

December 9th, 2022

Report to the Washington State  
Governor and Legislature

# SOCIAL EQUITY IN CANNABIS TASK FORCE



## Recommendations

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# ACKNOWLEDGMENT

## FROM REBECCA SALDAÑA AND JIM MAKOSO, CHAIRS OF THE TASK FORCE

To Our Community:

As the co-Chairs of the Social Equity in Cannabis Task Force (SECTF), we recognize the need and pursuit for social equity policies in the cannabis industry. We also recognize that community participation is ongoing – it began prior to the formation of the Task Force and will continue beyond the conclusion of the Task Force work. We acknowledge that the war on drugs has disproportionately impacted Black, Latinx, and Indigenous individuals and communities. We acknowledge that making steps towards equity in the cannabis industry alone cannot repair the intergenerational impacts on Black, Latinx, and Indigenous Washingtonians.

Cannabis prohibition and law enforcement are tools used by proponents of the “war on drugs” to marginalize and harm Black, Latinx, and Indigenous communities. State-created social equity licenses can play an impactful role in mitigating these harms. This type of intentional engagement enables opportunities for individuals to create wealth within their communities for generations to come.

Over the past two years, the Task Force has had the opportunity to engage directly with diverse partners who offered their expertise, lived experiences and perspectives. We express our sincere gratitude to the various contributors to this important work. Task Force members, both current and former, community associations, trade associations, industry associations, regulatory agencies, state government agencies, cannabis industry stakeholders, community leaders, and individual community members all came together to address social equity before the state considers any other expansions to cannabis policy. Our Task Force participant make up was unique and challenging at times, but we strived to incorporate and reflect the diversity of viewpoints while guided by our Task Force operating principles.

We acknowledge that the final set of recommendations is not going to satisfy every concern. However, we hope the report and recommendations will lead to meaningful policies and practices in Washington’s cannabis industry that result in social equity outcomes that are beneficial to all communities.

Ultimately, as a Task force we have tried to enable a landscape where the future of Washington state’s role in the cannabis industry will always be one where the needs of marginalized communities are centered in a future where opportunity and prosperity are shared.

Sincerely,



Senator Rebecca Saldaña  
Legislative Chair SECTF



Jim Makoso  
Community Chair SECTF

# ACRONYMS

ACRONYM	FULL TERM/TITLE
BIPOC	Black, Indigenous, People of Color
CAAA	Commission on African American Affairs
CHA	Commission on Hispanic Affairs
DIA	Disproportionately Impacted Area
DOR	Washington Department of Revenue
DPA	Drug Policy Alliance
FBI	Federal Bureau of Investigation
GOIA	Governor's Office of Indian Affairs
HEAL	Healthy Environment for All Act (as in HEAL Act—Chapter 314, Laws of 2021)
SECTF	Social Equity in Cannabis Task Force
THC	Tetrahydrocannabinol (as in high-THC cannabis)
WA MAST	Washington Mandatory Alcohol Server Training
WSDA	Washington State Department of Agriculture
WSLCB	Washington State Liquor and Cannabis Board

## KEY TERMS

**Cannabis versus Marijuana:** In 2022, the legislature found that the use of the term “marijuana” has discriminatory origins. Second Substitute House Bill 1210 (Chapter 16, Laws of 2022) replaced the term “marijuana” with the more scientifically accurate term “cannabis” throughout the Revised Code of Washington. In this report, we use the term “cannabis” to describe high-THC cannabis.

**Black and Brown Communities:** In this report, we intentionally use the term “Black and Brown communities” to highlight the disproportionate harm done to the Black, Latinx, and Indigenous communities.

**“War On Drugs”:** The “war on drugs” is a war on Black and Brown communities. In this report, we use the term “war on drugs” to describe intentional government policy that has spanned decades and generations, aimed at destroying communities through hyper-incarceration by criminalizing cannabis. We intentionally use quotation marks to signify that this is a manufactured political slogan. We intentionally use all lower-case letters to subvert the authority of this slogan.

**Institutional Support:** In this report we use “institutional support” to describe an all-encompassing governmental technical support that enables laws and policies as well as financial and non-financial help to empower social equity business owners to thrive in the market.

# EXECUTIVE SUMMARY

Washington became one of the first states in the nation to legalize the adult use of cannabis when Initiative-502 (I-502) passed in November 2012. In 2020, the cannabis sector contributed \$1.85 billion to the state’s total output (gross state product) and directly and indirectly supported 18,700 full-time equivalent jobs.<sup>1</sup> Although the cannabis industry contributes significantly to Washington’s economy, economic benefits have only been marginally distributed to Black and Brown communities.

**Social equity in cannabis is the intentional inclusion of Black and Brown communities that have been disproportionately harmed by the “war on drugs” into the cannabis industry in a way that creates social and economic justice.** Social equity means developing, strengthening, and supporting policies that distribute and prioritize resources to Black and Brown communities that have been historically marginalized. By advancing policies that distribute and prioritize resources for these communities, we can begin to repair the harms that have been caused in these communities.

Social equity was not a component of Washington’s cannabis regulation framework since its inception. To begin the path towards an equitable cannabis industry, the State Legislature adopted legislation to create the Social Equity Retail Cannabis Program, the Social Equity Technical Assistance Grant Program, and the Social Equity in Cannabis Task Force (Task Force).

The Task Force’s legislative mandate is to make recommendations to the Legislature and appropriate state agencies to establish a social equity program for the issuance of retail cannabis licenses.

## Task Force Recommendation Summary

### Recommendations to WSLCB:

1. Use the Task Force’s ranking formula and indicators for disproportionately impacted areas (DIA) in conjunction with the Community Based Scoring Rubric when awarding social equity licenses.
2. Re-evaluate applicant criminal history restrictions related to licensure.

### Recommendations to the Legislature:

3. Focus on policies to expand cannabis licensure opportunities for social equity applicants. The Legislature should increase the number of current licenses and create new license types reserved for social equity applicants.

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<sup>1</sup> Nadreau, T. et al. 2020 Contributions of the Washington Cannabis Sector. Impact Center Washington State University. 2020. Retrieved from [WA Cannabis Final v2.pdf \(wsu.edu\)](#).

4. Ensure that all licenses available for social equity retail licenses are not bound by county and can be used statewide in any county contingent on local jurisdiction approval.
5. Consider creating new license types accessible initially to social equity applicants exclusively.
6. Expand the scope of the Technical Assistance and Mentorship Program to include financial assistance for social equity applicants.
7. Create a professional development and workforce training program to support social equity applicants.
8. Create a community reinvestment fund from cannabis tax revenue to support communities harmed by the “war on drugs”.
9. Reevaluate regulatory oversight of cannabis production.
10. Legalize residential cannabis cultivation.

The Task Force’s recommendations are a starting point to promote business ownership among individuals who have been disproportionately impacted by the “war on drugs” and to remedy the harms resulting from the enforcement of cannabis prohibition. State government must act in a responsible and quick manner to ensure a more equitable cannabis industry. This report outlines the Task Force’s full recommendations, as well as additional information to support implementation.

# SOCIAL EQUITY IN CANNABIS

## WHAT IS SOCIAL EQUITY?

Social equity means developing, strengthening, and supporting policies that distribute and prioritize resources to individuals and communities who have been historically and currently marginalized. Data from the “war on drugs” and cannabis policy show how Black, Latinx, and Indigenous communities have experienced the most harm while having the least access to opportunity. Equity is not the same as equality. Equity requires identifying and eliminating systemic barriers, including structural racism, that have been deeply entrenched in systems of oppression. Lastly, equity achieves procedural and outcome fairness, promoting dignity, honor, and justice for all.<sup>2</sup> Social equity requires both acknowledgment and action.

## HOW CAN POLICY PROMOTE SOCIAL EQUITY IN CANNABIS?

Social equity in cannabis is the intentional inclusion of Black and Brown communities that have been disproportionately harmed by the “war on drugs” into the growing cannabis industry in a way that creates economic justice. Social justice and economic justice are interdependent. Social justice and economic justice start with recognizing and remedying systemic inequities in cannabis legalization and regulation to ensure that everyone has access to the same opportunities.

**Building a just cannabis economy requires addressing the following issues of disparity and exclusion for marginalized groups in a comprehensive manner:**

**Access:** Removing barriers to access for recreational cannabis licenses for Black, Latinx, and Indigenous communities.

**Industry Support:** Providing social equity licensees financial, instructional, and institutional support so they can both enter and flourish in Washington’s cannabis market.

**Opportunity:** Maintaining an equitable marketplace to ensure that businesses created by social equity applicants can thrive in Washington’s system, even if there are changes to federal laws.

**Community Investment:** Addressing the damages of systemic oppression by investing in programs that focus on resources for cannabis entrepreneurship, housing instability, unemployment, and food insecurity, as well as supporting trauma-informed care to build healthy communities.

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<sup>2</sup> This definition was borrowed and adapted from the “principles of equity” in the Washington Office of Equity’s statute “RCW 43.06D.020”. Retrieved from <https://app.leg.wa.gov/RCW/default.aspx?cite=43.06D&full=true>.

The "war on drugs" has been causing devastating harm to communities across Washington for decades. As a reparative countermeasure, any state action such as reinvestment in disproportionately impacted communities must be similarly sustained and intentionally applied over decades. Bold solutions and quick fixes are incompatible. Eliminating racism, injustice, and oppression requires transformative, not incremental, change. And just as systems of oppression and inequality have not manifested overnight, the state must properly invest in communities over the long-term. The creation of social equity licenses is an important start, but there is much more the state must do to adequately address the harms from the "war on drugs" and ensure a more equitable system.

## HISTORICAL AND ONGOING HARMS

### RACISM IN CANNABIS PROHIBITION AND LAW ENFORCEMENT

The "war on drugs" is a race-based campaign aimed at marginalizing Black and Brown communities. The vehicle of marginalization is incarceration.

Figure 1 illustrates how Black and Brown communities have been overrepresented in cannabis arrests in Washington.<sup>3</sup> Between 2001 – 2010, Black people were arrested at 2.9 times the rate of white people for cannabis possession, while Latinx and Indigenous people were arrested at 1.6 times the rate of white people. These disparities, seen throughout the "war on drugs," have caused generational harm to Black and Brown communities.

Inequities are due to racism in cannabis prohibition and law enforcement. Figures 2 and 3 illustrate how Blacks and Latinos use cannabis at lower rates than whites aged 18-25 but are arrested at much higher rates for possession.<sup>4</sup>

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<sup>3</sup> Levine, H, et.al. 240,000 Marijuana Arrests Costs, Consequences, and Racial Disparities of Possession Arrests in Washington, 1986-2010. p.14. Marijuana Arrest Research Project. Retrieved from [240,000 Marijuana Arrests in Washington - DocsLib](#).

<sup>4</sup> Id.



FIGURE 1: MARIJUANA ARREST RESEARCH PROJECT, PERCENTAGE OF POPULATION VS. PERCENTAGE OF MARIJUANA POSSESSION ARRESTS

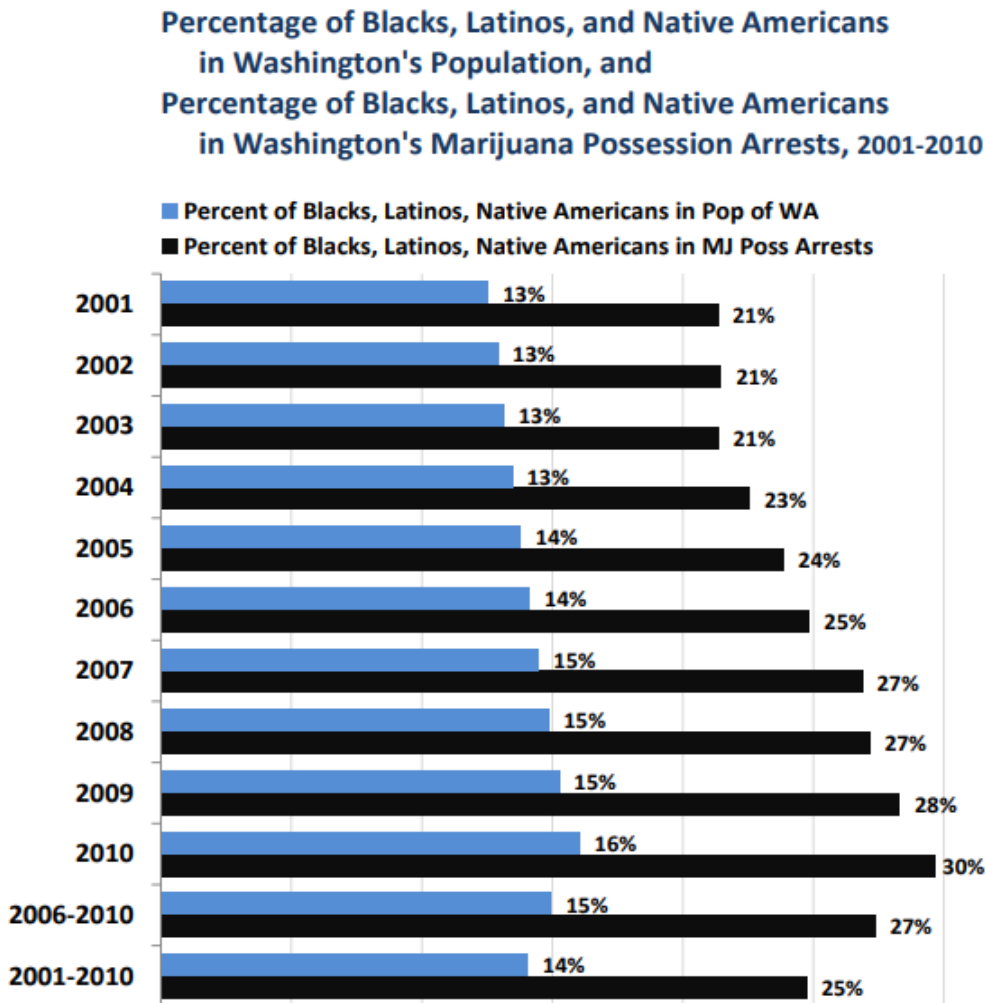


FIGURE 2: MARIJUANA ARREST RESEARCH PROJECT, MARIJUANA USE

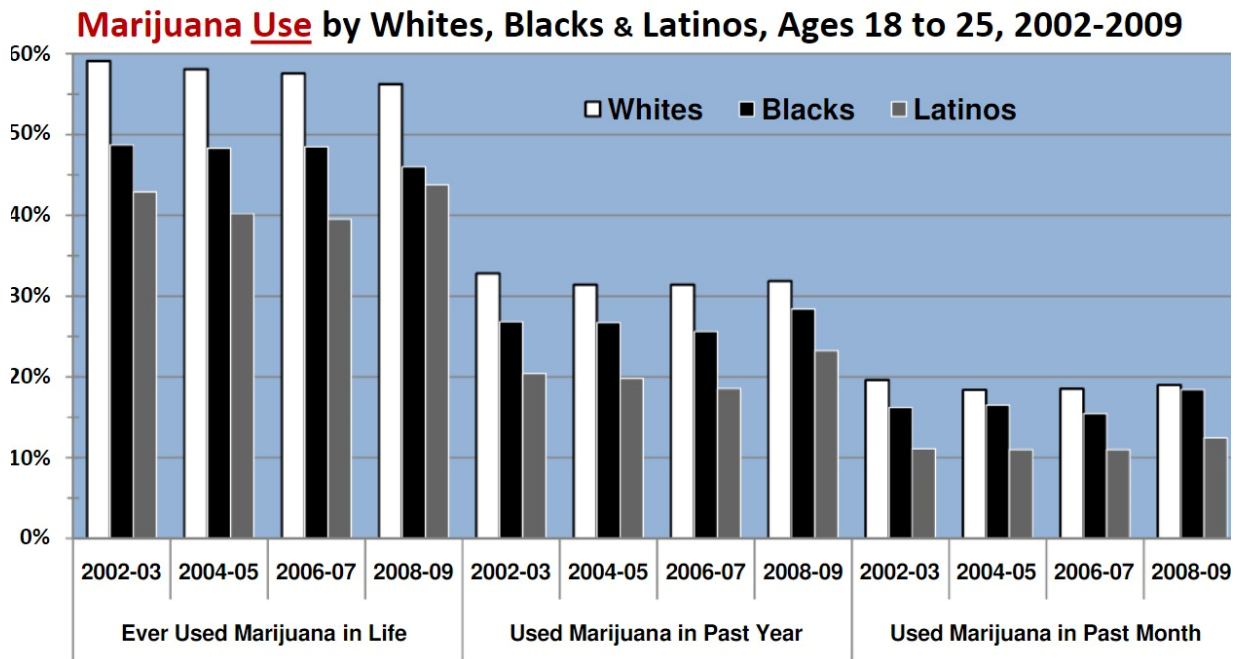
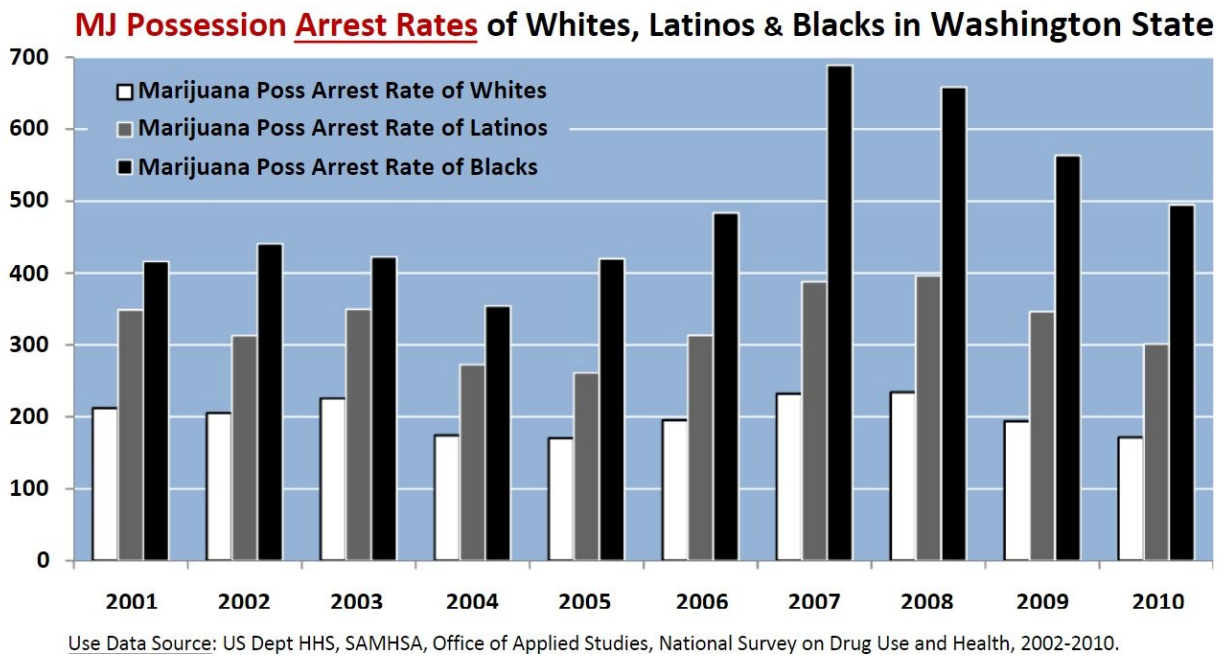


FIGURE 3: MARIJUANA ARREST RESEARCH PROJECT, MARIJUANA POSSESSION ARREST RATES



## LASTING IMPACTS OF INCARCERATION

The “war on drugs” is a coordinated and sustained effort to destroy families and neighborhoods. It is a multi-generational project to intentionally divest from and disrupt communities that were thriving. Racism in cannabis prohibition and law enforcement, including racial inequities in arrests, are a major structural factor in economic inequality.<sup>5</sup> Incarceration has dire economic consequences for individuals, families, and whole communities. One in every 14 children in Washington has at least one parent that is or has been incarcerated.<sup>6</sup> Because children of incarcerated parents are at greater risk of witnessing violence, having learning disabilities, and experiencing homelessness, these factors greatly impact the health and safety of communities long-term.

Incarceration worsens the generational pull of poverty by creating a vulnerable population of children that grow into adults with a lack of financial and community stability.<sup>7</sup>

- Children of incarcerated parents are 5 times more likely to be involved in the criminal legal system than children of non-incarcerated parents.<sup>8</sup>
- Children of incarcerated parents are more likely to exhibit low self-esteem, depression, emotional withdrawal from friends and family, all risk factors of substance abuse disorder.<sup>9</sup>

Communities with higher rates of incarceration experience higher rates of crime, poverty, and unemployment as a result.<sup>10</sup> These factors drive down property values, lowering generational wealth, which also impacts funding for schools in the area. Improperly funded schools lead to

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<sup>5</sup>Craigie, T., et al. Conviction, Imprisonment, and Lost Earnings How Involvement with the Criminal Justice System Deepens Inequality. The Brennan Center for Justice. 2020. Retrieved from <https://www.brennancenter.org/our-work/research-reports/conviction-imprisonment-and-lost-earnings-how-involvement-criminal>.

<sup>6</sup>Annie E. Casey Foundation. A Shared Sentence the devastating toll of parental incarceration on kids, families and communities. 2016. Retrieved from <https://childrensalliance.org/no-kidding-blog/new-report-1-14-washington-kids-incarceration-worsens-generational-pull-poverty>.

<sup>7</sup>Id.

<sup>8</sup>Freudenberg, N. (2001). Jails, prisons, and the health of urban populations: A review of the impact of the correctional system on community health. *Journal of Urban Health*, 78(2), 214–235. <https://doi.org/10.1093/jurban/78.2.214>.

<sup>9</sup>Davis, Lois M., et al. “The Impact of Incarceration on Families: Key Findings.” *Understanding the Public Health Implications of Prisoner Reentry in California: State-of-the-State Report*, RAND Corporation, 2011, pp. 117–42. *JSTOR*, <http://www.jstor.org/stable/10.7249/mg1165tce.13>. Accessed 20 Oct. 2022; [Common Risk Factors of Substance Use Disorder | HARC \(harmreductioncenter.com\)](https://www.harmreductioncenter.com/common-risk-factors-of-substance-use-disorder).

<sup>10</sup>U.S. Department of Health and Human Services Incarceration Literature Summary. <https://health.gov/healthypeople/priority-areas/social-determinants-health/literature-summaries/incarceration>.

children not getting the educational support they need, creating a vicious cycle that leads to higher rates of behavioral issues, gang-related activities, substance abuse, and low-wage jobs.

In addition, incarceration has negative impacts to public health. Incarceration has profoundly negative impacts on an individual's physical and mental health, especially upon release.<sup>11</sup> People who have been incarcerated are more likely to have high blood pressure, asthma, cancer, arthritis, and infectious diseases.<sup>12</sup> Chronic disease contributes to poverty and economic inequities from low-wages, unemployment, high medical bills, and need for caretakers affecting not only the economic stability of the individual, but the entire family.<sup>13</sup> The over-policing and mass imprisonment of the "war on drugs" have subjected entire communities to economic depression, illness, and marginalization.<sup>14</sup> Under these conditions, Black and Brown communities were at an extreme disadvantage at the onset of the legal cannabis market and continue to have fewer opportunities. State intervention to reverse oppressive policies will highlight the strength and resiliency of these communities.

Social equity considers these factors and corrects the wrongs by addressing these issues with financial and community support to ensure that these communities have opportunities to succeed where they were unjustly targeted by draconian drug policy. Intentional investment in opportunity expedites the pathway to economic justice.

## HISTORY OF CANNABIS LEGALIZATION IN WASHINGTON

Washington Initiative-692 passed in 1998 with 59% of the popular vote. This measure allowed qualified patients with serious medical conditions to find their own source of cannabis either by growing it themselves, designating someone to grow for them, or participating in collective gardens with a possession limit of 15 plants.

Washington became the first state in the nation to legalize recreational use of cannabis when Initiative-502 (I-502) passed in November 2012 with 56% of the popular vote. The approved measure decriminalized possession of small amounts of cannabis for individuals 21 years of age

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<sup>11</sup> Wildeman, C. and Wang, E. Mass incarceration, public health, and widening inequality in the USA. National Library of Medicine. 2017. Retrieved from <https://pubmed.ncbi.nlm.nih.gov/28402828/>.

<sup>12</sup> U.S. Department of Health and Human Services Incarceration Literature Summary. <https://health.gov/healthypeople/priority-areas/social-determinants-health/literature-summaries/incarceration>.

<sup>13</sup> Thorpe, K. E., et al. The United States Can Reduce Socioeconomic Disparities By Focusing on Chronic Diseases. Health Affairs. Retrieved from <https://www.healthaffairs.org/doi/10.1377/forefront.20170817.061561/full/>.

<sup>14</sup> Wildeman, C. and Muller, C. Mass Imprisonment and Inequality in Health and Family Life. Annual Review of Law and Social Science. 2012. Retrieved from <https://www.annualreviews.org/doi/abs/10.1146/annurev-lawsocsci-102510-105459>.

or older and removed state criminal and civil penalties for authorized activities. The initiative also created a regulatory framework for an adult-use cannabis industry.<sup>15</sup>

The Legislature found it untenable to have a system of highly regulated and tested product for recreational users while no such standards existed for cannabis products for medical patients, so lawmakers passed the Cannabis Patient Protection Act in 2015.<sup>16</sup> This legislation ended all collective gardens that were previously operating under I-692.

Unfortunately, when the Cannabis Patient Protection Act passed, people operating a business under I-692 felt they were treated unfairly and given misinformation that they feel prevented them from taking action to apply for a retail license. An overarching theme of Task Force meetings has been public outcry from the people who were mistreated during this abrupt change. Although the Task Force has no authority to address these issues, care should be taken to research and address these harms. If the legislature wishes to do so, there must be specific legislation that can redress these harms.



PHOTO CREDIT: GETTY IMAGES

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<sup>15</sup> State of Washington House of Representatives, Office of Program Research. Summary of Initiative 502, 2012. Retrieved from <http://leg.wa.gov/House/Committees/OPRGeneral/Documents/2012/I-502%20summary.pdf>.

<sup>16</sup> Washington State Legislature. Second Substitute Senate Bill 5052 (2015). Retrieved from <https://app.leg.wa.gov/billsummary?BillNumber=5052&Initiative=false&Year=2015>.

## I-502 REGULATION

Under the current regulatory framework, the WSLCB has authority to determine the following:

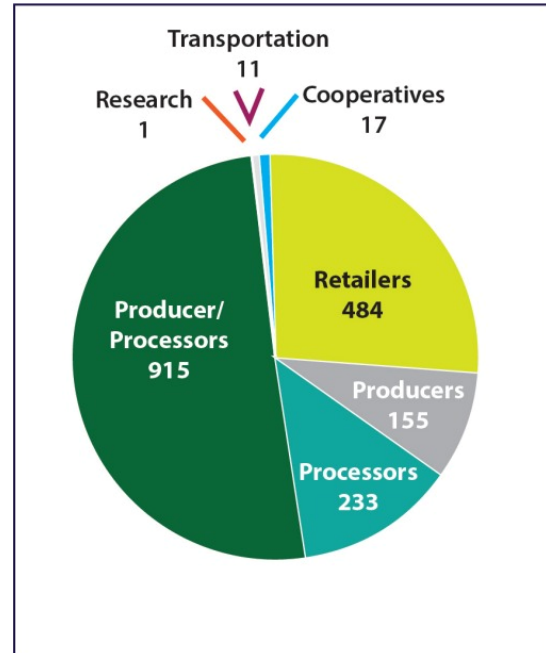
- maximum number of retail outlets permitted in each county;
- maximum quantities of cannabis a producer, processor or retailer may have on the premise at one time;
- labeling requirements;
- classes of usable cannabis;
- advertising restrictions;
- transportation;
- independent testing requirements; and
- compliance.

Since the first sale of adult-use state regulated cannabis in July 2014, the industry has matured and developed to include seven different license types (Figure 4)<sup>17</sup>:

- Producer
- Processor
- Retailer
- Producer/Processor
- Transportation
- Cooperative
- Research

FIGURE 4: WSLCB'S 2021 ANNUAL REPORT, ACTIVE CANNABIS LICENSES

### Active Cannabis Licenses

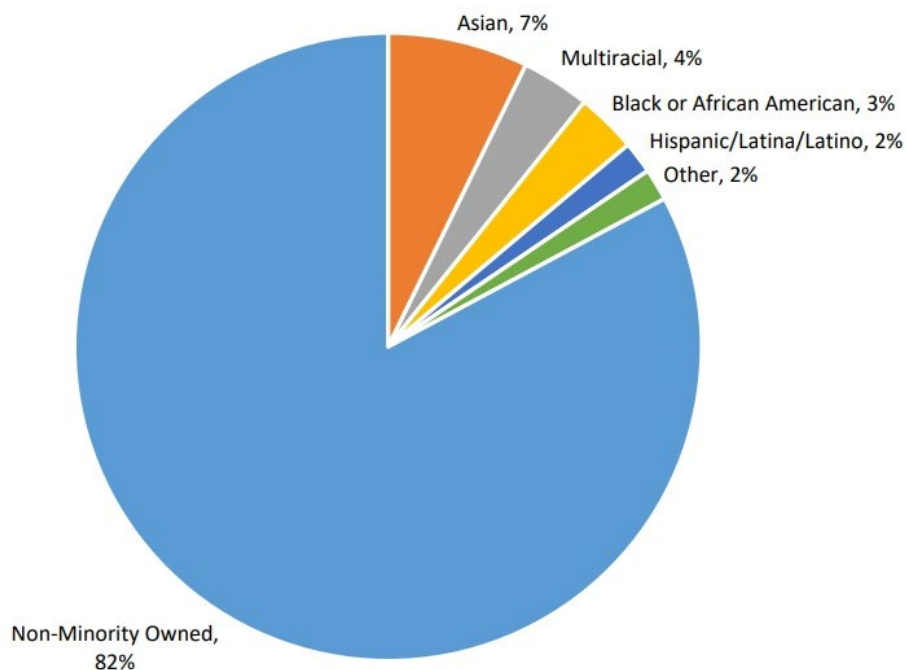


<sup>17</sup> Washington State Liquor and Cannabis Board, Annual Report Fiscal Year 2021. p. 15. Retrieved from [2021-annual-report-draft6.pdf \(wa.gov\)](#).

## RACIAL EXCLUSION

It is not by coincidence that the populations most harmed by the “war on drugs” and other racist policies are also the most excluded in today’s cannabis industry. The WSLCB published survey results in January 2020, collected from 485 active cannabis retail license holders, showing that white ownership accounted for 82% of retail store licenses while Black/African American ownership accounted for 3% and Hispanic/Latin ownership accounted for 2% (Figure 5)<sup>18</sup>. Although Black and Latinx individuals account for 16% of the state population as well as 30% of cannabis arrests historically, they represent only 3% of ownership among cannabis retailers. This stark and undeniable inequity is a consequence of the “war on drugs” and has come to the forefront of conversations in the cannabis industry.

**FIGURE 5: WSLCB SELF-IDENTIFIED, MINORITY OWNED CANNABIS RETAILERS**



<sup>18</sup> Washington State Liquor and Cannabis Board, Self-Identified Race Cannabis Retailers in Washington State. 2020. Retrieved from [Reports External Minority Ownership Final.pdf \(wa.gov\)](#).

# WASHINGTON'S CANNABIS ECONOMY

## REVENUE AND JOBS

In 2020, the cannabis sector contributed \$1.85 billion to the state's total output (gross state product) and directly and indirectly supported 18,700 full-time equivalent jobs.<sup>19</sup> At 37%, Washington State has the highest cannabis excise tax in the country. Tax dollars generated from cannabis sales are allocated into different categories and distributed to various agencies (Figure 6)<sup>20</sup>. Although the cannabis industry contributes a significant amount to Washington's economy,<sup>21</sup> economic benefits have only been marginally distributed to Black and Brown communities.

FIGURE 6: WSLCB 2021 ANNUAL REPORT, CANNABIS REVENUE ANNUAL DISBURSEMENTS

### FY2021 Distributions/Spent by Other Appropriations\*

Agency	Cannabis	Liquor	Tobacco/Vapor	Total
<b>General Fund-State</b>	\$ 191,295,655	\$ 170,439,719		\$ 361,735,374
<b>Basic Health Account</b>	272,000,000			272,000,000
<b>Local Governments</b>	15,000,000	49,486,261		64,486,261
<b>Wash State Health Care Authority</b>	54,216,935	7,314,997		61,531,932
<b>Department of Health</b>	9,778,229		\$ 409,063	10,187,292
<b>Washington State Patrol</b>	2,313,189	150,000		2,463,189
<b>Municipal Research and Services Center</b>		2,628,899		2,628,899
<b>University of Washington</b>	265,982	467,999		733,981
<b>Washington State University</b>	138,000	627,944		765,944
<b>Department of Agriculture</b>	635,000			635,000
<b>Superintendent of Public Instruction</b>	529,920			529,920
<b>Department of Ecology</b>	416,875			416,875
<b>Washington Wine Commission</b>		285,934		285,934
<b>*See appendix for details. Totals</b>	<b>\$ 546,589,784</b>	<b>\$ 231,401,754</b>	<b>\$ 409,063</b>	<b>\$ 778,400,602</b>

<sup>19</sup>Nadreau, T. et al. 2020 Contributions of the Washington Cannabis Sector. Impact Center Washington State University. 2020. Retrieved from [WA Cannabis Final v2.pdf \(wsu.edu\)](#).

<sup>20</sup> Washington State Liquor and Cannabis Board, Annual Report Fiscal Year 2021. p. 20. Retrieved from [2021-annual-report-draft6.pdf \(wa.gov\)](#).

<sup>21</sup> "Cannabis Excise taxes are the fastest growing component of the state's General & Selective Sales Taxes revenues. Total tax revenues in 2020 stemming from the cannabis sector, including property taxes, sales & excise taxes, and corporate and other taxes amounted to \$883.38 million". Nadreau, T. et al. 2020 Contributions of the Washington Cannabis Sector. Impact Center Washington State University. 2020. Retrieved from [WA Cannabis Final v2.pdf \(wsu.edu\)](#).



## VERTICAL INTEGRATION

To prevent monopoly control, vertical integration is not permitted in Washington State. This means that all consumer products must be sold to a retail store where it is able to be purchased by a consumer. Due to this structure, retail licenses are considered the most valuable type of license in the market. Licenses are not equally distributed among the license types. As of June 2021, there are almost three times as many producer/processor licenses as there are retail stores. The limited number of retail stores has created an unbalanced industry and caused some cannabis producers and processors to struggle.

## SCARCE RETAIL LICENSES

As of September 2022, the majority of available licenses reserved for the social equity program (24 licenses or 59%) are in jurisdictions with bans or moratoria. In 2020, the WSLCB reached out to these jurisdictions to create a dialogue on lifting the bans.<sup>22</sup> According to the WSLCB's report, cities cited crime and youth access most often as reasons for the ban. However, legal cannabis retail stores create a controlled product access environment that excludes minors and deters illegal market activity while generating tax revenue for the state.

Data from 14 states with adult-use cannabis retail markets suggest a correlation between per-capita store licenses and illicit cannabis sales—the more stores, the fewer illicit dealers.<sup>23</sup> According to this data, Washington's market still struggles to prevent illegal sales, with illegal sales accounting for 30% of all sales. However, according to a recent WSLCB funded report, polling data of fewer than 2,000 people concluded that Washington consumers were purchasing from legal sources at one of the highest percentage rates in the nation at 89% in 2021.<sup>24</sup> The report includes that inconvenience is a reason for Washington residents to choose the illicit market when purchasing cannabis.<sup>25</sup> Despite discrepancies between data sources, both sources suggest that more stores in more convenient locations would support legal purchases of cannabis.

Washington State could double the number of retail stores per 100,000 residents and still have a conservative per capita ratio compared to other mature markets. Washington's cannabis market has 6.6 retail stores per 100,000 residents, whereas Oregon and Colorado have 17.9 and

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<sup>22</sup>Smith, R. Washington State Liquor and Cannabis Board. Cannabis Retail Allotment-Local Jurisdiction Outreach. 2020. Retrieved from [https://lcb.wa.gov/sites/default/files/publications/temp\\_links/Licensing\\_Retail\\_Allotment\\_Outreach\\_Presentation.pdf](https://lcb.wa.gov/sites/default/files/publications/temp_links/Licensing_Retail_Allotment_Outreach_Presentation.pdf).

<sup>23</sup> See Appendix A for chart.

<sup>24</sup>Hammond D, Corsetti D, Goodman S, Iraniparast M, Danh Hong D, Burkhalter R. International Cannabis Policy Study – Washington 2021 Summary. May 2022. P. 28.

<sup>25</sup> Id. at p.31.

14.2 respectively.<sup>26</sup> Alaska has the most dispensaries per capita in the country at 20.3 stores per 100,000 residents.<sup>27</sup>

In addition to inadvertently supporting the illicit market, a low number of retail stores leads to an unhealthy market dynamic. According to economists, Washington's current policies restricting retail licenses gives retailers undue power in the market, effectively creating a market that operates like a monopoly.<sup>28</sup> Although the Legislature took care to prevent monopolies through the ban of vertical integration, the lack of retail stores is creating a similar dynamic.

Small businesses are being consumed and wealth is being collected by fewer and fewer companies. In this current system, small businesses created by social equity applicants are unlikely to thrive without a pointed effort to correct for these unintended consequences. Economic justice is an unlikely outcome within current market dynamics. To create an environment where new and diverse businesses can flourish, the state must address the issue of limited retail licenses.

## CURRENT SOCIAL EQUITY PROGRAM

The murder of George Floyd and the subsequent racial reckoning created increased attention on police violence against Black people and further bolstered social equity movements across the country. Policy makers are facing urgent recommendations to implement social equity in the regulated cannabis industry.

Community outcry and dedicated advocacy began the effort towards an equitable cannabis industry in Washington. As a result, the State Legislature adopted Engrossed Second Substitute House Bill 2870 (E2SHB 2870; Chapter 236, Laws of 2020) and Engrossed Substitute House Bill 1443 (ESHB 1443; Chapter 169, Laws of 2021) to create the Social Equity Retail Cannabis Program, the Social Equity Technical Assistance Grant Program, and the Social Equity in Cannabis Task Force (Task Force).

Between December 1, 2020, and July 1, 2029, all forfeited, revoked, or cancelled cannabis licenses are reserved for the Social Equity Retail Cannabis Program. Forty-one (41) licenses out of a total 522 retail licenses in the state meet this definition. Twenty-four (24) of those licenses

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<sup>26</sup>Nieves, A. California's legal weed industry can't compete with illicit market. Politico. Oct. 2021. Retrieved from <https://www.politico.com/news/2021/10/23/california-legal-illicit-weed-market-516868>.

<sup>27</sup> Id.

<sup>28</sup> Hollenbeck, B. and Uetake, K. Taxation and market power in the legal marijuana industry. RAND Journal of Economics. 2021.

are in areas with bans or moratoriums, leaving only 17 viable licenses available for social equity applicants.

Social equity was not a central component during Washington’s first ten years of cannabis regulation. Instead, communities most harmed by the “war on drugs” have experienced further marginalization through inequitable state policies. This Task Force is motivated to correct these systemic issues by promoting equitable policies that increase access and opportunity for members of Black and Brown communities.

## THE SOCIAL EQUITY IN CANNABIS TASK FORCE

### AUTHORITY

The Legislature directed the Social Equity in Cannabis Task Force to make recommendations to the Washington State Liquor and Cannabis Board (WSLCB) to establish a social equity program for the issuance and reissuance of existing retail cannabis licenses (ESHB 1443 - [Chapter 169, Laws of 2021](#)). The Task Force is also charged with advising the Governor and Legislature on policies that will facilitate social equity in the cannabis industry.

The Task Force must submit a final report to the Legislature and Governor by December 9, 2022, with recommendations on the following:

- Factors WSLCB must consider in distributing currently available cannabis retail licenses (i.e., subject to forfeiture, revocation, or cancellation by WSLCB) or those that were not previously issued;
- Whether any additional retail, producer, or processor licenses should be issued beyond the total number of licenses that have been issued as of June 11, 2020;
- The social equity impact of altering residential cannabis agriculture regulations;
- The social equity impact of shifting regulation of cannabis production from WSLCB to the Washington State Department of Agriculture (WSDA), including impacts to the employment rights of workers;
- The social equity impact of removing nonviolent cannabis related charges from the existing point system used to determine qualification for cannabis licenses;
- Whether to create workforce training opportunities for underserved communities to increase employment opportunities in the cannabis industry;
- The social equity impact of creating new cannabis license types; and
- The Cannabis Social Equity Technical Assistance Grant Program.

Since ESHB 1443 encourages the Task Force “to submit individual recommendations, as soon as possible, to facilitate the [WSCLB’s] early implementation work,” the Task Force has been delivering recommendations to the Legislature and agencies in a piecemeal fashion prior to this

final report. This report outlines the Task Force’s full recommendations using a social equity framework, as well as rationale and additional information helpful to policy makers for implementation.

## MEMBERS

This Task Force is a mixed body of state lawmakers, agency employees, and industry representatives. Task Force members elected two co-chairs: one representing community and one from the Legislature. The Task Force’s authorizing legislation allows the co-chairs to appoint community advisory members, making this Task Force a collaborative effort of key partners across both public and private sectors.

A full Task Force membership list is included in Appendix B.

## TASK FORCE GOAL

**The Task Force’s goal is to make recommendations to promote business ownership among individuals who have been disproportionately impacted by the “war on drugs”, to remedy the harms resulting from the enforcement of cannabis-related laws.** The Task Force works to center the voices of Black and Brown communities that have been most impacted by enforcement of cannabis-related laws.

## OPERATING PRINCIPLES

The Task Force’s operating principles are shared values that guide Task Force members’ recommendations.

### **Embrace Equity**

We embrace equity as we strive for fairness and justice to ensure that everyone has the opportunity to reach their full potential. Equity is not equality—equity acknowledges that everyone is not starting from the same place. Equity is achievable and requires unwavering commitment to prioritizing resources and supports toward communities facing inequity. Achieving equity requires us to identify, name, and dismantle institutional racism and oppression.

### **Focus on Anti-Black Racism**

We are committed to promoting equity for all individuals and communities that have been disproportionately harmed by cannabis law violations. However, we recognize that Black and African American people have experienced particularly stark inequities in the criminal legal system generally, and specifically in the enforcement of cannabis laws, which have had a lasting impact on Black communities across Washington. We also recognize that different forms of

discrimination and oppression are related to each other, and we will take the intersections of various identities into account.

### **Center Community**

We recognize that we can only achieve equity if communities impacted by inequity are at the center of our work. We acknowledge that communities know best their assets, needs, and solutions. We strive to recognize and share power and structure our meetings to foster meaningful engagement. We will strive to incorporate stories of lived experience into our reports and recommendations.

### **Commit to Bold Action**

Inequities exist because of racism, economic injustice, and systemic oppression that hinder opportunities for individuals and communities to thrive. Eliminating racism, injustice, and oppression requires transformative, not incremental, change. We commit to using the authority we have and our collective influence to push for bold changes that interrupt and dismantle historical systems of oppression and create systems of fairness and justice.

### **Be Vigilant for Unintended Consequences**

Policy, program, and budget decisions can have adverse unintended consequences if equity is not intentionally and systematically considered. We, as a government entity, understand that our decisions have long-term impacts. We commit to using an equity lens in the development of recommendations as a Task Force and in our decisions as individual members.

## **TASK FORCE PROCESS**

The Task Force wanted to provide community members opportunity to give input on issues that affect them. To create a collaborative and inclusive process, the policy topics were assigned to smaller workgroups where community members could directly engage with Task Force members in the workgroup.

See Appendix C for a list of workgroup topics and members.

## **PUBLIC COMMENT**

Task Force meetings were open and public and held at designated times throughout the year. The Task Force encouraged public attendance and provided an opportunity for public comment at designated times during the meetings as well as written comment before meetings. Social equity advocacy organizations consistently attended our meetings.



PHOTO CREDIT: GETTY IMAGES

## VOTING PROCEDURE

Each workgroup formed a proposal for its respective policy topic, and co-leads brought the proposal to the full Task Force for a discussion and vote. All votes were conducted during public meetings, with a quorum (i.e., a majority of Task Force members present), and through voice vote. Although adopted recommendations do not reflect the full range of nuances in perspectives among Task Force members, they do reflect the collective voice and vision of the Task Force as established through an inclusive deliberation and voting procedure.

FIGURE 7: TASK FORCE RECOMMENDATION PROCESS

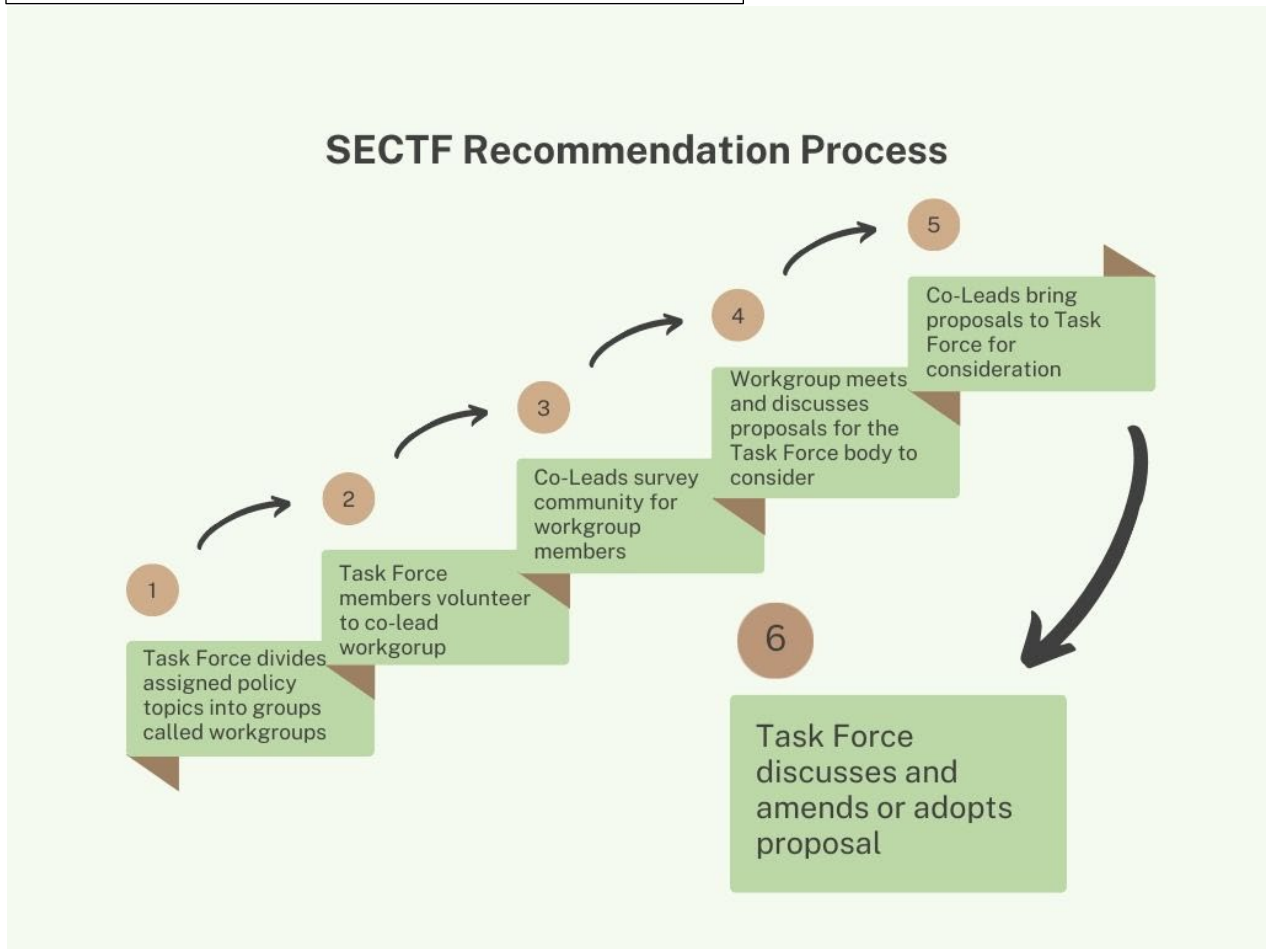


PHOTO CREDIT: GETTY IMAGES

# TASK FORCE RECOMMENDATIONS

## 1. SOCIAL EQUITY RETAIL LICENSE PROGRAM RECOMMENDATIONS

**1A. The WSLCB should use the Task Force’s ranking formula and indicators for disproportionately impacted areas (DIA).**

See Section 10 for the statutory definition of “disproportionately impacted area.”

**1B. The WSLCB should implement the Community Based Scoring Rubric passed by the Task Force, which has a total score of 650 points.**

See Appendix D for the complete scoring rubric as passed by the Task Force.

**1C. The WSLCB should implement the application process presented below, which removes time restrictions to secure a location.**

### DIA Formula

Percentage of Unemployment +

Median Household Income as Proportion to County +

Number of Drug Convictions +

$(2.9 \times \% \text{ of Black Residents}) +$

$(1.6 \times \% \text{ of Latina/o/x Residents}) +$

$(1.6 \times \% \text{ of Indigenous Residents})$

**= DIA Census Tract**

### Legend:

explicitly outlined in legislative mandate

prioritizing communities of color

incorporating the disparities in cannabis

convictions

### DIA Formula

This policy area determines who has access to social equity licenses. DIA indicators are used to determine individual license eligibility and are incredibly important due to the limited number of retail licenses available for social equity applicants. ESHB 1443 provides criteria to determine a DIA.<sup>29</sup> These criteria should be revised so DIAs accurately reflect communities most harmed by the “war on drugs”.

<sup>29</sup> See Section 10 for current statute criteria to determine a disproportionately impacted area.



The Task Force recommends the following changes:

- Remove areas with a high rate of participation in income-based federal programs;
- Replace the federal poverty rate with median household income; and
- Add a community demographic co-efficient based on the disproportionate rate of arrests that happen in Black and Brown communities.

Using participation in income-based federal programs is not an accurate indicator of the population most harmed by the “war on drugs” and should be removed. Median household income accounts for local cost of living, so is a better indicator than federal poverty rate. Including a race-based indicator showing the disproportionate rates of arrests is essential in facilitating social equity.

### **Community Based Scoring Rubric**

The Task Force created a rubric that focuses on our operating principle of addressing anti-Black racism and making bold recommendations. The community and Task Force members found it imperative to consider race when identifying social equity applicants. The “war on drugs” is a race-based campaign with an aim to marginalize Black and Brown people. Any solution must consider race to adequately address harms and allow for specific access. If the licensing process excludes race as an indicator, there is a significant risk that social equity licenses will be awarded to individuals who happen to live in a DIA or have a drug conviction but have not experienced the same inequities caused by the “war on drugs” that Black and Brown communities face. Issuing licenses to individuals who are not most harmed by the “war on drugs” will lead to more harm and create more distrust of government.

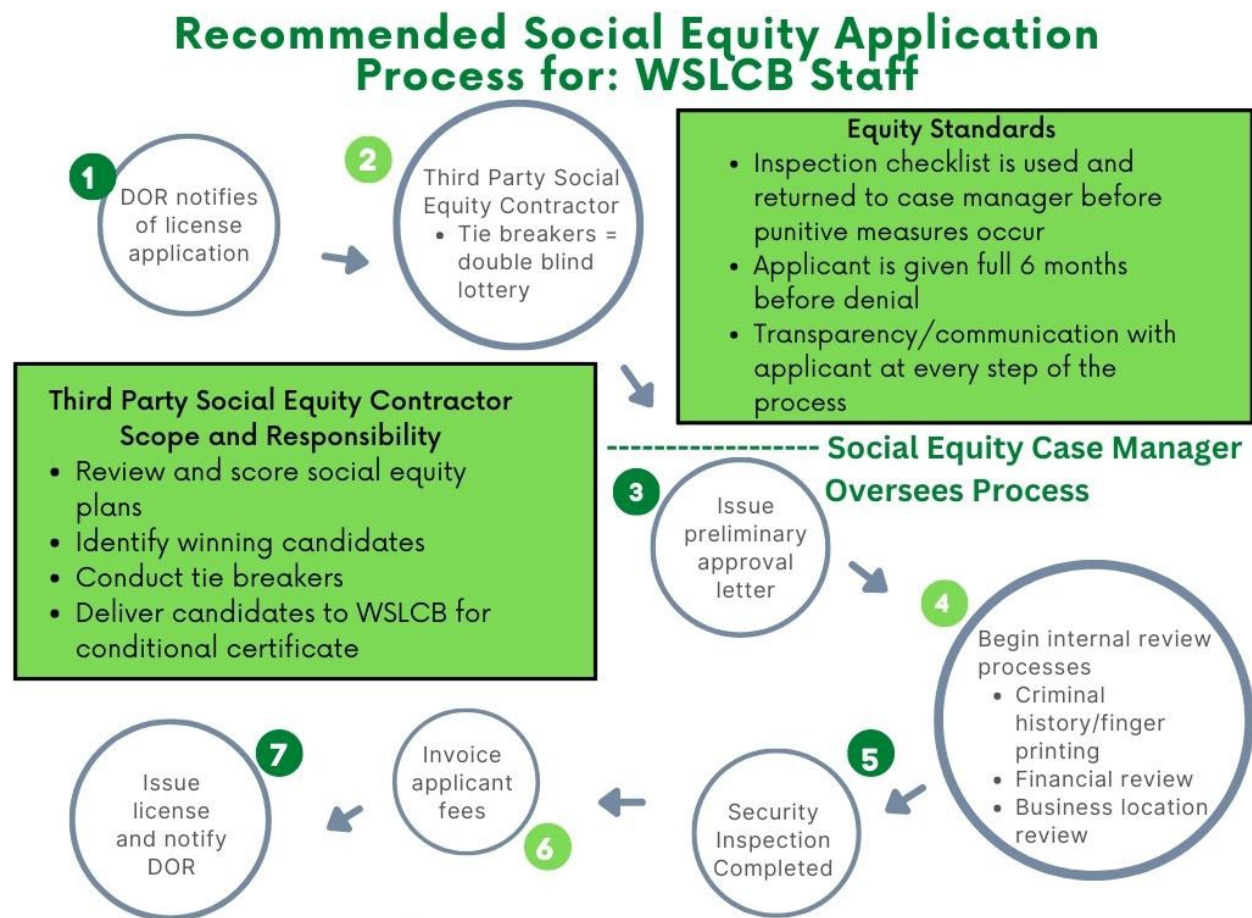
### **Application Process**

With input from our members holding current cannabis licenses, the Task Force is recommending changes to the WSLCB’s current licensing process to make it fairer and more accessible. Accessibility to the industry means not only making licenses available but making the process simple so that people who have been excluded from the system can easily navigate government systems. Accessibility will require institutional support to adjust rules and policy to allow for smooth entry into the industry. The changes would create continuity between the Technical Assistance Mentorship Program and the social equity in cannabis program while also removing barriers to entry for new social equity license holders.

See Appendix E for a diagram of the Task Force proposed process for social equity applicants.

See Section 10 for Application Definitions.

FIGURE 8: RECOMMENDED SOCIAL EQUITY APPLICATION PROCESS FOR WSLCB STAFF



2. WSLCB POINT SYSTEM RECOMMENDATIONS
<b>2A. The WSLCB should remove non-violent cannabis convictions from consideration in the new threshold review process.</b>
<b>2B. The WSLCB should use language that encourages people with previous felony convictions to apply for a business license. The WSLCB should inform potential applicants that based on prior applications, it is very rare to be denied based on criminal history.</b>
<b>2C. The WSLCB should implement a training protocol for the threshold reviewer in alignment with Pro-Equity Anti-Racism (PEAR) requirements, the new mandate for state agencies.</b>

## **Threshold Review Process**

Since the passage of ESHB 1443, the WSLCB updated its criminal history review process. Previously, the process assigned points to convictions from an applicant’s criminal record. Applicants with too many points were ineligible for a license. Now, WSLCB staff review the application when a person’s history of criminal convictions meets a certain threshold. The Task Force’s recommendations are based on the current WSLCB threshold system (chapter 314-55-040 WAC).<sup>30</sup>

A main goal of social equity is to get licenses to those harmed by cannabis convictions during the “war on drugs”. Removing those convictions from the criminal history review is a logical conclusion of that goal.

See Appendix G for WSLCB’s table highlighting the major changes to the criminal history review process.

## **Outreach to Applicants**

The WSLCB should communicate with the public and potential social equity applicants that criminal history is not going to be a barrier to licensing moving forward. Some Task Force members and public participants said that many people did not apply assuming they will be denied based on criminal history. However, the WSLCB shared with the Task Force that denials were very rare in previous licensing windows.<sup>31</sup> Actively correcting that misperception is important to the licensing process and can begin to undo harms from stigmatization. Moving forward, potential applicants would benefit from institutional support with clear, transparent data on previous application denials and understanding how the social equity licensing approach will be different.

## **Training Protocol**

The WSLCB should require staff involved in the application review process to complete unconscious bias training that focuses on equity and anti-racism. A training modelled with the principles of Washington’s Pro-Equity Anti-Racism (PEAR) Plan could be an institutional support used to help the WSLCB to facilitate social equity in the cannabis industry. The WSLCB lists its assessment criteria in rule (e.g., time since the conviction, nature and specific circumstances of the offense, number of offenses or incidents, any relevant evidence of rehabilitation), but does

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<sup>30</sup> See Appendix F for WAC 314-55-040.

<sup>31</sup>Washington State Liquor and Cannabis Board, Social Equity Community Outreach Session 3. Retrieved from [https://lcb.wa.gov/sites/default/files/publications/Marijuana/Social%20Equity/Community\\_Meetings\\_Master\\_Set\\_S3\\_AS.pdf](https://lcb.wa.gov/sites/default/files/publications/Marijuana/Social%20Equity/Community_Meetings_Master_Set_S3_AS.pdf).

not specify how staff must review those criteria.<sup>32</sup> Mandatory training would help counter personal biases that are caused by lack of specificity in rule.

<b>3. CURRENT LICENSE RECOMMENDATIONS</b>
<b>3A. The Legislature should reserve any new licenses for social equity through 2029, including any new license types created.</b>
<b>3B. The Legislature should establish a policy goal that 50% of total licenses should be owned by social equity licensees by 2029.</b>
<b>3C. The Legislature should create additional retail licenses, available across the state and exclusive to social equity applicants until 2029.</b>
<b>3D. The Legislature should ensure that all licenses available for social equity retail licenses are not bound by county and can be used statewide in any county contingent on local jurisdiction approval.</b>
<b>3E. The Legislature should reduce buffer zones from 1,000 feet to 500 feet for licenses reserved for the social equity program (excluding elementary schools and secondary schools, which must remain at 1,000 ft).</b>
<b>3F. The Legislature should create additional producer licenses, available across the state and exclusive to social equity applicants until 2029.</b>

### **Reserving Licenses**

Current law reserves canceled, revoked, and never issued retail licenses for the social equity program through 2029. The Task Force recommends expanding that policy to all newly issued licenses through 2029. If implemented immediately, this time period would be approximately the same duration between legalization (2012) and the creation of the social equity program (2020). This would allow social equity licensees approximately the same amount of time to establish their businesses as previous licensees had before any more licenses are issued to new applicants.

### **Social Equity Policy Goal**

An effective social equity program will have a clear, definitive goal with an actionable timeline. New York’s social equity goal is to award 50% of all adult-use licenses to social and economic

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<sup>32</sup> See Appendix F for WAC 314-55-040.

equity applicants. New York’s equity applicants are individuals who have lived in communities disproportionately impacted by the “war on drugs” and other underrepresented groups, including minority- and women-owned businesses, distressed farmers, and service-disabled veteran-owned businesses.<sup>33</sup>

Putting a definitive goal in law would allow Washington to measure success and enforce accountability. Accountability builds trust with communities. Other ways to measure the success of a social equity program are:

- The ratio of social equity operator licenses to non-social equity operators;
- The ratio of social equity operators who are presently operating to non-social equity operators;
- Percentage of social equity operators in high-wage/profit-margin segments of industry; and
- Median wage of employees of social equity businesses.<sup>34</sup>

### **More Retail Licenses**

Adding more retail licenses and allocating them into the social equity program is the foundation to establishing a more equitable Washington cannabis industry. As referenced earlier in the report, Washington has a very low per capita number of retail locations. Doubling the number of retail licenses would bring Washington from the current 6.6 retail stores per 100,000 residents closer to, but still less than, Oregon and Colorado at 17.9 and 14.2 respectively.<sup>35</sup>

The current economy, with such a limited number of access points for consumers, is rife with a variety of unhealthy market dynamics. Dynamics that would be less impactful if there were more retail access points and healthier competition. Combined with other recommendations to support these social equity licensees, the current economy is well positioned to support new stores. The steady increase in the amount the state has collected from the cannabis excise tax

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<sup>33</sup> New York Office of Cannabis Management. What is in the Law Social and Economic Equity. 2021. Retrieved from <https://cannabis.ny.gov/social-and-economic-equity-fact-sheet>.

<sup>34</sup> Supernova Women & Cannabis Social Equity Program. Ecotone Analytics Impact Analysis and Social Return on Investment. 2022. Retrieved from [https://mcusercontent.com/351fff664d89dd2591655c3b0/files/71df25b9-e9c6-bacd-43be-830577db91ab/Supernova\\_Women\\_Social\\_Equity\\_Impact\\_Report.pdf](https://mcusercontent.com/351fff664d89dd2591655c3b0/files/71df25b9-e9c6-bacd-43be-830577db91ab/Supernova_Women_Social_Equity_Impact_Report.pdf).

<sup>35</sup> Nieves, A. California’s legal weed industry can’t compete with illicit market. Politico. Oct. 2021. Retrieved from <https://www.politico.com/news/2021/10/23/california-legal-illicit-weed-market-516868>.

every year since legalization is evidence of an economy that is growing and can support more stores.<sup>36</sup> Economists project the amount of revenue will continue to rise.<sup>37</sup>

### **Location Restrictions**

Removing unnecessary restrictions on the siting of social equity retail licenses would allow businesses to operate where they are most likely to succeed. Cities and counties that want to support social equity licensees in their jurisdiction could actively create opportunities for them to succeed. The City of Seattle has already taken steps to do so. Other cities have expressed an interest in expanding opportunities for social equity licensees to have support in operating in their jurisdictions.

There are 41 cancelled or revoked licenses that are currently reserved for social equity applicants and, of those, only 17 licenses are in viable jurisdictions that do not have bans or moratoriums. The current approach of geographically tethering retail licenses severely restricts opportunities for social equity applicants and limits their ability to succeed. All social equity licenses, including existing social equity licenses, should be given flexibility to locate in any jurisdiction that will permit them.

In addition, within districts that allow for cannabis sales, there is limited space available due to the 1,000-foot buffer zone. There is an extreme strain on social equity applicants to find locations for new retail stores. A state-wide reduction of the buffer zone would open more potential retail space. Not only will this create more access to licenses, but it will also create more opportunities for a sustainable legal cannabis market for applicants to operate in.

### **More Producer Licenses**

More producer licenses should be made available, but only later in the implementation timeline and not at the outset. In the allocation of these licenses over time, agencies should consider market conditions for existing producers to ensure that additional licenses are being allocated at a time when all licensees are able to operate successfully.<sup>38</sup>

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<sup>36</sup> Nadreau, T. 2020 Contributions of the Washington Cannabis Sector: a fiscal summary. Impact Center Washington State University. 2020. Retrieved from <https://drive.google.com/file/d/1fRujt-l7FRaH7SJiMQFVbRW3ttExck2C/view>.

<sup>37</sup> Id.

<sup>38</sup> A key feature of the Washington cannabis industry is the lack of vertical integration. Any producer could obtain a processor license when application for licenses were available. A licensee must have a processor license to sell to retail. A cannabis farm must maintain and pay for two licenses if it wants to sell product to a retail store. There is currently room in the industry for processors. However, there was a lack of community interest in securing only a processor license.

The Task Force wants to provide opportunities for social equity applicants who wish to become cannabis producers. The Task Force also wants to see these new applicants succeed in the market. Currently, there is significantly more licensed cannabis production in Washington than the market needs. A 2015 report from the BOTE Analysis Corporation estimated that the Washington market needs approximately 1.5 million square feet of canopy,<sup>39</sup> while a 2016 study from The University of Washington estimated that 2 million square feet of canopy was needed to support the medical and recreational market.<sup>40</sup> However, the WSLCB licensed enough producers to produce over 10 million square feet of canopy.<sup>41</sup> As a result of this excess, many cannabis producers are failing.

Opening new production licenses without changes to the overall market would be unwise. As new paths to market are opened, the economic space for successful licenses will increase as should the number of licenses being issued. When a direct path to market for small producers is established, more licenses should be made available to the social equity program. Access is important; however, without the proper support and a sustainable economy that nurtures small businesses, new and existing licensees will struggle and fail, leaving the social equity program unsuccessful.

#### 4. NEW LICENSE TYPE RECOMMENDATIONS

**The Legislature should create a cannabis delivery license and cannabis social consumption license, available across the state and exclusive to social equity applicants until 2029.**

#### Reshaping the Cannabis Market

Creating new retail license types would allow social equity licensees to shape new paths to market. New business models would add much needed diversity to the market ecosystem. Currently, the only way for consumers to purchase cannabis in Washington is through a limited number of retail storefronts. There is a unique opportunity for creating new license types for retail cannabis under the social equity program. These new business types can be built with less barriers to entry, creating more access, and opportunities in the industry.

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<sup>39</sup>Caulkins, J. Estimating Adequate Licensed Square Footage for Production. BOTE Analysis Corporation. Retrieved from [https://lcb.wa.gov/publications/Cannabis/BOTEC%20reports/5a\\_Cannabis\\_Yields-Final.pdf](https://lcb.wa.gov/publications/Cannabis/BOTEC%20reports/5a_Cannabis_Yields-Final.pdf).

<sup>40</sup> O’Conner, S. and Mendez, S. Estimating Canopy Size for the Washington Medical Marijuana Market. University of Washington Cannabis Law & Policy Project. 2016. Retrieved from [Estimating-Canopy-Size-for-the-Washington.pdf](#).

<sup>41</sup> Id.

## **Issuing New Licenses Ahead of Federal Policy Changes**

New license types for social equity applicants will provide an early advantage that is especially important in competitive markets. Federal policy will substantially alter the cannabis industry in Washington and across the country. The faster licenses are issued to social equity applicants, the more time they will have to establish their businesses prior to these changes. With new license types, it is particularly important that these new businesses have as much time as possible to establish their operations. The Task Force wants to give them the best opportunity to thrive.

## **Delivery License**

A new delivery license type would offer a desirable business model for social equity applicants, because there would be a lower barrier to entry. A public-facing storefront demands a lot of capital investment. A non-storefront retail delivery license could be located in a less trafficked commercial area with lower rent. Siting a cannabis business is difficult and expensive. Adding options for how cannabis is retailed will provide social equity applicants a more flexible option that has less need for large investment.

- The Task Force is specifically opposed to the creation of a delivery fulfillment model, in the style of UberEats and DoorDash, that would deliver product for existing licensed retailers. These types of services have been shown to misclassify workers as independent contractors, resulting in poverty-wage jobs and exploiting Black and Brown communities and immigrant workforces.<sup>42</sup>
- To avoid similar outcomes as app-based delivery models, the use of independent contractors by delivery license holders should be banned and all drivers should be required to be employees of the license holder.
- All sales should be online only; no physical presence for selling would be allowed.
- Delivery should only be permissible to private establishments where there is an address (e.g., homes and hotels).

See Appendix H for common rules from other states.

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<sup>42</sup> Gelles-Watnick, R. and Anderson, M. Racial and ethnic differences stand out in the U.S. gig workforce. Pew Research Center. 2021.



## **Social Consumption License**

Social consumption licenses would allow social equity licensees to create more legal and social areas for consuming cannabis that would be attractive to tourists and locals alike. Most renters have no legal space to consume cannabis. Social consumption would allow for more legal and public spaces for anyone who wants to consume cannabis among friends and their community. These license types could be standalone businesses or paired with already established businesses. Adding a cannabis consumption license to existing coffee shops and restaurants could widen their customer base and bring in more revenue. A wide variety of social consumption models would give social equity applicants more access points into the cannabis industry and provide an important educational tool for the industry to help consumers better understand products in a legal setting and in a more knowledgeable manner.

### **Viable Social Consumption Models:**

- **Membership Model:** This model is most similar to a gym membership and would allow private spaces to host indoor or outdoor consumption while not violating public clean air laws.
- **Commercial Sales Model:** This model is most similar to a bar. Without changes to clean air laws, this would not allow indoor consumption of smoked or vaped products. However, outdoor patio spaces would be an option.
- **Beer Garden Model:** This model could allow for large outdoor events to have a licensed cannabis operation to sell products on site and create an outdoor consumption space, that would comply with clean air laws. This is a strong and useful model.
- **Consumption License Paired with an Established Business:** In this scenario, an endorsement on an existing business license could allow a variety of flexible social consumption business models to be created and have the existing business provide resilience and flexibility in trying new things with cannabis as a part of their business.

See Appendix I for common rules from other states.

## **Second-hand Smoke Research**

Research shows that there is a weak association between cannabis smoking and lung cancer for people who never smoked tobacco. However, precision of the studies are low when considering high-exposure levels.<sup>43</sup> There is little evidence for increased risk of lung cancer through directly smoking cannabis, although the potential for adverse effect for heavy smoking cannot be eliminated.<sup>44</sup> There is evidence that extreme cannabis smoke exposure can produce positive

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<sup>43</sup> Zhang LR, et al. Cannabis smoking and lung cancer risk: pooled analysis in the International Lung Cancer Consortium. *Int J Cancer*. 2015.

<sup>44</sup> *Id.*

urine tests at commonly utilized cutoff concentrations.<sup>45</sup> Positive urine tests occur where environmental exposure is very obvious, but room ventilation substantially reduces exposure levels.<sup>46</sup> There should be notifications to persons who have to demonstrate abstinence from cannabis to avoid heavily smoky and unventilated environments.<sup>47</sup>

<b>5. TECHNICAL ASSISTANCE AND MENTORSHIP RECOMMENDATIONS</b>
<b>5A. The Department of Commerce should immediately implement the Cannabis Mentorship Program using funds appropriated in the state's 2022-2023 operating budget.</b>
<b>5B. The Legislature should expand the scope of technical assistance dollars to include financial assistance.</b>
<b>5C. The Legislature should increase the allotment for the Technical Assistance Grant Mentorship program to 10% of the cannabis tax revenue, which currently goes to the state general fund.</b>
<b>5D. The Legislature should reserve 5% of the cannabis tax revenue that currently goes to the state general fund for low interest loans for social equity cannabis license holders.</b>
<b>5E. Current license holders that meet the definition of social equity should be eligible for grant dollars.</b>

### **Department of Commerce Funding**

With support from the Department of Commerce, the Task Force recommends immediate implementation of the \$1.1 million appropriated for the Cannabis Mentorship Program. Because these funds are returned to the general fund if not used at the end of the fiscal year, the Task Force hopes this recommendation will facilitate their immediate use.

### **Expanding Financial Assistance**

Feedback from workgroup sessions indicated the biggest barrier to entry relates to startup capital. However, technical assistant grants are currently limited to mentorship support and

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<sup>45</sup> Cone EJ, et al. Non-Smoker Exposure to Secondhand Cannabis Smoke. I. Urine Screening and Confirmation Results. *Journal of Analytical Toxicology*. 2015.

<sup>46</sup> *Id.*

<sup>47</sup> Bertheta A, et al. A systematic review of passive exposure to cannabis. *Forensic Science International*. 2016.

continued education. To address the need for capital, the Task Force recommends institutional support that expands the scope of technical assistance grants to include financial assistance provisions. Licensees would be better able to meet their needs if they can use technical assistance grant funds toward any eligible business expense. This would allow access to the industry for people who otherwise would be unable to find the start-up funds.

An expansion in amount and scope of financial assistance for social equity applicants would greatly increase the likelihood for success. As of 2021, the State collects over \$500 million in cannabis tax revenue annually. Dedicating \$1.1 million for the Technical Assistance Grant Mentorship Program is an inadequate investment to ensure social equity. As an example, Illinois and California include low-interest loans in their social equity programs to avoid any concerns around the use of public funds for private business. New York includes business grants for social equity operators.

## 6. WORKFORCE TRAINING OPPORTUNITIES RECOMMENDATIONS

**6A. The Legislature should make funds available for grants and scholarships to be issued to applicants from underserved communities to support education for careers in the cannabis industry, including human resources, manufacturing training, engineering/science, accounting, creative writing and marketing, culinary arts, agriculture, business/operations management, information technology, trademarking, and law and policy.**

**6B. Appropriate Washington state agencies should encourage cannabis certification programs within community colleges, universities, and other educational hubs.**

### **Cannabis Workforce Training**

Community members, Task Force members, and industry experts discussed the need for workforce support outside of retail workers. An equitable workforce in the cannabis industry requires diversity in all aspects of the industry. Careers with room for growth, advancement, and high earning potential support communities and families from historically marginalized groups. This recommendation supports economic justice and repairs harms from systemic oppression, through institutional support and investment that creates opportunity for people in Black and Brown communities.

### **Cannabis Certification**

The Task Force is not recommending that receiving a certification to enter the cannabis industry be a requirement. However, offering certificates in a cannabis-related field would help the industry tailor education and training programs to support businesses and would help employees prepare for industry-specific work. State funding for these education programs would also lower stigma around cannabis and lend credibility to the field, supporting longevity and growth in the industry.

## 7. COMMUNITY REINVESTMENT RECOMMENDATION

**The Legislature should create a community reinvestment fund using 50% of cannabis tax revenue, including the following assistance programs:**

- **10% - Financial assistance awards should be funded by transferring cannabis tax revenue to the Cannabis Social Equity Grant Program.**
- **5% - Low-interest loans for licensees who meet the social equity definition.**
- **35% - Service delivery for DIAs, provided by Faith-Based organizations and non-profits**

### **Community Reinvestment**

The “war on drugs” has had generational consequences on the stability of individuals and families, affecting both physical and behavioral health. The Task Force recommends that cannabis tax dollars go back to the affected communities to address damages from the “war on drugs”. As once source states:

“For every \$1 dollar invested in a social equity program there is a projected return of \$1.20 in social value generated through increased earnings for operators and employees, wealth, health, and tax revenue. However, when the benefits of the community reinvestment are considered, and these investments support early childhood and public education, employment training, mental health and expungement assistance, the projected social value generated by a social equity program increases to \$4.56 for every \$1 spent to serve equity operators.”<sup>48</sup>

The Task Force, with the help of community polling, created a list of recommended service organizations for the Department of Commerce’s community reinvestment program in the areas of economic development, legal services, violence prevention, and re-entry services.

See Appendix J for Task Force recommended organizations.

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<sup>48</sup> Supernova Women & Cannabis Social Equity Program. Ecotone Analytics Impact Analysis and Social Return on Investment. 2022. Retrieved from [https://mcusercontent.com/351fff664d89dd2591655c3b0/files/71df25b9-e9c6-bacd-43be-830577db91ab/Supernova Women Social Equity Impact Report.pdf](https://mcusercontent.com/351fff664d89dd2591655c3b0/files/71df25b9-e9c6-bacd-43be-830577db91ab/Supernova_Women_Social_Equity_Impact_Report.pdf).

## 8. REGULATION OF CANNABIS PRODUCTION RECOMMENDATION

**Certain aspects of regulatory oversight for cannabis cultivation should be shifted from the WSLCB to the WSDA, given the WSDA’s guiding principles and its ongoing efforts to work with and support producers and farmers.**

### **Legislative Considerations**

The Legislature would need to carefully plan this transition and determine what aspects of regulation each agency should be responsible for. Involvement from both agencies is critical to determining the appropriate division of oversight while implementing details in ways that support social equity goals.

### **Concern for Economic Outcomes**

It is not in the WSLCB’s statutory responsibility to be concerned about the economic outcomes of regulated entities. However, a stated goal of the WSDA is to consider the economic outcomes of industry participants. This difference is a significant factor in our rationale for supporting this transition. The Task Force has already recommended allocating production licenses to social equity applicants in the future. For this to be successful, production business models must be fully supported by regulators in new ways that have not been considered to date.

### **Business Support**

The WSDA’s involvement in cannabis regulatory oversight could provide a more equitable cannabis production economy for small businesses and lay the groundwork for future entry of social equity applicants who wish to be small cannabis producers. The WSDA provides support for commodity cultivators through internal departments such as “Business and Marketing Support” and “Laboratories”, with an aim to help businesses and reduce operational costs. Consequently, the agency regulates several crops that are the highest producing crops by state in the country (apples, hops, blueberries, etc.). This experience and support are a much-needed service, especially for small cannabis producers.

### **Creating a Sustainable Economy**

A successful outcome for social equity applicants is dependent on an overall healthy and sustainable cannabis economy. Such an economy requires policies that foster equitable opportunities for the entire industry, while simultaneously addressing issues specific to social equity applicants. Current regulatory policies have created an economy where many cultivators are struggling to participate in the market. Regulation and support for cannabis production

through the WSDA would lead to an increase in opportunities for current and future cannabis cultivators to compete and thrive.

### **HEAL Act**

The WSDA is incorporating an equity lens in its regulatory activities in order to implement the Healthy Environment for All (HEAL) Act (Chapter 314, Laws of 2021). If certain aspects of regulatory oversight were transferred to the WSDA and WSDA takes a holistic approach to cannabis industry equity and sustainability, there is an opportunity for the industry to benefit from strengthened equitable policies, labor standards, environmental standards, and safety standards.<sup>49</sup>

<b>9. RESIDENTIAL CANNABIS AGRICULTURE REGULATION (HOMEGROW) RECOMMENDATIONS</b>
<b>9A. The Legislature should legalize residential cannabis cultivation for personal use (six plants per adult and 15 plants per household).</b>
<b>9B. The Legislature should reclassify the cultivation of seven to 99 plants as a misdemeanor, instead of a Class C felony.</b>
<b>9C. The Legislature should vacate all cultivation convictions for 99 plants or less.</b>

### **Mitigating On-going Harms**

Legalizing residential cannabis cultivation for recreational use would reduce arrests and felony convictions that disproportionately harm Black people,<sup>50</sup> while also potentially increasing social equity applicant eligibility. Institutional support that changes policy to limit arrests and convictions would reduce the accumulated harm suffered by individuals, families, and local areas subject to severe impacts from the application and enforcement of cannabis prohibition laws. These severe impacts for small residential cannabis cultivation are not only historical, but they are also ongoing. According to an analysis of Federal Bureau of Investigation (FBI) Incident-Based Reporting System data, Black people were five times more likely, on average, to be arrested for homegrow-sized activity than non-Hispanic whites, while Latinx people were about 2.4 times more likely to be arrested for the same activity than for whites.

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<sup>49</sup> Revised Code of Washington “RCW 70A.02.060” Environmental Justice Assessment.

<https://app.leg.wa.gov/RCW/default.aspx?cite=70A.02.060>

<sup>50</sup> See Appendix K for FBI database analysis.

Ending residential cannabis prohibition, which is already the norm in 16 states and Washington D.C., would carry with it a definable social equity benefit and the degree of benefit is measurable.<sup>51</sup>

### **Dismantle Poverty**

Collateral consequences of arrest can push people into poverty. Washington has a 10-year plan to dismantle poverty. The first of eight strategies is to undo structural racism.<sup>52</sup> Because data shows that Black individuals are five times more likely to be arrested for residential cannabis cultivation, this recommendation could work to reduce structural racism and poverty through institutional change that supports Black and Brown communities.

There are severe consequences for people with a non-violent offense conviction:

- Potential ineligibility for Section 8 housing;
- Landlords can reject application for all housing;
- A conviction could affect future employment opportunities; and
- An arrest can cause loss of employment due to missed work.

## **PREPARING FOR FEDERAL LEGALIZATION AND LESSONS FROM OTHER STATES**

### **PREPARING FOR FEDERAL LEGALIZATION**

We may see federal legalization of cannabis in the near future. The question remains as to when that would occur and what form it may take. The potential effect of federal cannabis reform and its impacts on social equity in Washington has been a recurring topic for the Task Force.

On October 6, 2022, President Biden laid out his Administration’s cannabis reform approach. The three-step plan includes:

1. Pardoning all prior federal offenses for simple cannabis possession
2. Encouraging Governors to do the same at the state level

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<sup>51</sup> Sixteen other states plus Washington D.C. have already legalized residential cannabis cultivation. Most states allow 6 plants per individual, while Michigan allows 12 and Oregon allows 4; see appendix K for FBI arrest data.

<sup>52</sup> See Appendix L for 10-Year Plan to Dismantle Poverty.

### 3. Evaluating cannabis rescheduling under the Controlled Substances Act

President Biden also mentioned his desire to maintain restrictions and limitations on the trafficking, marketing, and under-age sales of cannabis as important factors in any reform efforts.<sup>53</sup> In addition, several federal bills were recently introduced including the Secure and Fair Enforcement (SAFE) Banking Act, Marijuana Opportunity Reinvestment and Expungement (MORE) Act, Cannabis Administration and Opportunity Act (CAOA), State Reform Act (SRA) and Small and Homestead Independent Producers (SHIP) Act. These bills, along with President Biden’s proposed reforms, provide insight into the primary cannabis-related policy issues that lawmakers and advocates are considering at the national level.

#### LESSONS FROM OTHER STATES

The Task Force actively researched other social equity programs throughout the country. The following themes from that research support the Task Force’s recommendations.

- Providing abundant access to licenses and license types across the supply chain;
- Providing access to capital funding, technical assistance, mentorship, and other forms of material support;
- Establishing cannabis policies that encourage city and county governments to explicitly support social equity businesses and small businesses;
- Emphasizing opportunities for members of communities that were the most impacted by the “war on drugs”;<sup>54</sup>
- Encouraging competitive markets and cooperative approaches that enable equity applicants to thrive;<sup>55</sup>
- Identifying and preventing policies that enable monopolistic business practices that could severely limit small business opportunities;<sup>56</sup> and

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<sup>53</sup> Biden, Joe. Statement from President Biden on Marijuana Reform. October 6, 2022. The White House. Retrieved from <https://www.whitehouse.gov/briefing-room/statements-releases/2022/10/06/statement-from-president-biden-on-marijuana-reform/>.

<sup>54</sup> Title, Shaleen, Fair and Square: How to Effectively Incorporate Social Equity Into Cannabis Laws and Regulations (December 6, 2021). Ohio State Legal Studies Research Paper No. 672, Drug Enforcement and Policy Center, 2021, Available at SSRN: <https://ssrn.com/abstract=3978766> or <http://dx.doi.org/10.2139/ssrn.3978766>.

<sup>55</sup> Parabola Center. Proposed Amendments and Alternatives to the Marijuana Opportunity, Reinvestment and Expungement Act of 2021. Retrieved from <https://www.parabolacenter.com/pdf/MORE%20Act%20Rewrite%20by%20Parabola%20Center.pdf>

<sup>56</sup> Title, Shaleen, Bigger is Not Better: Preventing Monopolies in the National Cannabis Market (January 26, 2022). Ohio State Legal Studies Research Paper No. 678, Drug Enforcement and Policy Center, 2022, Available at SSRN: <https://ssrn.com/abstract=4018493>.



- Considering the Dormant Commerce Clause, a legal doctrine used to support interstate commerce.

There are several considerations to keep in mind when implementing the Task Force’s recommendations. **Implementation efforts should prioritize solutions that create the best outcomes for social equity licensees.** These policies should optimize the overall health of the state’s cannabis economy within the scope of pending federal cannabis legislation.

The expansion of the cannabis market from siloed state markets to a national economy would provide unprecedented wealth-generating opportunities for Washington cannabis businesses. Consequently, this transition will also create the greatest potential for pitfalls and failures. Ensuring a well-designed framework will be paramount in determining the long-term impact of Washington’s social equity program. **Foresight, communication, and coordination between all levels of representative government, regulatory bodies, and impacted parties are necessary to optimize the impact and sustainability of the program.**

Resources for policymakers on social equity and federal policy changes:

- Berke, Jeremy and Title, Shaleen and Bloomberg, Scott and Lawrence, Geoffrey and Smith, Adam J., Regulating Cannabis Interstate Commerce: Perspectives on How the Federal Government Should Respond (August 11, 2022). Ohio State Legal Studies Research Paper No. 722, 2022, Drug Enforcement and Policy Center, August, 2022, Available at SSRN: <https://ssrn.com/abstract=4188089> or <http://dx.doi.org/10.2139/ssrn.4188089>
- Minority Cannabis Business Association. MCBA National Cannabis Equity Report 2022. Retrieved from [MCBA National Cannabis Equity Map - MCBA \(minoritycannabis.org\)](https://www.minoritycannabis.org/).
- Scott Bloomberg & Robert A. Mikos, Legalization without Disruption: Why Congress Should Let States Restrict Interstate Commerce in Marijuana, 49 PEPP. L. REV. 839 (2022).
- Supernova Women. Social Equity Impact Report 2022. Retrieved from [Social Equity Impact Report 2022 — Supernova Women](https://www.supernovawomen.com/social-equity-impact-report-2022).
- Title, Shaleen, Bigger is Not Better: Preventing Monopolies in the National Cannabis Market (January 26, 2022). Ohio State Legal Studies Research Paper No. 678, Drug Enforcement and Policy Center, 2022, Available at SSRN: <https://ssrn.com/abstract=4018493>. Title, Shaleen, Fair and Square: How to Effectively Incorporate Social Equity Into Cannabis Laws and Regulations (December 6, 2021). Ohio State Legal Studies Research Paper No. 672, Drug Enforcement and Policy Center, 2021, Available at SSRN: <https://ssrn.com/abstract=3978766>. Parabola Center. Proposed Amendments and Alternatives to the Marijuana Opportunity, Reinvestment and Expungement Act of 2021. Available at <https://www.parabolacenter.com/pdf/MORE%20Act%20Rewrite%20by%20Parabola%20Center.pdf>.

## CONCLUSION

The Task Force's recommendations are a starting point for creating social equity in the cannabis industry. Government support of small business ownership for individuals who have been disproportionately impacted by the "war on drugs" is a foundation on which a just cannabis economy can be built. Economic justice looks like thriving businesses that support generational wealth for Black and Brown communities. The "war on drugs" has been causing devastating harm to communities across Washington for decades. Economic disparity and exclusion have not materialized overnight. Similarly, state intervention to repair those harms must be a sustained, long-term investment into Black and Brown communities, intentionally applied over decades.

Issuing social equity licenses is vital to ensure a more equitable system. This recommendation should be paramount in considering equity in the cannabis industry. Every recommendation in this report works in tandem to support every other recommendation, but without more licenses the core of equity will not be attainable. Immediately making existing licenses reserved for social equity available for use across the state contingent on local jurisdictional approval is crucial to this goal.

State government must make intentional efforts to regulate the industry in ways that empower and support social equity businesses so they can thrive. These intentional efforts must be made while keeping in mind the changing federal landscape. Effective policy can ensure that the expansion to a national economy will provide unprecedented wealth-generating opportunities for Washington social equity cannabis businesses.

While any report is fundamentally unable to address every concern, when creating policies that enable inclusion and prosperity it is important to focus on the four principles outlined in this report. An abundance of access, industry support, opportunity, and community investment will lay the groundwork for economic justice for years to come. Meaningful policies and practices in Washington's cannabis industry that result in social equity outcomes are beneficial to all communities.

# DEFINITIONS

## DEFINITIONS APPROVED BY THE TASK FORCE

**Disproportionately Impacted Area:** a census tract or comparable geographic area that satisfies the following criteria, which may be further defined in rule by the board after consultation with the commission on African American affairs and other agencies, commissions, and community members as determined by the [WSLCB].<sup>57</sup>

Indicators to identify a DIA include:

- (i) The area has a high poverty rate
- (ii) The area has a high rate of participation in income-based federal or state programs
- (iii) The area has a high rate of unemployment;
- (iv) The area has a high rate of arrest, conviction, or incarceration related to the sale, possession, use, cultivation, manufacture, or transport of cannabis.

The Task Force recommends that **WSLCB use the Task Force’s ranking formula and indicators for disproportionately impacted areas (see page 23), which incorporates the following changes:**

- Remove areas with a high rate of participation in income-based federal programs;
- Replace the federal poverty rate with median household income; and
- Add a community demographic co-efficient based on the disproportionate rate of arrests that happen in Black and Brown communities.

### **Double-Blind Lottery (3rd party):**

The method used to determine winners in the event of a tie.

### **Family:**

Family includes a biological, adopted, or foster child, a stepchild, a child’s spouse, or a child to whom the applicant stands loco parentis (in place of a parent), is a legal guardian, or is a de facto parent, regardless of the age or dependency status; grandchild, grandparent, parent, sibling, or spouse, and also includes any individual who regularly resides in the applicant’s home or where the relationship creates an expectation that the applicant care for the person and that individual depends on the applicant for care. Except that it does not include an individual who simply resides in the same home with expectation that the applicant cares for the individual.

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<sup>57</sup> Current definition of “disproportionately impacted area” in statute. Revised Code of Washington “RCW 69.50.325” Cannabis Retailer Licenses—Social Equity Applicants—Rules—Definitions.

**Preliminary letter of approval:**

The approval letter that is given to selected applicants by the Social Equity Case Manager. Applicants with an approval letter can take that letter to apply for grants from the Department of Commerce. These grant dollars can then be used to help the applicant secure a retail location and other necessities needed to complete the remaining portion of the application process.

**Social Equity Applicant:**

- (i) An applicant who has at least fifty-one percent ownership and control by one or more individuals who have resided in a disproportionately impacted area for a period of time defined in rule by the [WSLCB] after consultation with the commission on African American affairs and other commissions, agencies, and community members as determined by the [WSLCB];
- (ii) An applicant who has at least fifty-one percent ownership and control by at least one individual who has been convicted of a cannabis offense, a drug offense, or is a family member of such an individual; or
- (iii) An applicant who meets criteria defined in rule by the [WSLCB] after consultation with the commission on African American affairs and other commissions, agencies, and community members as determined by the [WSLCB].<sup>58</sup>

**Social Equity Contractor (3rd party):**

A Social Equity Contractor has the responsibility to review and score social equity plans. Once reviewed, they recommend winning candidates to the Social Equity Case Manager at the WSLCB for approval and advancement.

**Social Equity Case Manager:**

This role at the WSLCB will ensure social equity standards are met during and after the social equity application process. The case manager will provide the applicant with the preliminary letter of approval after reviewing recommendations from the 3rd party contractor. This case manager will also be a resource for applicants and license holders to file grievances whenever facing inequity within the agency.

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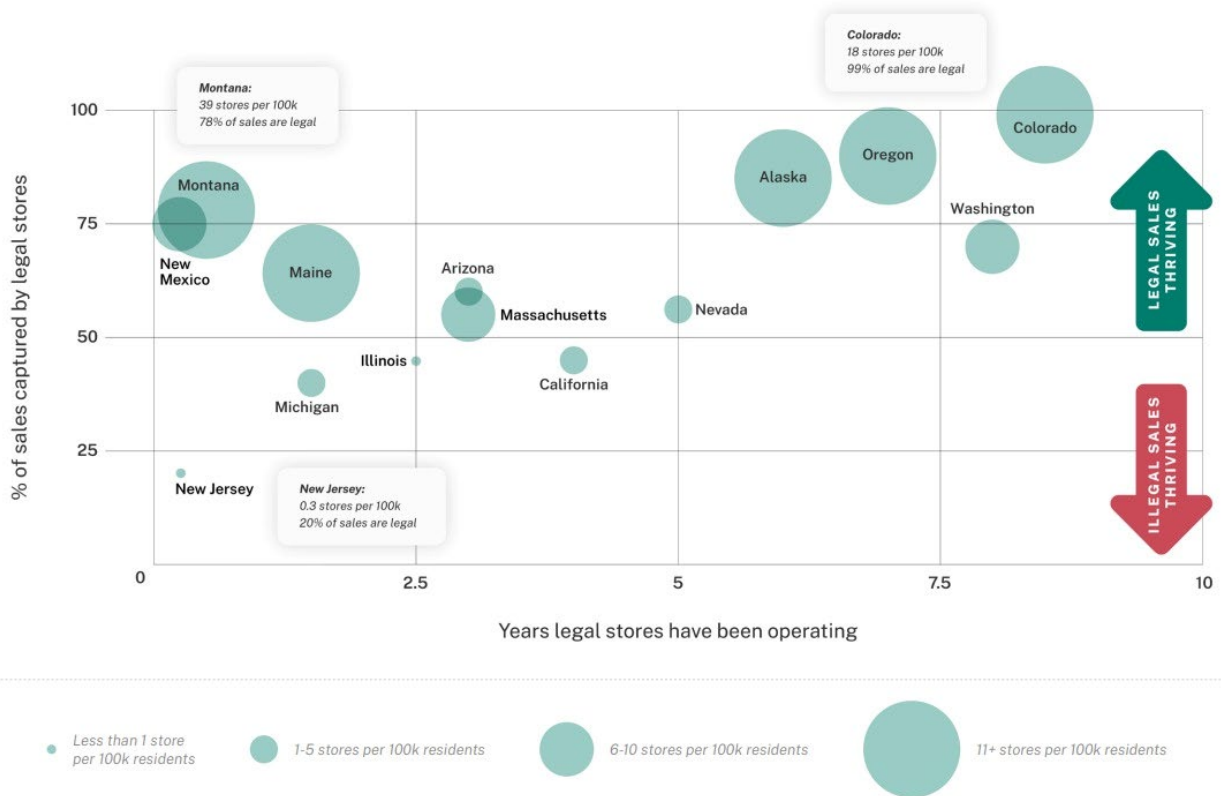
<sup>58</sup> The Task Force used the definition of “social equity applicant” in statute. Revised Code of Washington “RCW 69.50.325” Cannabis Retailer Licenses—Social Equity Applicants—Rules—Definitions

# APPENDICES

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## Appendix A: Legal regulated sales lead to fewer illegal street sales

### Legal regulated sales lead to fewer illegal street sales



\*Aggregate data from Whitney Economics, 'Opt-out' towns are encouraging illegal marijuana sales<sup>59</sup>

<sup>59</sup> Barcott, B. and Whitney, B. 'Opt-out' towns are encouraging illegal marijuana sales. Leafly. 2020. p. 4. Retrieved from [OptOutReport2022.pdf \(imgix.net\)](#)

## Appendix B: Task Force Membership

Member	Representing
Senator Rebecca Saldaña (Legislative Co-Chair)	Washington State Senate Democratic Caucus
Jim Makoso (Community Co-Chair)	Individual Currently Holding a Cannabis Processor License
Representative Kelly Chambers	Washington State House of Representatives Republican Caucus
Representative Debra Entenman Representative Melanie Morgan*	Washington State House of Representatives Democratic Caucus
Senator Curtis King	Washington State Senate Republican Caucus
Dorian Waller Paula Sardinas*	Commission on African American Affairs (CAAA)
Carmen Rivera	Commission on Hispanic Affairs (CHA)
Craig Bill	Governor's Office of Indian Affairs (GOIA)
Michelle Merriweather	Organization representing African American Community
David Mendoza	Organization representing Latina/o Community
Joe Solorio	Labor Organization Involved in Cannabis Industry
Ollie Garrett	Washington State Liquor and Cannabis Board (WSLCB)
Alison Beason Christopher Poulos* Jessica Camacho*	Department of Commerce
Paul Brice	Advisory Member
Joyce Bruce Yasmin Trudeau*	Attorney General's Office
Cherie MacLeod* Sharon Swanson*	Association of Washington Cities
Tamara Berkley	Individual Currently Holding a Cannabis Retail License

Pablo Antonio Gonzalez	Individual Currently Holding a Cannabis Retail License
Raft Hollingsworth	Individual Currently Holding a Cannabis Producer License
Monica Martinez	Individual Currently Holding a Cannabis Producer License
Micah Sherman	Individual Currently Holding a Cannabis Processor License

\*Past Task Force members



## Appendix C: Workgroup Topic Descriptions and Membership

Workgroups met for various periods of time between August 2021 and August 2022. Each workgroup had approximately ten members, including active community members who have lived experience with the “war on drugs” and/or professional experience in Washington’s cannabis industry. All workgroup meetings were public and provided opportunity for public participants to provide feedback and guidance.

### **Disproportionately Impacted Areas (DIA) Workgroup**

The DIA workgroup proposed recommendations to define eligibility and prioritization for social equity licenses. The scope of work included:

- defining “family member” for the WSLCB’s social equity application;
- defining the “area” relating to the census tract for eligibility;
- creating a formula and indicators to develop a disproportionately impacted areas map; and
- creating a social equity scoring rubric for eligibility criteria and the social equity in cannabis application process.

These are factors WSLCB must consider when distributing currently available cannabis retail licenses (i.e., subject to forfeiture, revocation, or cancellation by WSLCB) or those that were not previously issued.

### **Technical Assistance & Mentorship Workgroup**

The Technical Assistance & Mentorship workgroup proposed recommendations to help ensure license holders from disproportionately impacted areas receive the support they need to succeed. Recommendations were intended for the state’s Social Equity Technical Assistance Grant Program and included a mentorship program, technical assistance grants and funding.

### **Licensing Workgroup**

The Licensing workgroup examined the impacts of bans and moratoriums in cities and counties where the sale and production of cannabis is currently prohibited; the social equity impacts of creating new license types; impacts of adding additional retail and producer and processor licenses; and other barriers to entry for social equity cannabis retail businesses.

### **Community Reinvestment/ Workforce Job Training Workgroup**

The community reinvestment and workforce job training workgroup proposed recommendations to create workforce training opportunities for underserved communities to increase employment opportunities in the cannabis industry. Although not originally in statute,

community reinvestment became an important topic to community members. The workgroup created a list of approved organizations to inform the Department of Commerce community reinvestment budget.

### **Non-violent Criminal background/ Homegrow Workgroup**

The non-violent conviction policy and homegrow workgroup examined the social equity impact of altering residential cannabis agriculture regulations, and the social equity impact of removing nonviolent cannabis related felonies and misdemeanors from the existing point system used to determine if a person qualifies for obtaining or renewing a cannabis license.

### **Regulation of Cannabis Production Workgroup**

The regulation of cannabis production workgroup examined the social equity impact of shifting primary regulation of cannabis production from the board (WSLCB) to the Department of Agriculture, including potential impacts to the employment rights of workers.

## Appendix D: Approved Scoring Rubric

### Recommended Scoring Rubric for Social Equity in Cannabis Licensing Process

Category	Criteria Elements	Point Scale (Maximum Possible)
<b>Eligibility Criteria</b>	1. Lived in a Disproportionately Impacted Area (DIA) Black-50pts Hispanic-25pts Native-10pts	50
	2. Conviction History Convicted of a marijuana offense Black-50pts Hispanic-25pts Native-10pts	50
	OR 2a. Convicted of a drug offense Black-20pts Hispanic-10pts Native-5pts	
	OR 2b. Family member convicted of any drug offense-5pts	
	4. Black (150pts), Hispanic (75pts), Native American (25pts) **Based on arrest rates ratios from (240,000 Marijuana Arrests Costs, Consequences, and Racial Disparities of Possession Arrests in Washington, 1986-2010, Marijuana Arrest Research Project	150
	<b>Total for Category</b>	<b>250</b>
<b>Eligibility Criteria Weight % of overall Scoring</b>		<b>38%</b>
<b>Social Equity Ownership Scoring</b>	Black Ownership - 100%- 200pts 90-99%-150pts 76-89%-100pts 51-75%-50pts	200
	Or Hispanic Ownership - 100%- 100pts 90-99%-75pts 76-89%-50pts 51-75%-25pts	

	Or Native Ownership - 100%- 40pts 90-99%-30pts 76-89%-20pts 51-75%-10pts	
	<b>Total for Category</b>	<b>200</b>
<b>Social Equity Plan Elements Weight % of overall Scoring</b>		<b>31%</b>
<b>Business Plan</b>	1. Executive summary, vision and mission? a. Employment and labor practices	150
	2. Do you have a previous cannabis business experience that would make your business more viable?	50
	<b>Total for Category</b>	<b>200</b>
<b>Business Plan Elements Weight % of overall Scoring</b>		<b>31%</b>
<b>Other Priority Criteria</b>	1. Do you want to apply for the Technical Assistance Grant and how much do you need?	No Points
	3. Do you have ownership of a current license, what percentage?	No Points
<p><b>Affirmations (licensee must affirm that all statements are true and risks being removed from consideration if any statement is found to be untrue)</b></p> <p><b>Affirm the business is at least 51% minority ownership</b></p> <p><b>Affirm if you lived in a DIA area and the length of time you lived there it's accurate on your application and plan.</b></p> <p><b>Affirm if you represent you or your family member was convicted of a marijuana or drug offense it is true.</b></p> <p><b>Affirm If you represent you have marijuana business ownership experience, it's true.</b></p> <p><b>Affirm everything on your application and business plan is true</b></p> <p><b>Affirm all owners and parties of interest that are represented on this plan and the application are accurate.</b></p> <p><b>Affirm all ownership represented on the plan is the same ownership that will be represented on the application and the operating agreement including all documents to WSLCB, county, and city.</b></p> <p><b>Affirm that no outside management companies other than management company owned by a social equity/Minority licenses holder can have any form of controlling interest in the business.</b></p> <p><b>Affirm that you are a resident of the state of Washington</b></p> <p><b>Affirm that any affirmations that are affirmed by applicant and found not to be true will result in denial of application or license revoked.</b></p>		No Points
<b>Other Priority Weight % of overall Scoring</b>		<b>0% (0pts)</b>
<b>Total Score:</b>		<b>650</b>

## Appendix E: Task Force Recommended Application Process

\*Green are the Task Force’s recommended additions to the current Liquor & Cannabis Board licensing process.

**30-60 day application window**

Step 0 (optional): Social Equity Applicant seeks mentorship

Step 1: Applicant submits Business License Application (Department of Revenue)

**Step 2: Applicant submits social equity plan to Social Equity Contractor (3rd Party)**

**Step 2.5: double-blind lottery as tie breakers (If Necessary)**

### SOCIAL EQUITY MANAGER OVERSEES THE FOLLOWING STEPS:

**Step 3: Applicant is given Preliminary letter of approval**

**Step 3.5: Applicant can apply for grants with department of Commerce (If Necessary)**

Step 4: Liquor & Cannabis Board conducts Criminal History/Finger Printing

Liquor & Cannabis Board conducts Financial Review

**Step 4.5 (6 months later): Liquor & Cannabis Board conducts Location Review**

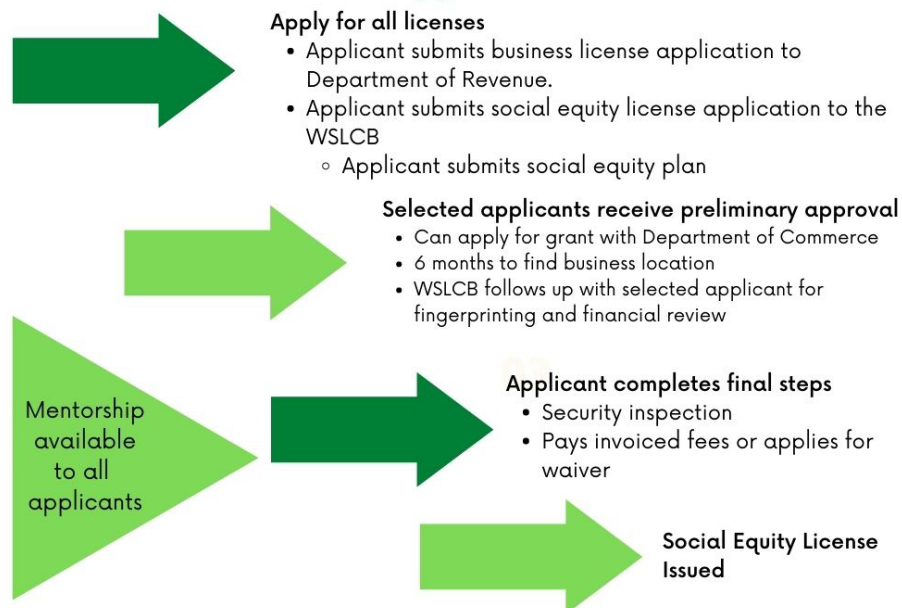
Step 5: Liquor & Cannabis Board Security Inspection

Step 6: Liquor & Cannabis Board Applicant is invoiced for fees

Step 7: Liquor & Cannabis Board issues license and Department of Revenue is notified

Final: Municipality rules and regulations process passed before operation.

### Recommended Social Equity Application Process for: Applicant



## Appendix F: WSLCB Criminal History Review Changes

Previous Rule	Current Rule
Required applicants to report their own criminal history in addition to LCB completing a background check	Requires attestation only and LCB will complete the background check
A point system was used to determine whether a file will be sent to a manager for further review and decision ( <i>Figure 1.1</i> )	The type and timeframe of convictions is used to determine whether a file will be sent to a licensing manager for further review and decision ( <i>Figure 1.2</i> )
Applicants received points for failing to disclose history that is reported during LCB background check	Point system eliminated, requirement to disclose history is removed
Applications went to a manager for review and were provided the ability to submit information on their behalf, but the rule did not explain this process	Clarifies the review process and that applicants can submit information on their behalf if the file goes to a threshold review
Licensees were required to report any new convictions within 14 days	Licensees are required to report new convictions within 30 days

Description	Time period during which points will be assigned	Points assigned
Felony conviction	Ten years	12 points
Gross misdemeanor conviction	Three years	5 points
Misdemeanor conviction	Three years	4 points
Currently under federal or state supervision for a felony conviction	n/a	8 points
Nondisclosure of any of the above	n/a	4 points each

Conviction Type	Conviction Class	Time Consideration	Determination
<b>Felonies</b>	Class A and B convictions	10 years	Threshold review if 1 or more
	Class C convictions	7 years	Threshold review if 2 or more
<b>Misdemeanors</b>	Gross misdemeanors and misdemeanors	3 years	Threshold review if 3 or more

## Appendix G: Chapter 314-55-040 WAC

### Chapter 314-55-040 WAC: Cannabis applicant or licensee background checks.

(1) The board conducts a background check of a new applicant or for license renewals to evaluate whether the applicant or licensee qualifies or requalifies for a license. The background check includes a criminal record check through the Washington state patrol and the Federal Bureau of Investigations database.

(2) **Review and evaluation of information produced by background checks.** The board will review the information produced by background checks to determine whether the applicant or licensee qualifies for a new or renewed license. Information from the background check may not preclude approval, but will be considered in determining the applicant's eligibility for licensure.

(3) The board will conduct a threshold review for the following types of convictions:

Conviction Type	Conviction Class	Time Consideration	Determination
Felonies	Class A and B convictions	10 years	Threshold review if 1 or more
	Class C convictions	7 years	Threshold review if 2 or more
Misdemeanors	Gross misdemeanors and misdemeanors	3 years	Threshold review if 3 or more

(a) Active state supervision and active federal supervision resulting in determination of threshold review. Threshold review if 3 or more

(b) The board will conduct a threshold review of any license applicant or license renewal if the background check indicates that the applicant or renewing licensee is under active state supervision, active federal supervision, or both.

(4) **Pending criminal charge review and evaluation.** The board will review and evaluate the applicant or renewing licensee's pending criminal charges. Review and evaluation criteria include, but are not limited to:

(a) A determination of whether the convictions of pending charge(s) alone or compiled would put an individual over the conviction allowance above.

(b) The application may be placed on hold for ninety days and if no disposition within ninety days, the application will be withdrawn.

(5) **Threshold review evaluation criteria.** When a background check results in a determination for a threshold review, the board will consider the following criteria:

- (a) Time since the conviction, or pending offenses;
- (b) Nature and specific circumstances of the offense;
- (c) Relationship of the offense or incident to the nature of the work performed;
- (d) Number of offenses or incidents;
- (e) If criminal, any relevant evidence of rehabilitation, such as information about compliance with conditions of parole or probation, including orders of no contact with victims and witnesses, and the individuals conduct and experience since the time of the offense; and
- (f) Any other relevant information, including information submitted by the applicant or licensee, or requested by the board.

(6) **Continued reporting.** Cannabis licensees must report any criminal convictions to the board within thirty days. New convictions will be considered upon receipt or at the time of renewal.



## Appendix H: Delivery License Rules from Other States

### Common rules and regulations from Colorado, California, and Oregon:

- Delivery hours are common among other states. Delivery hours are between 8:00 am and 12:00 am.<sup>60</sup>
- Limit on one delivery per address per day.
- \$10,000 max on product in a delivery vehicle.<sup>61</sup>
- States have a wide variety of delivery safety measures:
  - Vehicle GPS tracking devices
  - Unmarked vehicles
  - Lock boxes
  - Video surveillance
- Every state has rules on type of vehicle, licensed drivers, and insurance requirements.
- Delivery person training and permit (similar to WA MAST server permit)- training on youth prevention, and not delivering to intoxicated clients.
- Delivery to private residences only.
- Signature of someone over 21 upon delivery.
- Delivery information including name and address to be retained for 1 year.<sup>62</sup>
- Package compliance.

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<sup>60</sup> H.B. 19-1234, 2019 Biennium, 2019 Reg. Sess. (Colorado 2019). Retrieved from [https://leg.colorado.gov/sites/default/files/2019a\\_1234\\_signed.pdf](https://leg.colorado.gov/sites/default/files/2019a_1234_signed.pdf).

<sup>61</sup> Lesson from California: the initial limit was \$3,000-\$5,000 but that was too low to compete with the illicit market and the Legislature had to pass a new law allowing \$10,000 in product in vehicles; A.B. 1014, 2021 Biennium, 2021 Reg. Sess. (California 2021). Retrieved from [https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=202120220AB1014](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220AB1014).

<sup>62</sup> Oregon Liquor and Cannabis Commission, Delivery of Marijuana Items by Retailer, Chapter 845, Division 25, 845-025-2880. Retrieved from <https://secure.sos.state.or.us/oard/viewSingleRule.action?ruleVrsnRsn=287870>; Oregon Liquor and Cannabis Commission, Retailer Home Delivery Guide. Retrieved from [https://www.oregon.gov/olcc/marijuana/Documents/Licensing\\_Forms/mj\\_ref\\_delivery\\_guide.pdf](https://www.oregon.gov/olcc/marijuana/Documents/Licensing_Forms/mj_ref_delivery_guide.pdf)

## Appendix I: Social Consumption Rules from Other States

### Common rules and regulations from Colorado, New Jersey, Nevada, and New York:

- No dual consumption of alcohol or tobacco.<sup>63</sup>
- License holders can apply for food server license.
- Indoor or outdoor structures.<sup>64</sup>
- Civil liability laws similar to alcohol servers.<sup>65</sup>
- Nevada has reserved the first half of the social consumption licenses for social equity applicants.<sup>66</sup>
- 500-foot buffer zones from schools.<sup>67</sup>
- May only have a controlling interest in three social consumption lounges.<sup>68</sup>
- May not hold any other cannabis license type.<sup>69</sup>
- Smoking in Public Places (and workplace) RCW 70.160.<sup>70</sup>
- Vapor Products RCW 70.345.<sup>71</sup>

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<sup>63</sup> H.B. 19-1230, 2019 Biennium, 2019 Reg. Sess. (Colorado 2019). Retrieved from [https://leg.colorado.gov/sites/default/files/2019a\\_1230\\_signed.pdf](https://leg.colorado.gov/sites/default/files/2019a_1230_signed.pdf)

<sup>64</sup> P.L. 2021, c. 16. 2021 Biennium, 2021 Reg. Sess. (New Jersey 2021). Retrieved from [https://www.njleg.state.nj.us/Bills/2020/PL21/16\\_.PDF](https://www.njleg.state.nj.us/Bills/2020/PL21/16_.PDF)

<sup>65</sup> A.B. 341, 2021 Biennium, 81<sup>st</sup> Sess. (Nevada 2021). Retrieved from <https://www.leg.state.nv.us/App/NELIS/REL/81st2021/Bill/7877/Text>

<sup>66</sup> Id.

<sup>67</sup> A01248, 2021 Biennium, 2021 Reg. Sess. (New York 2021). Retrieved from [https://nyassembly.gov/leg/?default\\_fld=&leg\\_video=&bn=A01248&term=2021&Summary=Y&Actions=Y&Text=Y](https://nyassembly.gov/leg/?default_fld=&leg_video=&bn=A01248&term=2021&Summary=Y&Actions=Y&Text=Y)

<sup>68</sup> Id.

<sup>69</sup> Id.

<sup>70</sup> Revised Code of Washington “RCW 70.160” Smoking in Public Places. Retrieved from <https://app.leg.wa.gov/rcw/default.aspx?cite=70.160>.

<sup>71</sup> Revised Code of Washington “RCW 70.345” Vapor Products. Retrieved from <https://app.leg.wa.gov/RCW/default.aspx?cite=70.345>

## Appendix J: Task Force Recommended Organizations for Community Reinvestment

### ECONOMIC DEVELOPMENT

ORGANIZATIONS		
1element gardens	KD Hall Foundation	The Black Collective
Acts On Stage	Kent Black Action Commission	The Full Spectrum
Africa Town Community Land Trust	King County Equity Now	The Tacoma Urban League
African American Leadership Forum	Live for Love Human Outreach	United Negro College Fund
Artist in Activism	Live for Love Inc	United Way of King County
Bethel Church (Spokane)	Mount Calvary Christian Center	United Way of Snohomish County
Black Dollar Days	Mt. Zion Baptist Church	Uplift Northwest
Black Excellence in Cannabis	NAACP	Urban Impact
Business Impact	National Association of Real Estate Brokers	Urban League – Seattle
Cannabis Workers Coalition	National Black MBA Associations, Seattle	Volunteers of America
Central District Preservation Authority (CDCPDA)	New Beginnings Church	Wa Na Wari
Community Credit Lab	New Hope Missionary Baptist Church	Washington Build Back Black Alliance
Community Passageways	Rainier Avenue Radio	Washington Equity Now Alliance
Economic Alliance in Okanogan County	Rainier Breach Action Council	Washington State African American Cannabis Association
El Centro de la Raza	Reclaiming our Greatness	Whatcom County Land Trust
FAME/First AME Church – First African Methodist Episcopal	Roni Lifeworks Training Center	Whatcom County Land Trust
First Place	Safe Streets Tacoma	Work Money
Fresh Start PS	Scholar Fund (DBA Scholarship Junkies)	Women of Wisdom Tri-Cities (WOW)
Global Majority Consortium	Seattle Black Panther Party Legacy Committee	
Goodwill	Seattle Hempfest	
Homesight	Skyway Coalition	
Impact Motion Sports	Skyway Resource Center	
Institute for Black Justice	Small Business Development Center	
It's All Bigger Than Me Consultant	Tabor 100	
It's All Bigger Than Me Ministry	Technology Access Foundation (TAF)	

## LEGAL ASSISTANCE

ORGANIZATION	
A Better Way - Spokane	Loren Miller Bar Association
Acts On Stage	NAACP
Atheist	New Hope Missionary Baptist Church
B	Northwest Justice Project
Beautiful Birds Family and Consulting Services	NW Women's Law
Black Excellence in Cannabis	NWIRP
CAIR	Progress Pushers
Choose 180	Reclaiming Your Greatness
Civil Survival	Seattle ACLU
Colectiva legal de pueblo	Seattle Clemency Project
Communities Rise	Tabor 100
Community Passageways	Tacoma Pro Bono
Creative Justice	Tacoma Urban League
DADS	The Black Collective
Dispute resolution and mediation centers	The innocence project
El Centro – de la Raza	The Way To Justice, Spokane
First AME Church – First African Methodist Episcopal	United Way of King County
Fortune Society	Urban League of Seattle
Fresh Start PS	Washington Build Back Black Alliance
Kent Black Action Commission	Washington CAN
King County Equity Now	We are legally black
Law Advocates	
Lawyers Against Systemic Racism	
Legal Voice	

## VIOLENCE PREVENTION

ORGANIZATION	
ACE Academy	MUST
Acts On Stage	NAACP
African American Leadership Forum	National Black MBA Association, Seattle Chapter
Africa Town	New Hope Missionary Baptist Church
Artist In Activism	Odyessy House
Bethel Church (Spokane)	Okanogan County Community Coalition
Black Dollar Day Task Force	Parents for Student Success
Black Excellence in Cannabis	Path with Art
Boys and Girls Club (Rainier Vista, Federal Way, Rotary)	Progress Pushers

Caring with Compassion Community	Rainier Avenue Radio
Casey Foundation	Rainier Beach Action Council
Choose 180	Rainier Beach Learning Gardens
Community Closet	Rainier Valley Leadership academy
Community Passageways	Rainier Vista boys and girls club
Creative Justice	Rejoyce Academy
DARE	Roni Lifeworks
DAWN	Safe Streets
Domestic Violence Services of Snohomish County	Seattle Black Panther Party Legacy Committee
DVSAS	SOAR King County
Estellitas Library	Speak with purpose (formerly WeAPP)
FAME Youth & Law Forum – First African Methodist Episcopal	Spokane Public Schools
Feed The People	Tabernacle Food Pantry
Feeding Feasible Feasts	Tabor 100
FEEST	Tacoma Pierce County YMCA
First Place	The Breakfast Group
Fresh Start PS	The Good Foots Arts
FYRE	United Culturass
Good Shepard Youth Outreach	United Way of King County
House of Prayer Foundation	Urban League
Institute for Black Justice	WA-BLOC
It's Bigger Than Me Consultant	Washington Build Back Black Alliance
It's Bigger Than Me Ministry	YMCA
KD Hall Foundation	Youth Care
Kent Black Action Commission	YWCA
Live 4 Love Human Outreach	
Live 4 Love Inc	
Lydia Place	
Martin Luther King Family Outreach Center, Spokane	

## RE-ENTRY SERVICES

ORGANIZATION	
Acts On Stage	Kent Black Action Commission
African American Leadership Forum	Last Prisoner Project
Artist In Activism	Like Me Foundation
Beautiful Birds Family/Consulting Services	NAACP
Bembry Consulting	National Black MBA Association, Seattle Chapter
Bethel Church (Spokane)	Nevsplace
Black Excellence In Cannabis	New Hope Missionary Baptist Church
Byrd Barr	Pioneer Services
Catholic Community Services	Progress Pushers
Choose 180	Project 253

Civil Survival	Rainier Avenue Radio
Collective Justice	Reclaiming our Greatness
Community Closet	Restorative Community Pathways
Community Passageways	Revive Re Entry
Families Shoulder to Shoulder	Seattle Clemency Project
FIGHT	Tabor 100
First AME Church – First African Methodist Episcopal	Tasc
First Place	United Way of King County
Freedom Project	Unity Church
Fresh Start PS	Urban League - Seattle
Goodwill	Urban League - Tacoma
Hip Hop is Green	Village of Hope
I Did My Time	Washington Build Back Black Alliance
It's Bigger Than Me Consultant	
It's Bigger Than Me Ministry	

## RESULTS THE PROHIBITION OF HOME CULTIVATION HAS HAD DISPARATE IMPACTS

### COMPARATIVE CHANCE OF BEING ARRESTED, BY RACE

	2012	2013	2014	2015	2016	2017	2018	2019	average
<b>White</b>	/	1.000	1.000	1.000	1.000	1.000	1.000	1.000	<b>1.000</b>
<b>Black</b>	/	4.232	1.512	.756	7.237	3.540	2.592	15.378	<b>5.035</b>
<b>Hispanic</b>	/	1.433	0	1.295	.296	3.517	2.542	7.780	<b>2.409</b>

## Appendix L: Dismantle Poverty in Washington



**1 IN 4 WASHINGTONIANS STRUGGLE TO MAKE ENDS MEET.**  
We have a plan to change that.

Washington is transforming into a state where everyone has their foundational needs met and can access opportunities to reach their full potential in life.

Governor Inslee's Poverty Reduction Work Group recently released its **10-Year Plan to Dismantle Poverty**. Powered by a steering committee of people experiencing poverty and in collaboration with agencies, legislators, local organizations and employers, the plan contains eight strategies and 60 recommendations to guide Washington toward a just and equitable future.

### WANT TO LEARN MORE?

- Visit our website at [dismantlepovertyinwa.com](http://dismantlepovertyinwa.com).
- Check out our new Q&A series, **Blueprint Revealed**, at [dismantlepovertyinwa.com/blog](http://dismantlepovertyinwa.com/blog), where we answer your questions about the 10-Year Plan.
- To ask a question or schedule a presentation, email us at [prwg@dshs.wa.gov](mailto:prwg@dshs.wa.gov).

### JOIN THE MOVEMENT!



@DismantlePovWA



DismantlePovertyWA



## 8 STRATEGIES POVERTY REDUCTION

ROOT CAUSES & BEYOND

- 1 UNDO STRUCTURAL RACISM**  
Understand structural racism and historical trauma and take action to undo how they manifest in state policy, program, and practice.
- 2 BALANCE POWER**  
Make equal space in decision-making for people and communities most affected by poverty and inequality.
- 3 INCREASE ECONOMIC OPPORTUNITY**  
Target equitable income growth and wealth-building among people with low incomes.
- 4 ENSURE FOUNDATIONAL WELL-BEING**  
Strengthen health supports across the life span to promote the intergenerational well-being of families.
- 5 PRIORITIZE URGENT NEEDS**  
Prioritize the urgent needs of people experiencing homelessness, mental illness, or addiction.
- 6 BUILD A HOLISTIC CONTINUUM OF CARE**  
Build an integrated human service continuum of care that addresses the holistic needs of children, adults, and families.
- 7 DECRIMINALIZE POVERTY**  
Decriminalize poverty and reduce reliance on the child welfare, juvenile justice, and criminal justice systems.
- 8 PREPARE FOR THE FUTURE OF WORK**  
Ensure a just transition to the future of work.