

From: Richard Sears [RSEARS@leg.state.vt.us]
Sent: Wednesday, January 13, 2016 6:29 PM
To: Pepper, James; Childs, Michele
Subject: Fwd: LCB MJ Overview Presentation
Attachments: LCB Marijuana Legalization - Implementing I502 in WA State.pptx; ATT00001.htm

Sen. Dick Sears
343 Matteson Rd.
North Bennington, VT 05257
Chair Senate Judiciary Committee
Appropriations Committee
Sent from my iPad

Begin forwarded message:

From: "Frost, Gretchen D (LCB)" <gretchen.frost@lcb.wa.gov>
Date: January 13, 2016 at 3:12:26 PM EST
To: Richard Sears <RSEARS@leg.state.vt.us>
Cc: "Garza, Rick J (LCB)" <rick.garza@lcb.wa.gov>
Subject: LCB MJ Overview Presentation

Good afternoon Senator Sears,

Per your phone call with Rick and staff earlier today, I'm attaching the MJ overview presentation. Let me know if you need anything else. Have a great day!

Gretchen Frost
Special Assistant to Director, Rick Garza
Washington State Liquor and Cannabis Board

3000 Pacific Ave SE | PO Box 43080 | Olympia, Washington 98504
p: (360) 664-1716 | f: (360) 664-9689 |
email: Gretchen.Frost@lcb.wa.gov | website: lcb.wa.gov

-----Original Message-----

From: Richard Sears [<mailto:RSEARS@leg.state.vt.us>]
Sent: Friday, January 08, 2016 4:22 PM
To: Frost, Gretchen D (LCB)
Cc: james.pepper@vermnt.gov; Faker, Lisa (LCB); Michele Childs
Subject: Re: connecting you to VT State Senator Dick Sears

Gretchen,

Thanks so much, Wednesday January 13th @ 11:00 AM PST (2PM EST) works best for me. I'm hopeful that Michele Childs Legislative Counsel to the Senate Judiciary Committee will also be able to join us. Can you please provide us with a number to call.

Thanks,
Dick

Sen. Dick Sears
343 Matteson Rd.
North Bennington, VT 05257
Chair Senate Judiciary Committee
Appropriations Committee
Sent from my iPad

On Jan 8, 2016, at 2:34 PM, Frost, Gretchen D (LCB)
<gretchen.frost@lcb.wa.gov> wrote:

Good morning Senator Sears and Mr. Pepper,

Per Lisa's email I wanted to provide you both with a few date and time options (please see below) that staff at the Washington State Liquor and Cannabis Board would be available for a conference call. Please let me know at your earliest convenience which day and time work for you both.

Wednesday, January 13th 11 am Pacific Standard Time Friday,
January
15th at 1 pm Pacific Standard Time

Thank you,

Gretchen Frost
Special Assistant to Director, Rick Garza Washington State Liquor
and
Cannabis Board

3000 Pacific Ave SE | PO Box 43080 | Olympia, Washington
98504

p: (360) 664-1716 | f: (360) 664-9689 |

email: Gretchen.Frost@lcb.wa.gov | website: lcb.wa.gov

-----Original Message-----

From: Faker, Lisa (LCB)

Sent: Friday, January 08, 2016 7:29 AM

To: Richard Sears; james.pepper@vermnt.gov

Cc: Frost, Gretchen D (LCB)

Subject: RE: connecting you to VT State Senator Dick Sears

Good morning Senator Sears,

Russ asked our directors office to contact you and arrange a conference call with the appropriate staff from Washington State Liquor and Cannabis Board to assist you. Gretchen Frost the Executive Assistant to Director Garza will be contacting James to schedule a time for next week.

Lisa

Lisa Faker

Executive Assistant to the Board

Washington State Liquor and Cannabis Board

3000 Pacific Avenue | P O Box 43076 | Olympia, WA 98504

360/664-1717 | lisa.faker@lcb.wa.gov | www.lcb.wa.gov -----

Original

Message-----

From: Richard Sears [<mailto:RSEARS@leg.state.vt.us>]

Sent: Wednesday, January 06, 2016 4:06 PM

To: Russ Hauge <russhaug@gmail.com>; Michael Thompson <mthompson@csg.org>

Cc: Marshall Clement <mclement@csg.org>; Faker, Lisa (LCB) <lisa.faker@lcb.wa.gov>; Hauge, Russell D (LCB)

<russell.hauge@lcb.wa.gov>; james.pepper@vermnt.gov

Subject: Re: connecting you to VT State Senator Dick Sears

Russ,

Thanks so much for the offer to provide assistance. Our session just began and I'm working with the administration to come up with some first steps. James Pepper copied here is the Governor's point person, we were hoping to have an opportunity to speak with next week. Other than Monday I think we can be available any day next week in the afternoon. Please let us know if there are any days and times that work for you and which would be best.

Thanks and looking forward to speaking with you.

Dick,

Dick Sears, State Senator Bennington County & Wilmington
343 Matteson Rd.

North Bennington, VT 05257

Chair Senate Judiciary Committee

Senate Appropriations Committee

From: Russ Hauge <russhauge@gmail.com>

Sent: Tuesday, December 22, 2015 11:18:49 AM

To: Michael Thompson

Cc: Richard Sears; Marshall Clement; Faker, Lisa (LCB); Hauge, Russell

D (LCB)

Subject: Re: connecting you to VT State Senator Dick Sears

I would be happy to talk with Senator Sears at any point. Senator, you can reach me at this email address or through my position on the Washington Liquor and Cannabis Board (LCB), russell.hauge@lcb.wa.gov <<mailto:russell.hauge@lcb.wa.gov>> . I look forward to talking with you.

At a recent meeting of the American Prosecutors Association, I spent some time talking with D.A. T.J. Donovan from Burlington. I will extend to you the same invitation I offered to

him. At the LCB we consider sharing what we have learned as part of our job. We often host delegations from other states and countries. We would be very happy to have you and other representatives from Vermont come to Washington. We will spend some time on our system and experiences and take you on a tour of regulated production, processing, and retail facilities.

In the meantime, if you would like to talk more generally, please call me at 360 664 1713 or 360 710 2688. I look forward to hearing from you.

Russ Hauge

On Mon, Dec 21, 2015 at 5:40 PM, Michael Thompson
<mthompson@csg.org<<mailto:mthompson@csg.org>>> wrote:

Russ:

Sen. Sears is the chair of the Judiciary Committee in VT. He is one of the longest serving Jud Committee chairmen in the US, and he is extremely well respected across the state, in law enforcement circles, and among judges and the defense bar alike, because he is a straight-shooter, practical, and committed to doing whatever he can to make the criminal justice system stronger. Needless to say, we are thrilled to have him on our board of directors.

In catching up with Sen. Sears today, he told me about the countless hours he has had to spend listening to one proposal after another about changing the state's marijuana laws. He recognizes that there is an expectation that the legislature take action this upcoming session, but he is appropriately cautious about charging ahead in any particular direction without better understanding the implications of the proposed changes. I told him about your vantage point in Washington, as both a career prosecutor and now as a member of the board charged with setting policy that regulates the industry that WA voters recently decided to legalize.

Sen. Sears would love to connect with you at some point. He's cc'd here, so he can follow up directly with you.

Thanks!

Mike

Michael D. Thompson
Director, Council of State Governments Justice Center
22 Cortlandt Street / Floor 22
New York, NY 10007
T. 212.482.2320<<tel:212.482.2320>> /
646.383.5714<<tel:646.383.5714>>
mthompson@csg.org<<mailto:mthompson@csg.org>>

Www.csgjusticecenter.org<<http://Www.csgjusticecenter.org>>



Marijuana Legalization

Implementing Initiative 502 in Washington

Washington State Liquor and Cannabis Board (WSLCB)

January 2016



Overview

Highlights

- Agency objective for implementing I-502
- Licenses and licensing requirements
- Consumer safety elements
- Sales activity
- Issues and challenges
- Looking Ahead: aligning medical MJ with recreational system
- Tribal compacts
- Brookings Institute findings
- Staying connected



I-502 Key Elements

1 of 2 of the world's pioneering systems 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 (prepares for retail)
 - Retail license (operates marijuana only stores)



Key Elements continued

- Taxation

- Imposes excise tax rate of 37 percent on final marijuana sales

- Initial excise tax forecast projections

- FY 2015 \$36.3 million
- FYI 2016 \$80.0 million
- FY 2017 \$119.8 million
- FY 2018 \$160.2 million
- FYI 2019 \$193.5 million

- Public Safety and Education

- Establishes a THC bloodstream threshold for marijuana DUI's

- Limits on store locations, advertising and number of outlets

- Earmarks revenue for healthcare, research and education



Agency Objective

Public Safety

- Create a tightly controlled and regulated marijuana market

Agency Role and Responsibilities:

- Created a 3-tier regulatory system for marijuana
- Created licenses for producer, processor and retailer
- Enforcing laws and rules pertaining to licensees
- Collecting and distributing taxes/fees



Federal Enforcement Guidelines

In addition to Washington's laws and rules, the Department of Justice issued eight enforcement guidelines for marijuana 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 marijuana from states where it is legal to other states.
4. Preventing state-authorized marijuana 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 marijuana.
6. Preventing drugged driving and other adverse public health consequences associated with marijuana use.
7. Preventing the growing of marijuana on public lands and the environmental dangers posed by marijuana production on public lands.
8. Preventing marijuana possession or use on federal property.



Marijuana Consultant

BOTEC

- Contract with BOTEC Analysis Corporation 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.
 - Expert in many aspects of criminal and drug policy, including probation and parole, incarceration, and marijuana policy.
 - Co-author of the book *Marijuana Legalization: What Everybody Needs to Know*.

BOTEC Team Leads

1. Product and Industry Knowledge
Matthew Cohen, Founder and CEO, Trichome Intelligence
2. Product Quality Standards and Testing
David Lampach, President, Steep Hill Lab.
3. Product Usage and Consumption Validation
Dr. Beau Kilmer, Ph.D., Senior Researcher, RAND Corp.

Comparing Notes with Colorado

- Ongoing dialog with Colorado and other states



Licensing Requirements

Licensing Requirements

- Criminal history investigation
 - All parties, including spouses
 - FBI background checks
- Financial background investigation
 - Identifies source of funds
- Six-month residency requirement
 - Entity must be formed in Washington State
 - Demonstrate at time of application
- Property must be more than 1,000' from: schools, child care centers, transit centers, game arcades, libraries, playgrounds, public parks.

Traceability System

- A robust and comprehensive software system that traces product from start to sale. Licensees must report significant milestones and changes to the LCB's traceability system which allows the LCB to monitor and track any plant or product at any time.



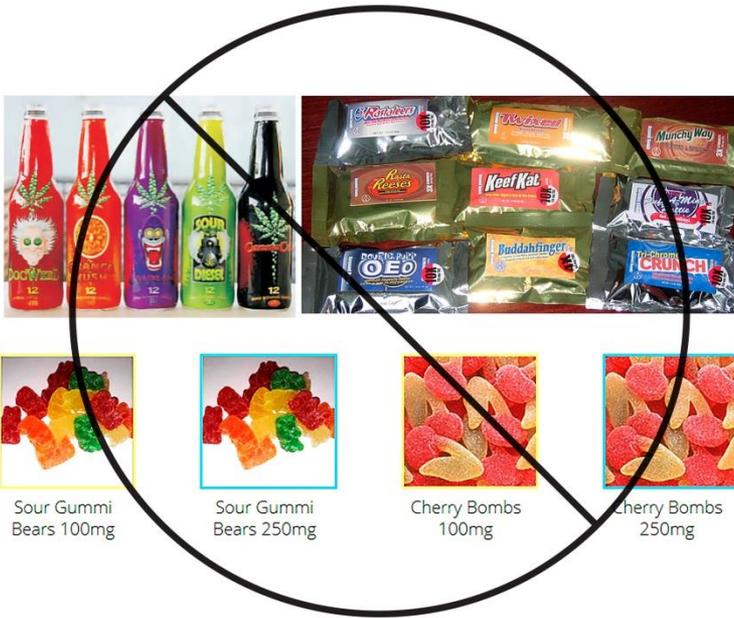
Consumer Safety

Strict Packaging and Labeling Requirements

- Limited servings and concentration per package
 - Servings are individually wrapped
 - Homogenized to ensure uniform THC concentration
- Warning labels
- Net weight
- Usage warnings (specific warning for ingestible foods and/or liquids about effect delays)
- Upon request
 - Third party lab that tested lot and results
 - All pesticides, herbicides, fungicides found in product



Consumer Safety



Unregulated Medical Products



Sample Label Mock Up



Consumer Safety

Lab Tested and Approved

- All lots 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



Licenses

Issued as of January 5, 2016...

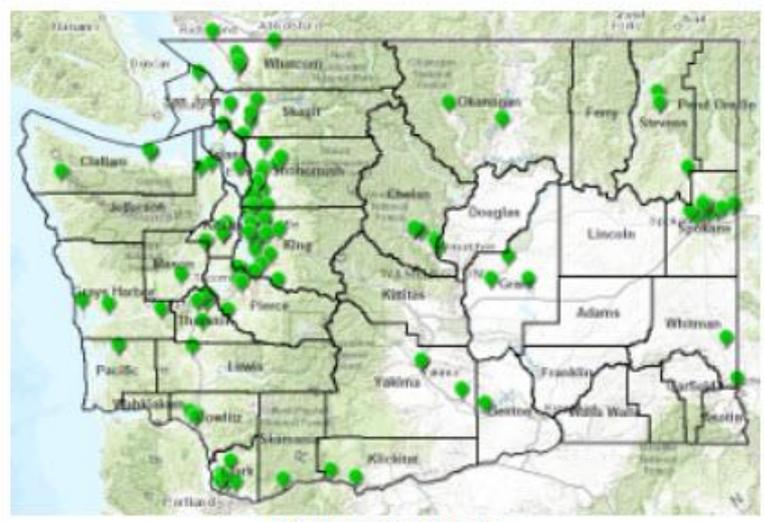
- **Producer/Processor – 804 total licenses**
 - 560 Producer/Processor
 - 160 Producer only
 - 84 Processor only
- **Retail – 228 licenses**
 - 197 retail outlets have reported sales



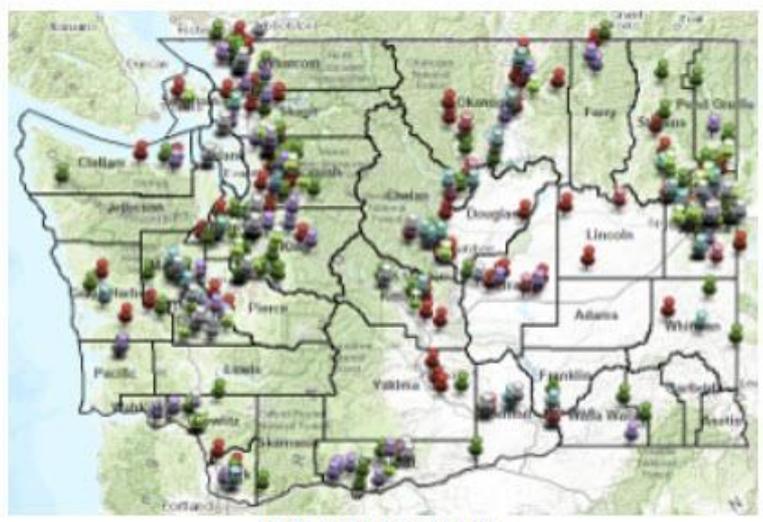
Licensed Locations

Producer licenses issued	Producer/Processor licenses issued	Processor licenses issued	Retail licenses issued
160	560	84	228
Pending build out / applicant place on hold	Producer/Processor pending inspection	Retailer pending inspection	Retailers reporting sales
96	28	3	197 out of 228

Locations



[View larger map](#)
Retail locations



[View larger map](#)
Producer/Processor locations



Sales/Tax Activity

Sales Activity

- Total Sales to Date (July 8, 2014 – Jan. 5, 2016): \$690.8 million
 - Total Sales FY 2015: \$259.7 million
 - Total Sales FY 2016: \$431.1 million
- Average Daily Sales
 - \$2.1 million average daily sales

Excise Tax Revenue*

- Total Tax to Date (July 8, 2014 – Jan. 5, 2016): \$ 147.7 million
 - Total Excise Tax FY 2015: \$64.9 million
 - Total Excise Tax FY 2016: \$82.8 million

*In addition, DOR collect Retail Sales and Business and Occupation taxes



Revenue Projections

Revenue Projections: 11/18/2015 Forecast*

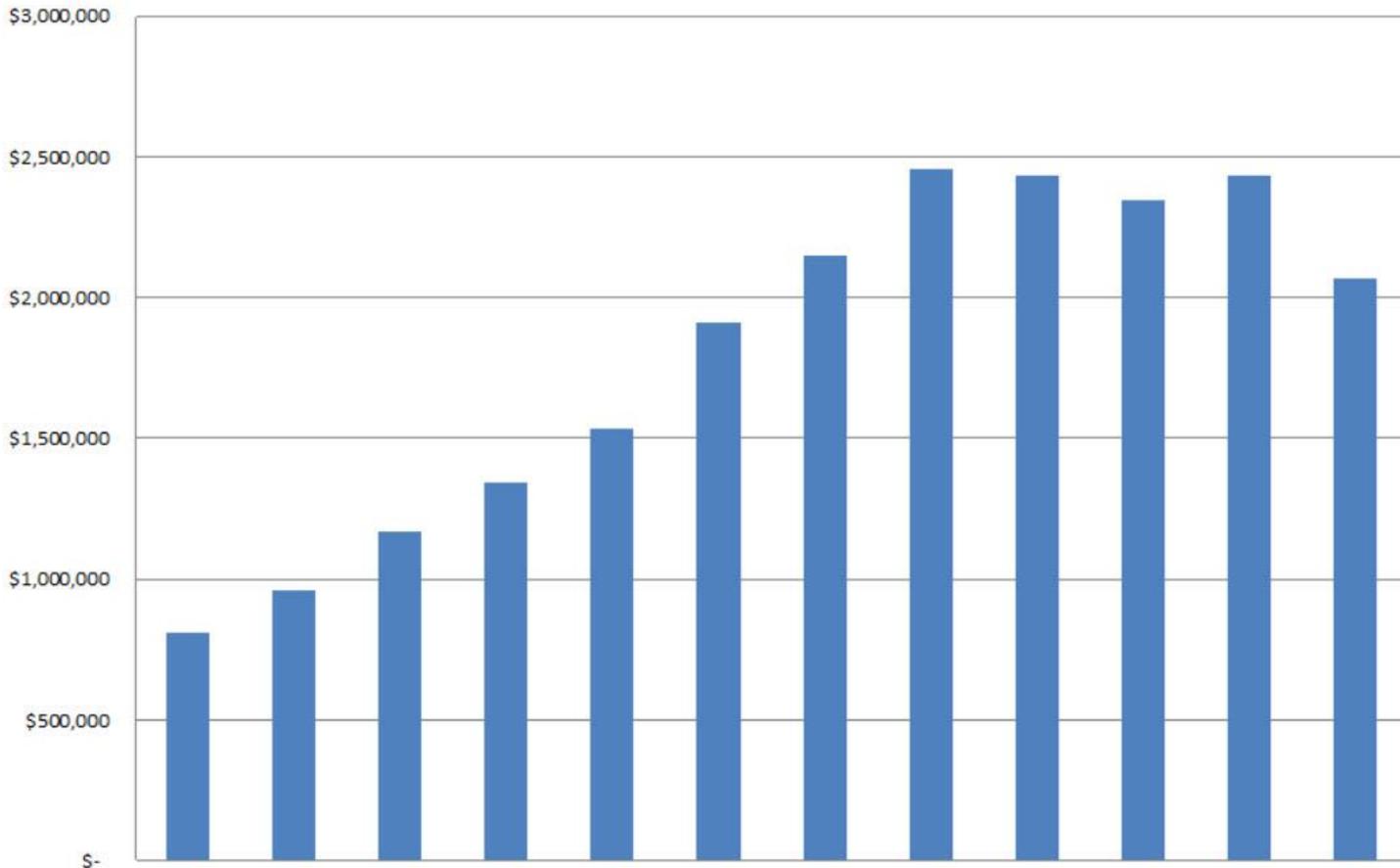
- FY 2016 \$162.3 million
- FY 2017 \$270.7 million
- FY 2018 \$335.3 million
- FY 2019 \$370.0 million

*includes excise taxes and fees



Average Daily Sales Growth

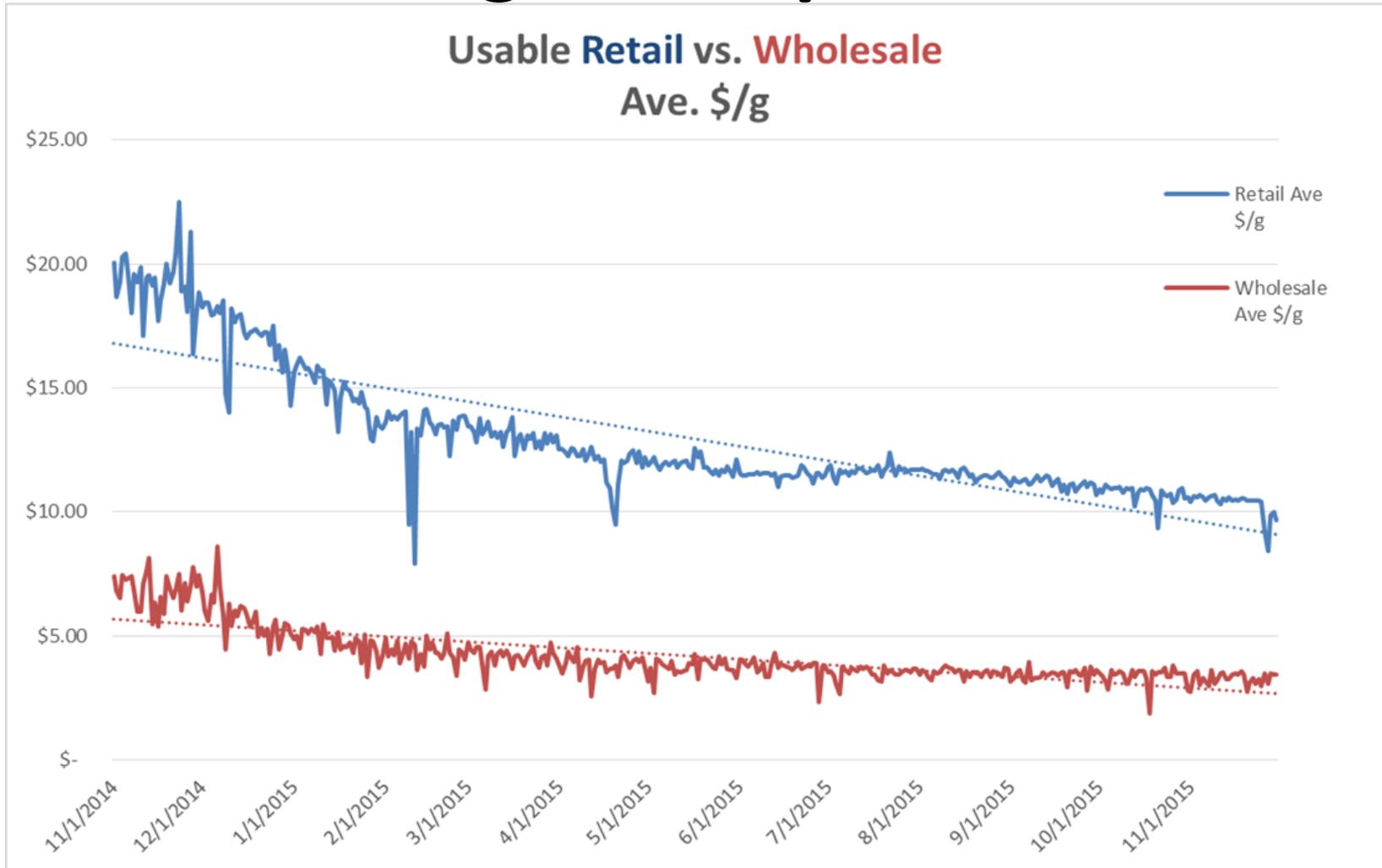
Average Daily Marijuana Sales (Shelf Price)*



	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
Series1	\$813,626	\$964,263	\$1,173,97	\$1,339,18	\$1,533,57	\$1,910,07	\$2,145,88	\$2,453,56	\$2,431,48	\$2,345,54	\$2,429,86	\$2,067,15



Average Price per Gram





Current Challenges

Federal Guidelines

- Doesn't change federal law
- Focuses on eight points of emphasis including youth access and public safety

Banking

- Dept. of the Treasury allows banks to do business with marijuana licensees
 - Approximately 25 percent of tax paid in cash

Advertising

- Balancing free speech with restrictions in the law



Current Challenges

Bans and Moratoria

- Court ruled that because I-502 was silent on bans/moratoria that cities/counties can ban marijuana businesses
 - 58 bans statewide
 - 20 moratoria statewide

Marijuana Infused Products/Public Safety

- Board took steps in June 2014 to add additional safeguards to its already comprehensive rules:
 - Emergency Rule: product may not be “especially” appealing to children
 - Products must be approved by the Board
 - Products must carry an identifier that they contain marijuana
 - Require homogenization to ensure uniform distribution of THC

Approved products – Over 750

Denied products – 26



Looking Ahead: Aligning Medical w/ the Recreational System

LCB is primarily responsible for licensing and enforcement

- Working closely with other state agencies
- Board began accepting applications for new stores to accommodate medical sales on Oct. 12, 2015

Licensing Priorities

- Legislature established a priority system for licensing existing dispensaries:
 - **First priority** applicants who applied for a marijuana retail license prior to July 1, 2014, operated (or were employed by) a collective garden prior to January 1, 2013, have maintained a state and local business license and have a history of paying state taxes and fees.
 - **Second priority** applicants who operated (or were employed by) a collective garden prior to January 1, 2013, have maintained a state and local business license, and have a history of paying state taxes and fees.
 - **Third priority** applicants are everyone else.



Looking Ahead: Aligning Medical w/ the Recreational System

Additional Outlets

- Based on the most comprehensive study of the medical market today, the LCB will expand from 334 allotted retail stores to 556 retail stores.
 - We have received 1,342 retail license applications thus far
 - 123 meet priority one criteria thus far
 - 50 meet priority two criteria thus far

Timeline

- Sept. 23, 2015 LCB issued emergency and draft rules
- Oct. 12, 2015 DOR / LCB begin accepting retail applications
- Nov. 3-16, 2015 Six public hearings statewide
- Jan. 6, 2016 Board adopts new cap on retail stores
- July 1, 2016 Deadline for unlicensed dispensaries



Tribal Compacts

September 14, 2015

- Suquamish Tribe and Washington State agree to nation's first tribal-state compact.

September 23, 2015

- Squaxin Tribe and Washington State agree to nation's second tribal-state compact.

January 6, 2015*

- Puyallup Tribe and Washington State agree to nation's third tribal-state compact.
- * *this compact is awaiting Gov. Inslee's signature*

Tribe currently entering into negotiations with WSLCB

- Samish Tribe



Brookings Institute Study

B | Center for
Effective Public Management
at BROOKINGS

August 2014

Washington's Marijuana Legalization Grows Knowledge, Not Just Pot:
A Report on the State's Strategy to Assess Reform

Philip Wallach

INTRODUCTION AND SUMMARY



Philip Wallach

On November 6, 2012, voters in Washington and Colorado made the momentous and almost entirely novel choice to legalize and regulate recreational marijuana. While many places around the world have tried out forms of marijuana decriminalization or legalized medical uses, none had ventured to make the production, distribution and recreational use of the drug legal, let alone erect a comprehensive, state-directed regulatory system to supervise the market. In spite of the lack of experience, and in spite of a clear conflict with federal drug law, solid



Brookings Institute

Impact on Youth

“A portion of the excise tax revenues from marijuana sales will fund research on the reform’s effects and how its social costs can be effectively mitigated.”

Excerpt from Aug. 2014 Study



Brookings Institute

Research on Prevention and Treatment

“Coordination of research efforts is taking place across multiple state agencies, including the Department of Social and Health Services, the Department of Health and the Liquor Control Board.”

Excerpt from Aug. 2014 Study



Brookings Institute

Cost-Benefit Analysis

“As the battle lines harden in the information wars between legalization’s champions and critics, the state’s knowledge-building efforts offer its officials the chance to transcend the breathless rhythms of the news cycle and set their sights on more consequential time horizons. Reformers across the country – in marijuana policy and beyond – would do well to learn from this second experiment (WA) as from the first (CO).”

Excerpt from Aug. 2014 Study



Brookings Institute

On Washington's Law and Implementation

“But while Colorado created the sizzle for pot legalization by acting quickly, Washington may end up providing the steak, merely by sticking to a meticulous and cautious approach that in the long run will make it easier for the public to track outcomes.”

Quote from McClatchy News Services on Brookings Study



Staying Connected

- Visit the Marijuana 2015 webpage -- lcb.wa.gov
 - Interactive dashboard (maps, relevant data, updated weekly)
 - Factsheets
 - FAQs
 - Timelines
- Listserv with approximately 13,000 subscribers
- Public hearings on rules are posted on website and publicized on the listserv
- Media attention -- AP Top 5 story of 2012, 2013, 2014



Thank you

