



WASHINGTON CANNABUSINESS ASSOCIATION 2018 LEGISLATIVE AGENDA

The emerging legal cannabis industry has learned a great deal since the passage of I-502. As with all complex statutes and industries, from time to time, statutory changes are necessary as issues arise. With that in mind, WACA proposes the following statutory changes for the legislature's consideration. These changes are meant as constructive suggestions to strengthen the laws governing the legal marketplace in Washington State.

1. Protect and preserve the regulated, recreational marketplace adopted by voters with the passage of I-502.

In the years since the passage of I-502, Washington business owners have taken great personal and financial risk to enter into this new industry. The legal marketplace has generated hundreds of millions of dollars in tax revenue for the state, while reducing the size of the black market and working to keep cannabis out of the hands of minors. Washington's example has helped show other states the path forward for a successful legal marketplace, leading to an ever-growing national consensus supporting legal medical and recreational marijuana marketplaces.

2. Support legislation to exempt financial institutions in Washington from state laws governing money laundering.

The risk from the potential penalties set by our state's money laundering laws unintentionally hinder financial institutions from serving the unique needs of the cannabis industry, requiring extensive insurance policies and other protections for those providing banking services to regulated cannabis businesses. Financial institutions are currently accepting unnecessary risk by banking for the legal cannabis industry - state law authorizes civil and criminal penalties along with asset forfeiture for conviction of money laundering for the financial institution, its Board of Directors, and employees. WACA will support legislation to exempt financial institutions from criminal prosecution simply by serving the banking needs of state legal cannabis licensees.

3. Promote legislation that allows reasonable levels of out-of-state investment into Washington cannabis businesses.

Since the passage of I-502, investment in Washington-licensed businesses has been restricted to only Washington residents. As the movement to legalize cannabis has expanded nationwide, the limitations in-state should be adjusted to account for new, out-of-state competition. Like other Washington-grown and produced products, cannabis businesses should be empowered to flourish alongside and compete with their peers in other states. Allowing for reasonable out-of-state investment will also assist smaller businesses competing with larger, more well-capitalized license-holders. WACA will propose legislation that allows for non-residents of Washington state to invest in Washington businesses as long as they do not own more than 49% of the Washington-based business and ensuring that they comply with rigorous requirements for transparency for all qualified investors.

4. Promote legislation that creates structure and process for private label agreements.

Current law allows beer and wine producers to have private label agreements with retailers as long as the private label offering is made available to all retailers. Cannabis should have the same allowance in its statute. These agreements help Producer/Processors and retailers create brand recognition and loyalty, supporting better product visibility for consumer choice.

5. Promote legislation that allows for reasonable payment terms for retail purchases on products to support customer and employee safety.

The cannabis industry has similarities to other manufacturing and retail industries with a few very specific challenges related to financial management. Typical businesses offer credit card transactions to customers and pay their vendors on terms. High-volume retailers are able to make nightly cash deposits and reduce their risk of burglary, robbery and theft. These standard practices support safe and properly-managed businesses operations by allowing for safer work environments, manageable cash flow and operating efficiencies. In the cannabis marketplace, however, retailers often find themselves with huge, unsafe and unacceptable amounts of cash in their stores. Delivery drivers for Producer/Processors, after a long day of deliveries, often carry amounts from \$10,000 to an excess of \$200,000 in cash. As many deliveries follow a set schedule, safety concerns arise due to a predictable pattern being exploited by thieves. There needs to be a conscious effort to minimize the cash-handling risks and safety concerns that industry employees take on every shift they work. Allowing payment terms would significantly decrease the amount of cash currently required to support the daily transactions all businesses require in the regulated cannabis marketplace. The safety of our employees – and our customers - should be the highest priority.

6. Promote legislation that allows for the consumption of cannabis at permitted special events.

Current laws regarding cannabis consumption are overly strict. A reasonable exception to these laws would be the allowance of consumption at special events that receive a banquet permit, similar to alcohol. Allowing consumption at 21-and-over-only events would be no different than statutes governing alcohol consumption. Cannabis consumption is now legal but there are no “social settings” which allow for adults to congregate and socialize while consuming. Examples of potential events that would be granted a public consumption license include: art shows, company parties, weddings, “tastings” and cannabis-industry functions. In alignment with our shared priority to support the safe use of cannabis that keeps products out of the hands of minors, such public consumption licenses should contain the same strict parameters as the analogous alcohol licenses.

7. Support legislation that requires a public vote before implementing local jurisdiction bans or moratoria.

Local control is a bedrock value for policymaking in Washington. WACA supports local control. However, local bans and moratoria have created untenable situations in areas throughout the state. Patients in these areas do not have access to medicine prescribed by a medical professional. Businesses that have been thoroughly vetted by the WSLCB under state law are unable to operate, often after already making significant start-up investments before bans were suddenly implemented. This causes severe financial strain, customer and patient confusion and general distortions in our legal marketplace. WACA proposes that local jurisdictions first ask their residents, via a public vote, before moving forward with any bans or moratoria on cannabis businesses. Our legal marketplace was created by public vote, creating an appropriate standard for whether or not the regulated marketplace is allowed to operate in any particular part of our state.

8. Support legislation declaring cannabis an agricultural product, as well as proposals that make incremental progress toward this goal.

The growing and cultivating of cannabis is an agricultural activity, just like the growing and cultivating of other products, such as hops. Current state law explicitly excludes cannabis from provisions afforded to other agricultural products. This has caused ambiguity and confusion for the producers of cannabis in many areas, including local zoning. Allowing cannabis the same policy considerations as other agricultural products will increase clarity for all those who work with the industry while also avoiding unnecessary disputes in the legal system or elsewhere.

9. Remove requirement for all labels on cannabis products to include the UBI and retailer name on every product package.

This interim the WSLCB convened a work group of licensees to work on streamlining packaging and labeling requirements. One recommendation that came out of this collaborative process resulted in proposed legislation for adoption. All members of the work group agreed that the information about the Producer/Processor is should remain on the

label, but Retailer information crowds the label while adding no public policy value. The statute on this requirement needs to be clarified only to apply to Producer/Processors.