportation and logistics to account for a single driver making several deliveries across the state, allowing for more efficient and safe route planning, and reflecting transportation best-practices.

Allow for Cloud Based Storage Options	Currently all security footage must be stored physically on the licensed premises.	Modernize requirements to allow for current technology solutions such as internet-based storage (e.g., in the cloud).
Streamline Security Surveillance Requirements	There is no dispute with the need for robust security systems in cannabis businesses. But current surveillance requirements are overly burdensome and have not been updated in several years.	Update the requirements mandating the number of security cameras in production facilities and the required time a licensee must store video surveillance physically on the premises to reflect and support real-world enforcement practices.
Packaging and Labeling (PAL) Requirements for Marijuana Infused Edibles (MIE)	As the cannabis market is expanding, brands are moving into different states. Washington's restrictive MIE PAL requirements force companies to change their branding, undermining the opportunity for the business and making WA an undesirable market to enter.	Bring packaging and labeling requirements into alignment with other states.

Regulating All Impairing Cannabinoids

In the last year, there has been an increase in innovation in the marketplace and an increase in unregulated hemp-derived intoxicating products being sold outside of the regulated marketplace. WACA supports legislation that would **prioritize public safety while allowing innovation in the regulated marketplace. Legislation is needed to allow compounds derived safely from the cannabis plant (hemp or adult-use cannabis) in the regulated market with testing requirements for safety, purity, and transparency.**

Identify, Define and Strengthen Social Equity in the Licensed Marketplace

WACA members are committed to being meaningful participants in the efforts to establish social equity in the licensed and regulated cannabis industry. We welcome engagement to **correct flaws in the existing system that failed to recognize the inequitable impact** on black and brown communities when it comes to cannabis businesses.

Allow for Pasteurization of MIEs (Marijuana Infused Edibles)

Currently, WSDA regulations limit the product types that processors can make by not allowing pasteurization of infused cannabis products. Since 2017, Washington is one of the only states with legal adult use cannabis that prohibits cannabis-infused “potentially hazardous foods” or PHFs. Potentially hazardous food means any food “capable of supporting the growth of infectious or toxigenic microorganisms when held at temperatures above 41 degrees Fahrenheit.” WACA supports legislation to allow for pasteurization of MIEs.

Allow for Net Terms

Currently, every transaction in cannabis is cash-on-delivery. WACA will support legislation that **allows for net terms on transactions** between licensed producers, processors, and retailers, a common business practice that gives flexibility for small businesses managing cash flow and supports stronger relationships between suppliers and sellers.

Modernize the LCB Board

Historically, the WSLCB was the seller of spirits on behalf of the state. Ten years ago, voters supported policy that has had a massive impact on the agency – the legalization of adult-use cannabis and the privatization of spirits sales. Expanding the number of WSLCB Board Members from three to five, including four ex-officio legislators, will **build WSLCB capacity as a regulator and instill greater confidence by those it regulates.**

Improve Efficiency in the System by Eliminating Sub Lots

WACA will collaborate with the WSLCB and others on legislation to **remove sub-lotting requirements, which have no benefit to public health or safety,** by tracking unnecessary minutiae resulting in increased costs to licensees.

Sub lotting is tantamount to tracking which slices of which apples picked from an orchard on a particular day were used in apple pies delivered and sold in which stores across the state.

Maximize Opportunity by Allocating Unused Canopy Responsibly

Washington's three-tiered canopy system has stunted many Washington cannabis growers from expanding. A recent study by the WSLCB revealed that there are license holders who do not use all of their allotted canopy. In some cases, they only use a fraction or none at all – despite rules that require utilization of at least 50% of licensed canopy or risk

having the license tier reduced (e.g. from Tier 3 to Tier 2). WACA supports the **allocation of unused canopy to producers who prove they can responsibly increase their existing canopy to strengthen their business.**