Cannabis Legalization
Implementing a system of legally growing, processing and retailing cannabis.

2017 Cannabis Summit

Rick Garza
Agency Director
Public Safety
• Create a tightly controlled and regulated cannabis market

Agency Role and Responsibilities:
• Created a 3-tier regulatory system for cannabis
• Created licenses for producer, processor and retailer
• Enforcing laws and rules pertaining to licensees
• Collecting and distributing taxes/fees
In addition to Washington’s laws and rules, the Department of Justice issued eight enforcement guidelines for cannabis businesses. These guidelines are separate from Washington’s and are enforced at the discretion of the US Department of Justice.

**Eight Guidelines**

1. Preventing distribution to minors.
2. Preventing the revenue from going to criminal enterprises, gangs and cartels.
3. Preventing the diversion of cannabis from states where it is legal to other states.
4. Preventing state-authorized cannabis activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity.
5. Preventing violence and the use of firearms in the cultivation and distribution of cannabis.
6. Preventing drugged driving and other adverse public health consequences associated with cannabis use.
7. Preventing the growing of cannabis on public lands and the environmental dangers posed by cannabis production on public lands.
8. Preventing cannabis possession or use on federal property.
Licensed Locations continued

Retail Locations

Producers/Processors
Sales/Tax Activity

Sales Activity
• Total Sales to Date (since July 8, 2014) $2.54 billion
  – Sales FY 2015: $259.6 million
  – Sales FY 2016: $786.4 million
  – Sales FY 2017: $1.37 billion
• Average Daily Sales - $4.0 million average daily sales

Excise Tax Revenue*
• Total Tax to Date (since July 8, 2014): $ 595.2 million
  - Total Excise Tax FY 2015: $64.9 million
  - Total Excise Tax FY 2016: $185.7 million
  - Total Excise Tax FY 2017: $314.8 million
  - *In addition, DOR collects Retail Sales and Business and Occupation taxes
## Revenue Projections

<table>
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<tr>
<th>Initial excise tax forecast projections (2013)</th>
<th>Current excise tax forecast projections* (June 2017)</th>
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<tr>
<td>FY 2015 $36.3 million</td>
<td>FY 2015 $64.5 million</td>
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<tr>
<td>FY 2016 $80.0 million</td>
<td>FY 2016 $165.1 million</td>
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<td>FY 2017 $119.8 million</td>
<td>FY 2017 $300.6 million</td>
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<td>FY 2018 $160.2 million</td>
<td>FY 2018 $334.1 million</td>
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<td>FY 2019 $193.5 million</td>
<td>FY 2019 $350.6 million</td>
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<td>Dept. of Social and Health Svcs.</td>
<td>Prevention and reduction of substance abuse</td>
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<td>Dept. of Health</td>
<td>cannabis education and public health program</td>
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<td>University of Washington</td>
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<td>Basic Health Trust Fund Account</td>
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<td>WA Health Care Authority</td>
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<td>Drop-out prevention</td>
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<td>General Fund</td>
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Examples of Funded Activities

DSHS – Substance abuse prevention and treatment

- Increase in youth treatment services
- Increased support for and expansion of community- and school-based services
- Grants for community-based services for prevention
- Training in Life Skills and other prevention and treatment programs
- Tribal Prevention and Treatment grants

DOH

- Media-based educational campaigns
  - Parents and other adult influencers
  - Youth
- Cannabis and tobacco community grants
  - General population
  - Priority populations (African American, Latino/Hispanic, Asian/Pacific Islander, American Indian/Alaska Native, and LGBQT)
- Cannabis hotline
- Tobacco cessation services
Average Price per Gram Sold

Avg. Price = $7.32 per gram
Consumer Safety

Edible Products Not Allowed

Sample Label Mock Up

Warning: This product has intoxicating effects and may be habit forming. There may be health risks associated with the consumption of this product. Should not be used by women that are pregnant or breast feeding. This product may be unlawful outside of Washington State. Marijuana can impair concentration, coordination and judgment. Do not operate a vehicle or machinery under the influence of this drug. For use only by adults 21 and older. Keep out of children.

Caution: When eaten or swallowed, the intoxicating effects of this drug may be delayed by two or more hours.

THIS PRODUCT CONTAINS MARIJUANA
Mfg by TwoLeaf Group UBI#6344149

Resinator Blend
60% Sativa / 40% Indica

TwoLeaf
Blends for Every Occasion
100mg THC
10 Capsules (10mg THC each)

PURE CO2 EXTRACTED CANNABIS

Lot#6334414900001234
10mg Active THC per Serving
Contains 10 Servings
Net Weight 5000mg
Mfg Date: 02/08/2017
Best By: 02/08/2018
Retail UBI#503344149

Ingredients: Organic Fractionated Coconut Oil, CO2 Extracted Cannabis Oil.

No pesticides were used in the production of this product.
How Do We Limit Access

• Age restrictions
  – 21+ for non-medical use

• Possession limits
  – 1 ounce useable, 16 ounces solid (edibles), 72 ounces liquid, 7 grams concentrate

• Limits on production and retail stores
  – Challenge to determine “need”

• Compliance checks
  – 93 percent no-sales-to-minors compliance rate

• No home grows except for medical
  – Legislative directive to study
2016 Alignment of Gray and Regulated Markets

• Unlicensed, unregulated collective gardens proliferated as retail storefronts following loophole in 2010 amendment to state medical cannabis law.
  – Competed with tightly regulated recreational marketplace

• 2015 legislation “Cannabis Patient Protection Act”
  – Aligned the medical and recreational markets July 1, 2016
  – Medical products sold only at retail stores
Tribes and Cannabis

• Governed by USDOJ Wilkinson Memo (Oct. 2014)

• Washington was first in the nation to establish cannabis compacts
  – 4 signed compacts
  – 9 in the queue
  – 13 of 29 federally recognized tribes communicating with WSLCB

• With the exception of cannabis that is entirely grown, processed and retailed on tribal land, tribes collect equivalent tax to be used for services on tribal land.
Current Challenges

Conflicts with Federal Law
• Schedule 1 Controlled Substance
• Research and development is suppressed

Bans and Moratoria
• Court ruled that because I-502 was silent on bans/moratoria that cites/counties can ban cannabis businesses

Public Health
• EPA and federally regulated pesticides

Banking
• Dept. of the Treasury allows banks to do business with cannabis licensees
• Currently four credit unions and four state chartered banks provide financial services to the cannabis industry in Washington
Challenges continued...

Advertising
• Complaints about advertising are increasing
• 2017 legislature further restricted advertising
  – Prohibited sign spinners
  – Prohibited cannabis leaves on signage, logos, etc.
  – Allows local governments to be more restrictive than state law.

Pesticides
• Contracted with state Dept. of Agriculture to test for illegal pesticides
  – First of its kind in the nation
  – Random and complaint driven samples
  – 75 samples per month
Not for Kids
- Symbol adopted by Washington Poison Control Center
- Required on all edible packaging

Benefit – Cost Impact of Legalized Cannabis
- Benefit-cost analysis performed by Washington State Institute for Public Policy
- Broad impact of policy change in Washington State
- Reports due: Sept. 2017, 2022, 2032