



January 28, 2022

Members of the Washington State Legislature:

A year ago, the Washington CannaBusiness Association (WACA) put forth a position paper on social equity in cannabis. We have followed the vigorous discussion of the Washington State Legislative Task Force on Social Equity in Cannabis (SECTF) in the months since. While the landscape of the industry has continued to evolve on many fronts, our core values remain unchanged. WACA remains supportive of efforts to address systemic inequity in the cannabis industry and offers again suggestions in support of this goal.

The catalyst for our correspondence today is HB 2022 - a proposal "concerning social equity in the cannabis industry" - in the House Commerce & Gaming Committee. WACA evaluates all policies put before our members through a lens of safety and quality-control first, and then through an analysis which contemplates the landscape in which our members are competing and the state of the industry that can be shaped by public policy. Based on this assessment, HB 2022 falls far short.

WACA was established 14 months following the passage of Initiative 502. We have been deeply engaged in the policymaking at every level since, in relentless pursuit of a system in Washington that would withstand scrutiny from a skeptical federal government – and state regulatory agency – and earn the public's trust for an industry that has been misunderstood and villainized for decades.

HB 2022 unwinds fundamental principles of the highly-regulated system and even of voter-endorsed Initiative 502 itself. As an example, HB 2022 removes buffer zones for the proposed new cannabis businesses including from parks or playgrounds, and cuts buffers around schools by half. Starting on Line 19 on Page 2, it reads, "The distance restrictions in RCW 69.50.331(8) do not apply to licenses issued under the social equity program in this section." This loosening of restrictions on reasonable cannabis-free space directly contradicts what Initiative 502 codified in reflection of community values and concerns.

HB 2022 makes drastic changes to the mechanisms in place for issuing new licenses. It disregards the methodology utilized prior to ensure that there was not a cannabis shop on every corner, creating 441 new licenses in the next seven years (38 retail and 25 producer/processor per year) and does so without regard to the many dormant licenses that already exist. Each new license issued under HB 2022 would also be granted distinct advantages unaffected by local control. HB 2022 awards new license holders the freedom to locate where they want "regardless" of whether a license was actually

issued in another place and irrespective of whether the maximum number of licenses in the desired location has already been reached. Starting on Line 11 on Page 2, HB 2022 reads, “All licenses issued under the social equity program in this section are mobile and may be for premises located within any city, county, or town in the state that permits the cannabis business activity at the proposed location, regardless of: (i) Whether a license was originally allocated to or issued in another county, city, or town; and (ii) The maximum number of retail outlets established by the board for each county under RCW 69.50.345.”

In Washington, we are only six years from debate on the presence of billboard advertising and the size of signage on cannabis businesses. Communities statewide still face local bans on cannabis businesses. Taxed at 37% plus state and local sales tax, the illicit market continues to be an attractive alternative to the regulated market. The global marketplace, predicted to generate tens of billions in the next few years in most estimations, is fast approaching. WACA supports public policy supporting social equity in cannabis directly focused on “reducing accumulated harm suffered...from the historical application and enforcement of cannabis prohibition laws” (Lines 25-27, Page 4). But as-is, HB 2022 has a weak spot when it comes to the ongoing challenges in the regulated industry, heedlessly creates vulnerability for the industry that undermines public trust and confidence in the system and should be rejected.

In the future, proposals from the SECTF could put forth concepts similar to what is offered in HB 2022 but balanced to reflect the health of the entire industry and its future in Washington – including social equity license-holders. WACA supported passage of HB 2870 to create the Task Force and remains committed to work with the WSLCB and all stakeholders to help inform, improve, and strengthen the regulated cannabis industry in Washington and in particular, the inclusion of Black and Brown license-holders throughout the state.

Following 21 months of volatility in our society, WACA is proud that the cannabis industry remains a stable contributor to Washington’s economy and of thousands of jobs statewide. But each year the national and global landscape drives the stakes higher for our sector. Today, 18 states offer adult use cannabis ([36 authorize medical use](#)). The trend toward decriminalization is one we cannot watch passively, but instead must prepare to act as leaders and advocates for our state industry. The fundamental challenges for Washington – now ten years in – are unchanged: exorbitant costs, federal prohibition, and inconsistent regulatory oversight have made cannabis a difficult industry in which to survive, let alone succeed. But when it comes to social equity, there remain actionable policies that the sector and lawmakers can put in place, including:

- Utilize the data available as a result of the 2020 US Census to determine the necessary increase in licenses, including producer, processor, and retail licenses to social equity applicants - with the goal of creating a more diverse and equitable industry. The number of licenses and the location should be issued within context and understanding of the requirements of market stability as well as the values of the community in which new licenses would locate to maintain public trust and confidence.
- Furthermore, the establishment of the Task Force included direction for the distribution of

*unused* licenses. Remaining barriers to the allocation of existing, unused licenses should be identified and addressed immediately.

- Create a tax credit for licenses issued through social equity program.
- Utilize a portion of the excise tax revenues to create a fund dedicated to providing financial assistance to businesses who received a license through the equity program. This suggestion is reflected in HB 1827/SB 5706. These bills are strongly supported by our members.
- Include social justice/equity criteria for all future policies.
- Bring Washington in line with almost every other regulated cannabis state and allow out-of-state capital for additional streams of revenue/funding given potentially “tapped out” in-state sources. Under current restrictions, unless an owner has access to considerable wealth, startup and ongoing costs are often out of reach. A portion of out-of-state capital could be used to establish a fund to support business development for new entrants to the market as part of social equity efforts.
- Continue to uphold and implement all reform elements of WACA-driven ESSB 5318 which overhauled the WSLCB enforcement regime in 2019. Modernize the WSLCB Board from its 1934-conceived structure to one that acknowledges the real-life dynamics of the sector and its future in this state and beyond.
- Remove non-violent cannabis-related felonies/misdemeanors as a preclusion from obtaining a license.
- Invest in workforce training opportunities for underserved communities to increase employment opportunities in the cannabis industry.
- Authorize consumption lounges and the appropriate licenses for such through the social equity program.

We also reiterate that any public policy affecting cannabis in Washington will need to consider many factors, including:

- The cannabis industry faces a 37% excise tax plus state and local sales tax, making the Washington cannabis industry the highest taxed in the country. This tax is felt at all points along the supply chain as the amount of tax places pressure on pricing from the producer to the retailer.
- Economic realities resulting from not being recognized by the federal government; standard incentives, tax write-offs from the IRS (280-e) and/or access to COVID-19 relief funds, traditional banking services, etc. These extraordinary financial burdens wreak havoc on cannabis start-ups and long-time license-holders alike.
- Bans/Moratoria still exist in many jurisdictions, creating significant barriers to finding locations to build a business.

We offer this letter in good faith, remain humbled by the work ahead and concerned by what remains to be done. Today, as a year ago, we endeavor to be a partner in this work. We remain open to collaboration and working with all to achieve equity and move this industry and our state forward.

Sincerely,

WACA Board Members –

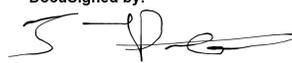
DocuSigned by:  
  
A7C2A4475A4E409...  
Becca Burghardi  
NWCS

DocuSigned by:  
  
2C333D16FA1C4FD...  
Joseph Dupuis  
Doc and Yeti

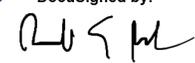
DocuSigned by:  
  
2EC76DC125994F5...  
Andy Brassington  
Evergreen Herbal

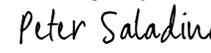
DocuSigned by:  
  
D31D36BED9D644E...  
Shannon Vetto  
Evergreen Market

DocuSigned by:  
  
D650290D4915419...  
Tedd Weatherbee  
The Gallery

DocuSigned by:  
  
4D595CB258BD41E...  
Troy Peterson  
Apex Cannabis

DocuSigned by:  
  
311424054C8949C...  
Amber Vaughn  
Terpene Transport

DocuSigned by:  
  
C9040ED8813E48B...  
Russ Rosendal  
Salal Credit Union

DocuSigned by:  
  
B508B917343547D...  
Peter Saladino  
Unicorn Brands