



# Initiative 502 Implementation

Creating Washington's regulatory system of legalized marijuana  
Governor's Distinguished Managers Association

Randy Simmons, Deputy Director

December 13, 2013

Marijuana **MARY JANE** **Weed**

Dope **Pot** Herb **Green** Shwag

Shwiggs **Ganja** **Blunt** **Sensi**

**Grass** Reefer Shake **Bud** **Dew**

*Kinds* Kibbs **Snop** **Boom** **ETC.**

# My true identity - Cannabis

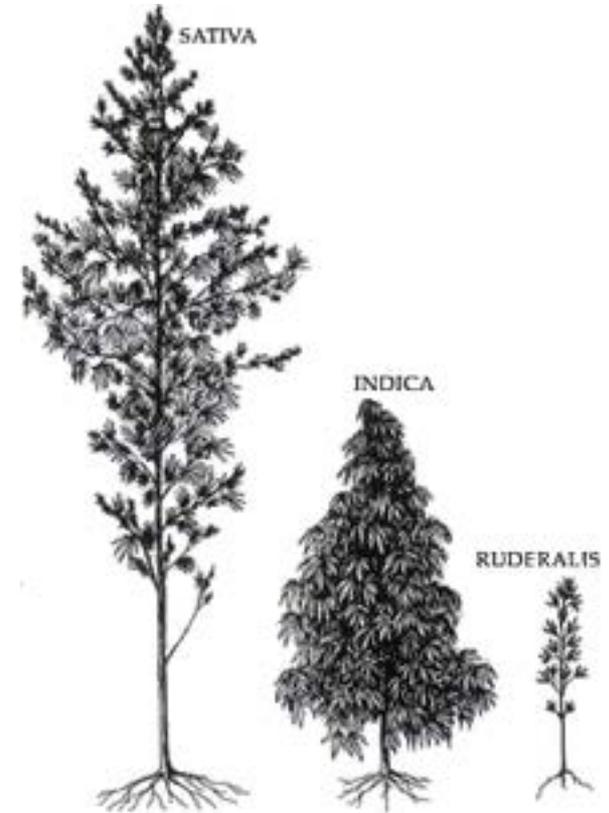
Cannabis Sativa – Happy

Cannabis Indica – Sleepy

Cannabis Ruderalis – minimal THC

Hemp – Industrial grade Cannabis  
less than .3% THC

Approx – 1,800 strains of cannabis



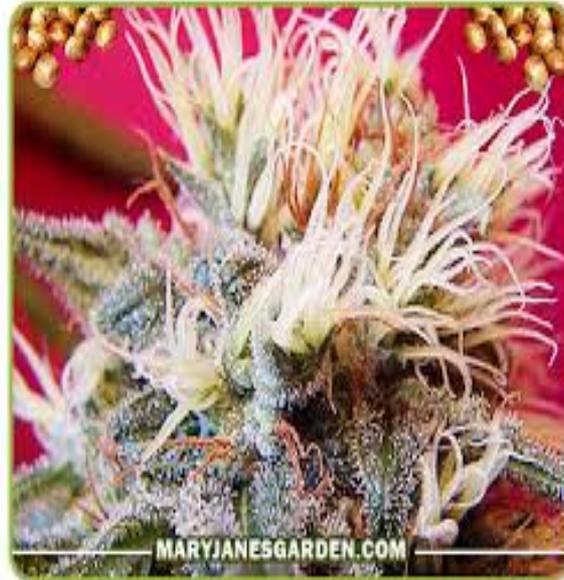
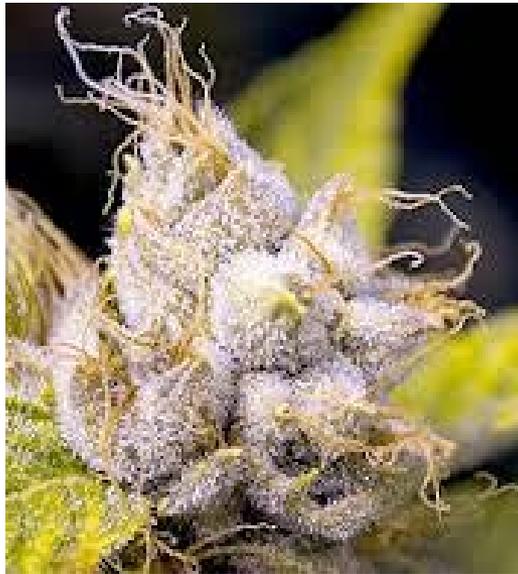
# The Plant

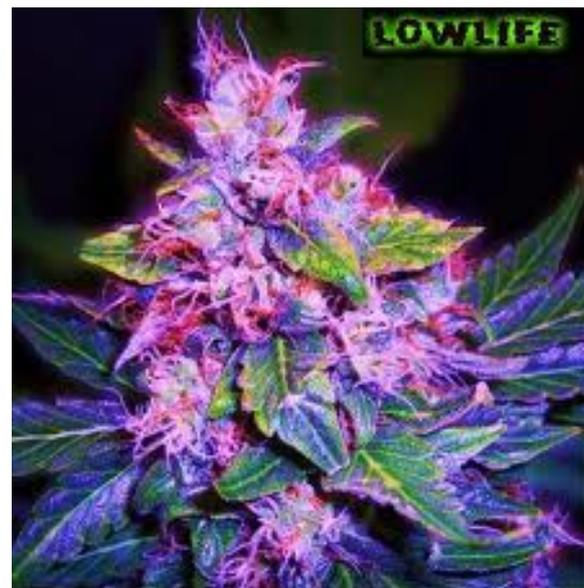
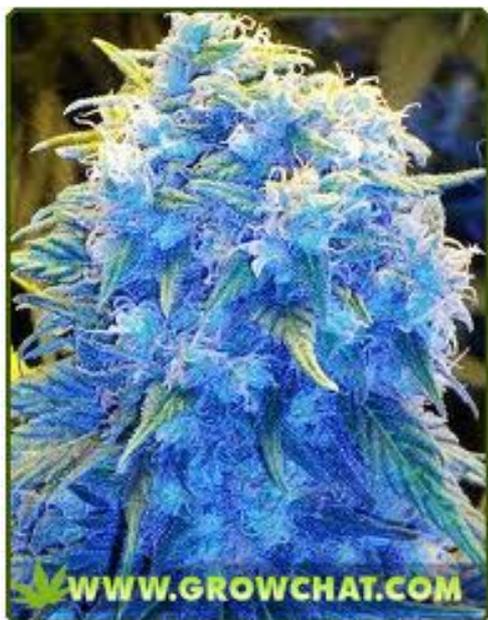














Blue Dream Hash Oil  
@mjflud.com



KindReviews.com



KindReviews.com





# A Brief History of Spaced Out Time

- American recreational use
  - Commonplace from 1850 to 1930's
  - Roaring 20's
    - Alcohol Prohibition
    - Tea pads
    - Jazz – reefer songs
      - Reefer Man, Weed, Save the Roach for Me, Light Up, Sweet Marijuana Brown, Minnie the Moocher
    - Allowed as marijuana was legal and not considered a “SOCIAL THREAT”

# A Brief History of Spaced Out Time

- 1930's
  - Federal Bureau of Narcotics campaign
    - Portray it as a powerful, addicting substance that could lead users to narcotics addiction. First mention as a gateway drug.
    - End of Prohibition - viewed as competition by the alcohol industry which helped fund the campaign.

# A Brief History of Spaced Out Time

- 1950's
  - The beat generation – was a commonplace accessory of the beatniks.
- 1960's
  - Use by college students, hippies and became a symbol of rebellion against authority
- 1970's
  - Controlled Substances Act of 1970 classified marijuana as a class I drug with heroin and LSD

# A Brief History of Spaced Out Time

- 1970 – Controlled Substance Act – War on Drugs (1971)
  - Resulted in Cannabis being listed as a Class I narcotic, the same as Heroin and LSD.
  - Marijuana pushed hard to be Class I by Nixon, who blamed the counterculture and protests of the late 60's in part on marijuana. Described as a “SOCIAL THREAT”
  - Act originally only listed Cannabis Sativa, which has been changed to list both cannabis and marijuana.

# A Brief History of Spaced Out Time

- American appetite grows
  - 1990 – ½ million pounds seized in the US
  - 2006 – 2.5 million pounds seized in the US
- Potency grows
  - 1990 – 3% - 4% THC avg.
  - 2008 – 8.8% THC avg., sinsemilla – 11% - 13%, highest sample tested in 2008 was 37% THC

# A Brief History of Spaced Out Time

- Medical Marijuana

- 1996 – California becomes 1<sup>st</sup> state to approve the medical use of marijuana, despite Federal Law.
- 1998 – Alaska, Oregon, and Washington passed laws to legalize medical marijuana.
- 18 states currently have medical marijuana laws in place, with an additional 4 expected in the next year. 4 other states have decriminalized possession.

# A Brief History of Spaced Out Time

- Today's marketplace - estimates
  - Washington – 165 metric ton used annually. (364,000 pounds)
  - US 30 million pounds trafficked annually
  - 25% of market is under age 21
    - 3.3 million youth (ages 12 – 17) use recreationally
    - 800,000 show characteristics of dependence
    - 85% high school seniors say “very easy” or “fairly easy” to obtain
    - Easier to get than alcohol



# Key Elements

**Creates world's first comprehensive system of growing, processing and retailing marijuana.**

- Legalized system of producing, processing and retailing marijuana for adults age 21 and older
- Decriminalizes possession of one ounce of marijuana
  - 1 ounce of useable marijuana for smoking
  - 16 ounces in solid form
  - 72 ounces in liquid form
- Creates three-tier system of licensing, regulation and taxation similar to alcohol
  - Producer license (grower)
  - Processor license (concentrates-infused products)
  - Retail license (operates marijuana only stores)



# Key Elements continued

## Washington's system...

- Taxation
  - Imposes 25% tax at all three license levels
  - B&O and local sales tax also apply
  - OFM fiscal note estimated between \$0 and \$2 billion over five years
- Public Safety and Education
  - Establishes a 5 nanogram of THC per milliliter bloodstream threshold for marijuana DUI's
  - Limits on store locations, advertising and number of outlets
  - Earmarks revenue for healthcare, research and education
- Timing
  - December 1 deadline to have rules approved by the board



# Agency Objective

## Public Safety

- Creating a tightly controlled and regulated marijuana market;
- Including strict controls to prevent diversion, illegal sales, and sales to minors; and
- Providing reasonable access to products to mitigate the illicit market.

## Agency Role and Responsibilities:

- Ensuring public safety is the top priority;
- Creating a three-tier regulatory system for marijuana;
- Creating licenses for producers, processors, and retailers;
- Enforcing laws and rules pertaining to licensees; and
- Collecting and distributing taxes.



# Current Activities

## Internal teams

- 11 internal teams working on different elements of implementation
- Teams in place prior to the election

Licensing Team

Legal & Policy  
Team

Education Team

Enforcement  
Team

Communication  
Team

Human  
Resources Team

Collections &  
Audit Team

Budget &  
Distributions  
Team

Contracting  
Team

Research Team

Rules Team



# Consultant

## BOTEC Analysis Corporation - Dr. Mark Kleinman

- Contract with to provide technical expertise
  - Project Leader is Dr. Mark Kleiman, CEO BOTEC, Ph.D. Public Policy, Harvard Kennedy School
  - Dr. Kleiman teaches public policy at UCLA.
  - He is an expert in many aspects of criminal and drug policy, including probation and parole, Incarceration, and marijuana policy.
  - He is the co-author of the book *Marijuana Legalization: What Everybody Needs to Know*.



# Consultant

## BOTEC Team Leads

1. Product and Industry Knowledge  
*Michael Sautman, former CEO of Bedrocan International*
2. Product Quality Standards and Testing  
*David Lampach, President, Steep Hill Lab.*
3. Product Usage and Consumption Validation  
*Dr. Beau Kilmer, Ph.D., Senior Research RAND Corp.*
4. Product Regulation  
*Lowry Heussler, JD, General Counsel BOTEC*

## Public Outreach

- 13 public forums statewide (Over 6,000 attendees)
- Meeting with community groups, medical marijuana industry members and associations, law enforcement and editorial boards.
- Webinars and meetings with local government officials

## Comparing Notes with Colorado

- Ongoing dialog with Colorado and state agencies



# Implementation Timeline

|                              |                                                                     |
|------------------------------|---------------------------------------------------------------------|
| <b>December 6, 2012</b>      | Effective date of new law                                           |
| <b>May 16, 2013</b>          | Draft rules sent to stakeholders for input and vetting              |
| <b>July 03 2013</b>          | Proposed rules filed with Code Reviser (CR 102)                     |
| <b>August 6-8, 2013</b>      | Public hearings on proposed rules                                   |
| <b>September 4, 2013</b>     | Supplemental CR102 filed with Code Reviser                          |
| <b>October 9, 2013</b>       | Public Hearing                                                      |
| <b>October 16, 2013</b>      | Rules Adopted                                                       |
| <b>November 16, 2013</b>     | Rules become effective                                              |
| <b>November 18, 2013</b>     | Begin accepting applications for all three licenses (30-day window) |
| <b>December 1, 2013</b>      | Mandate by law to adopt final rules                                 |
| <b>Mar. 2014 / Apr. 2014</b> | Begin issuing producer, processor and retailer licenses             |



# Rules Highlights: License Requirements

## 30-Day Window

- The LCB will open registration for all license types for a 30-calendar day window (November 18<sup>th</sup> – December 18<sup>th</sup> 2013)
- LCB may extend the time or reopen application window at its discretion
- Colorado used the same method. Approx. 50 percent folded w/in 18 months

## State Residency Requirement

- The LCB requires a three month state residency requirement
  - Applies to all license structure types

## Background Checks

- Personal criminal history form with license forfeiture if incomplete or incorrect
- Fingerprinting of all potential licensees
- WSP and FBI background checks of licensees and financiers

## Point System

- All applicants must disclose all arrests and/or convictions
- Non-disclosure of arrests regardless of conviction will result in point accumulation



# Rules Highlights: License Requirements

## Costs and Fees

- \$250 application fee
- \$1,000 annual renewal fee
- Additional fees for background check and filing for local business license

## Taxes

- License applicants must submit a signed attestation that they are current on taxes owed to the Washington State Department of Revenue.



# Rules Highlights: Public Safety

## Producer Structures

- Draft rules allow producer operations in secure indoor and outdoor grows, as well as greenhouses

## Traceability

- LCB will employ a robust and comprehensive traceability system (software) that will trace product from seed/clone to sale
- LCB enforcement can match records to actual product on hand

## Security and Safeguards

- Alarm and surveillance video camera requirements (including camera placement, minimum pixels and lockbox encasement)
- Strict transportation and record keeping requirements (no third party transport of product)
- Hours of operation limited to 8:00 a.m. to 12:00 a.m.



# Rules Highlights: Public Safety

## Production Limits

- Sets the maximum amount of space for marijuana production at two million square feet
- Production Tiers
  - Tier 1 – less than 2000 square feet
  - Tier 2 – 2000 to 10,000 square feet
  - Tier 3 – 10,000 to 30,000 square feet



# Rules Highlights: Public Safety

## On-Site Product

- Establishes the maximum amount of marijuana allowed on a producer licensee's premises at any time based on the type of grow operation (indoor, outdoor, greenhouse).
- Producer License
  - Outdoor or greenhouse: 125 percent of year's harvest
  - Indoor: Six months of its annual harvest
- Processor License
  - Six months of their average useable marijuana (plant material); and
  - Six months average of their total production (finished product)
- Retailer License
  - Four months of their average inventory

## Retail Stores

- A maximum of 334 retail stores will be allowed in the system
- Stores locations are allocated based on population and consumption data



# Rules Highlights: Public Safety

## Advertising Restrictions

- Law restricts advertising within 1,000 feet of schools, public parks, transit centers, arcades, and other areas where children are present
- May not contain statements or illustrations that: are false or misleading, promotes overconsumption, represents that its use has curative or therapeutic effects, depicts a child or may be appealing to children
- All advertising of any kind for marijuana or marijuana-infused products must contain the following statements
  - "This product has intoxicating effects and may be habit forming" ; and
  - "Marijuana can impair concentration, coordination, and judgment. Do not operate a vehicle or machinery under the influence of this drug."



# Rules Highlights: Public Safety

## Violation Guidelines

- \$1,000 administrative penalty for minors frequenting
- Sets strict tiered system of violation record over a three year period.  
Example:
  - Group 1 public safety:
    - First violation: 10 day suspension or \$2,500
    - Second violation: 30 day suspension
    - Third violation: license cancellation
- Furnishing marijuana to a minor remains a felony offense

## Child Resistant Packaging

- Specific requirements for marijuana and marijuana infused products in solid and liquid forms



# Rules Highlights: Consumer Safety

## Strict Packaging and Labeling Requirements

- Limited servings and concentration per package
- Lot number
- Warning label
- Net weight
- Concentration of THC
- Usage warnings (specific warning for ingestible foods and/or liquids about effect delays)



# Rules Highlights: Consumer Safety

## Lab Tested and Approved

- All lots will be tested by independent accredited labs
- Established and uniform testing standards

## Store Signage and Product Warnings

- No minors allowed in stores
- Required product and usage signs within stores

## Behind the Counter Storage

- No open containers or handling of product

## Defined Serving Size

- Defined serving sizes on marijuana-infused product label
- 10 mg of THC per serving
- 100 mg of THC per product



# Potential Issues and Challenges

- Federal uncertainty
  - Illegal at the federal level
  - Concerns expressed about controlling diversion
- Minimizing illicit market
  - Balancing product demand with production and over-production
- Medical marijuana
  - Competing system that is largely untaxed and unregulated
- Banking
  - Federal banking laws prevent marijuana-related businesses
- Taxation and pricing
  - Will it be competitive?
- Past criminal history of potential licensees
  - Should a marijuana-related conviction prevent someone from becoming a licensee?



# U.S. Department of Justice Deputy Attorney General Cole Memorandum

## Guidance on Marijuana Enforcement Priorities

- Preventing the distribution of marijuana to minors;
- Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels;
- Preventing the diversion of marijuana from state where it is legal under state law in some form to other states;
- Preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- Preventing violence and the use of firearms in the cultivation and distribution of marijuana;
- Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
- Preventing marijuana possession or use on federal property.



# More Information

## WSLCB Website ([www.liq.wa.gov](http://www.liq.wa.gov))

- Rules
- Fact sheets
- FAQs
- Access to I502 listserv



**Thank you**