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For Immediate Release

February 19, 2014

Liquor Control Board Clarifies Next Steps in its Preparation to Issue Marijuana Licenses

Board to limit individual production, begin issuing producer and processor licenses soon

OLYMPIA – The Washington State Liquor Control Board (Board) today approved staff’s recommendations to limit the number of individual marijuana producer licenses to one and initially limit production at 70 percent, clearing a path for the agency to begin issuing producer and processor licenses.

“Today’s Board action clears an obstacle and allows the agency to begin issuing marijuana producer and processor license in the coming weeks,” said Board Chair Sharon Foster. “We believe this is the most fair and equitable way to get the market up and running.”

Single Production License Limited to 70 Percent

In its enforcement guidelines issued August 29, 2013, the Department of Justice required states to ensure a tightly regulated and controlled market to prevent diversion of product to other states, sales to minors and other concerns.

The Board used available consumption data supplied by its consultant, BOTEC Analysis Corporation, to craft production limits in its rules to meet initial consumer demand without over-supplying. The rules are based on BOTEC’s input that the state can capture 13-25 percent of the overall market in the first year of recreational sales. Additional production is likely necessary for the state to capture an increasing percentage as the market refines and matures. Agency rules allow for flexibility to meet an evolving controlled market.

Agency rules (WAC 3214-55-075 (8)) state “if the total amount of square feet marijuana production exceeds two million square feet, the Board reserves the right to reduce all licensee’s production by the same percentage or reduce licensee production by one or more tiers by the same percentage.”

The Board closed a 30-day application window for marijuana licenses on December 20, 2013. During that period the agency received 2,858 marijuana producer applications. The plant canopy of these applications far exceeds a manageable plant canopy set by the Board in its rules. Of these applications, over 900 are for more than one marijuana producer application. The rules currently allow for up to three licenses per licensee.

In an effort to meet a manageable plant canopy for marijuana production, the Board will file an interim policy that limits any qualified entity or principals within any entity to one marijuana producer license. If any entity or principal has more than one marijuana application pending, staff will contact the applicant and offer them the option of withdrawing their

additional applications for a refund or having their additional applications held up to one year or until the Board determines more marijuana producer licenses are needed.

“In interviews with our licensing investigators, many license applicants have said that they do not intend to use all three licenses initially or planned to reach the top of their tier,” continued Foster.

Bans and Moratoriums

Several communities and jurisdictions across Washington have enacted local bans or moratoriums on recreational marijuana businesses. In a formal Attorney General Opinion issued January 16, 2014, the Attorney General’s Office concluded that “I-502 left in place the normal powers of local governments to regulate within their jurisdictions” and that “...nothing in I-502 limits that authority with respect to licensed marijuana businesses.”

While the law is silent on the issue of local bans, there is also nothing with the law which allows for the Board to deny licenses to qualified applicants. If an applicant meets the state’s criteria for licensure, the Board will issue a state license. Like any other type of business, a licensee must be in compliance with local laws and regulations.

The Board action and interim policy are effective immediately.

Note: Please follow these links to an [FAQ](#) on today’s action as well as a [summary of the decision points](#).

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