



# Washington State Liquor and Cannabis Board

## Social Equity Rulemaking Updated Draft Rules Tuesday, July 9, 2024

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# Washington State Liquor and Cannabis Board

## Definitions Modifications Necessary to Align with Statute

- “Disproportionately impacted area”
- “Social equity plan”



# Definitions Amended to Improve Clarity

- “Family member”
- “Median household income”
- “Preliminary letter of approval”
- “Social equity contractor”
- “Social equity program applicant”



# Washington State Liquor and Cannabis Board

## New Definitions

- “Household income”
- “Social equity registrant”



# Documents Demonstrating Criterion

- Expanded list of example documents to reduce barriers to entry.



## Registration process

**New process:** Registration through an online portal is required before submitting documents to the contractor to reduce barriers to entry to apply for the social equity program.

- Replaces the initial application requirements in subsection (3)(b).



# Registration Window

- Open for 30 calendar days.
- Board may reopen after evaluating market demand and license availability.



# Eligible for Social Equity Contractor Scoring

**New subsection (4)(a):** Only those who meet 2 out of 4 qualifications will be scored. No duplicate points if multiple persons from the same group qualify for the same criterion.





# Submission Requirements

- Clarified that the social equity contractor has discretion to determine form, manner, and timeframe in which application materials must be submitted for review.



# Social Equity Contractor Review & Scoring

## **New process – Remedy period:**

- The social equity contractor provides an initial score and explanation.
- Registrants can submit additional verification documents to improve the final score.
- A comprehensive explanation accompanies the final score



# Double-Blind Lottery Process Changes

- In the event of a tie among top-scoring registrants, a double-blind lottery will be conducted by an independent third-party who is not the social equity contractor.
- A tie for those who score highest in a county is no longer relevant since E2SSB 5080 allows for statewide locations.



## Board Notification

To improve clarity, amended language related to circumstances for board issuance of a preliminary letter of approval or withdrawal letter.



## Appeals Process

- A social equity registrant or applicant who has been withdrawn or denied may appeal the decision. One exception to this is if the social equity registrant or applicant requests the withdrawal.
- A social equity registrant or applicant who receives notice of application withdrawal or denial under this section from the WSLCB must request an appeal no later than 20 days of notification.



# Ownership Adjustments

- To allow for more flexibility for financing, **social equity applicants** can modify up to **49%** of the business interests specified in their reviewed and scored application.
- These changes must be submitted to the board **before** applying for a social equity license



## County Threshold

- Whitney Economics Report
- Threshold determination every 3 years beginning July 2029 to ensure adequate access to cannabis products and discourage illegal purchases.
- Thresholds will consider market conditions, economic trends and demographics.
- Thresholds will be posted on the internet and made available to the general public.



## License Mobility

90 days after the social equity license application window closes in 2025, HB 2870 applicants unable to secure a location in the county the license is allocated, may relocate the license anywhere in the state of Washington.





## Title Certificate Holders

- A Title Certificate Holder can reinstate and relocate their license within the county where it is allocated.
- Relocating outside of the county requires a new application and qualification as a social equity program applicant.



## Local Ordinance – Changes to Align with Statute

Localities can limit retail outlet densities for ordinances but the ordinances must be enacted before the date the application for the licensed location is submitted to the board.



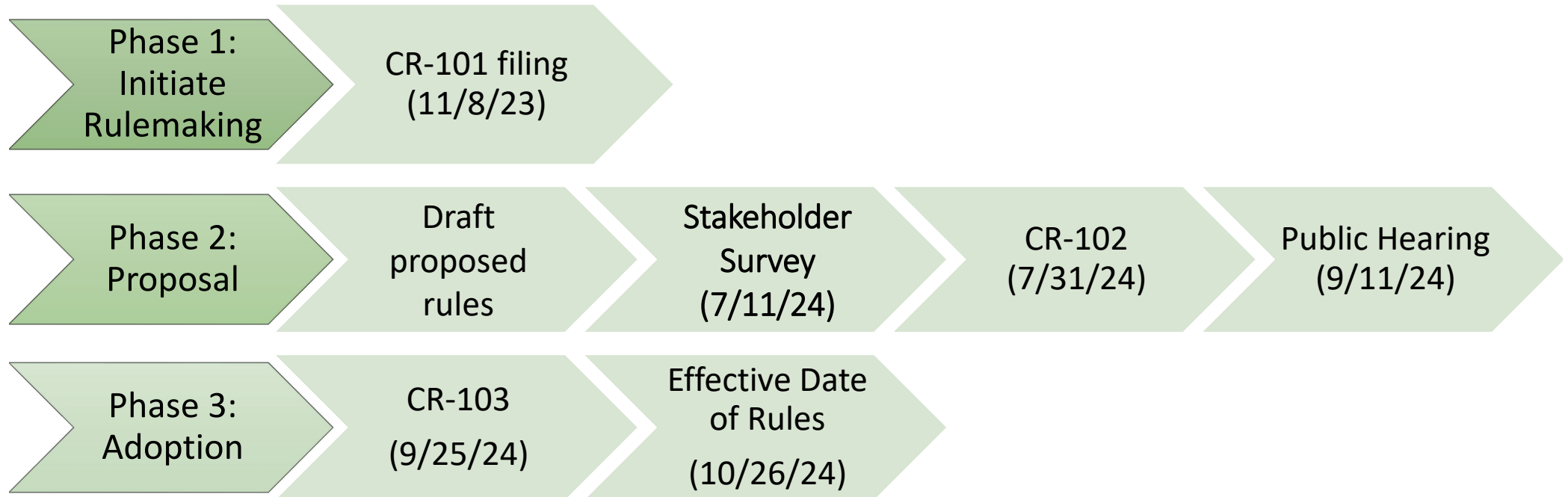
## Social Equity Plan & Reimbursement

- Cannabis licensees, who are not social equity applicants or social equity licensees, may submit a social equity plan for a one-time reimbursement for licensing fee, on only one license.
- Submitting a social equity plan to qualify for the social equity program is no longer required.



# Washington State Liquor and Cannabis Board

## Rulemaking Timeline





# Washington State Liquor and Cannabis Board

## **Social Equity in Cannabis Program**

### **Proposed Draft Rubric Changes**



# Social Equity Applicant Scoring Rubric Overview

- Background
- Community Feedback & Agency Response
- Proposed Draft
- Proposed Sections Removed
- Rubric Points
- Initial Applicant Demographics
- Questions & Answers



# Washington State Liquor and Cannabis Board

## Background

- The Social Equity Application Rubric was initially introduced by the social equity task force, which was later adopted in rule and was utilized as a scoring tool.
- The social equity task force was established by legislation to make recommendations to the board on establishing the social equity program and to advise the governor and the legislature on policies that will facilitate development of the cannabis social equity program.
- The task force was comprised of volunteers from the community, legislature, and state agencies to assist in the goal of reaching those communities most impacted by the war on drugs.



## Community Feedback & Agency Response

- Concerns were shared during phone conversations, emails to the social equity inbox, and data collected from the application experience survey.
- In response, the agency shared a first proposed draft rubric with the community. The LCB's effort is to continue conversation after receiving community feedback from the past two engagement sessions facilitated by the rules team, which was helpful to re-evaluate the rubric.





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## Proposed Draft Rubric

Social Equity Application Second Proposed Scoring Rubric			
Category	Eligibility Requirements	Point Scale	Overview of Feedback
1	Lived in a disproportionately impacted area (DIA).  <i>1-5 years:</i> <i>6-10 years:</i> <i>11+ years:</i>	15 20 40	<ul style="list-style-type: none"><li>Seven of Ten stakeholder's feedback disagreed with the initial proposed change and suggested there should not be any points for those living in a DIA less than 5 years.</li><li>Current rubric allows 40 points for living less than five years in a DIA.</li><li><b>The committee continued to support a reduction to 15 points for living less than five years in a DIA as part of the second proposed rubric.</b></li></ul>
2	Applicant convicted of a cannabis offense.	40	<ul style="list-style-type: none"><li>Six of Twelve stakeholder's feedback disagreed with the proposed change.</li><li>Initial proposed rubric considered combining categories 2 and 2a while removing the language of "cannabis" to allow a general "drug" offense. The effort was to reduce barriers some applicants experienced to gather documentation that stated cannabis as the basis for offense.</li><li>The committee considered reinstating language for "cannabis" offense.</li><li><b>The committee considered to keep the category separated between "cannabis" and "drug" offenses and to score a "cannabis" related offense with a higher score than "drug" offense.</b></li></ul>
2a	Family member convicted of a cannabis offense.	15	<ul style="list-style-type: none"><li>Six of Twelve stakeholder's feedback disagreed with the proposed change.</li><li>Same factors are considered for category 2a as with 2.</li><li>The factor of family members who have a cannabis offense would garner a lower score to keep higher points for the actual applicant with a cannabis offense.</li></ul>



# Washington State Liquor and Cannabis Board

## Proposed Draft Rubric, Cont.

Social Equity Application Second Proposed Scoring Rubric			
Category	Eligibility Requirements	Point Scale	Overview of Feedback
3	Applicant convicted of a drug offense.  <i>This is for a non-cannabis drug offense</i>	15	<ul style="list-style-type: none"> <li>The initial proposed rubric considered combining categories 3 and 3a as part general “drug” offense. Six of Twelve stakeholder’s feedback disagreed with the proposed change.</li> <li><b>The committee reinstated the factor of an applicant with a “drug” offense for this category to garner a lower score to keep higher points for those with a “cannabis” offense.</b></li> </ul>
3a	Family member convicted of a drug offense.  <i>This is for a non-cannabis drug offense</i>	5	<ul style="list-style-type: none"> <li>Six of Twelve stakeholder’s feedback disagreed with the proposed change.</li> <li>Factors are considered for category 3a as with 3.</li> <li><b>The committee reinstated the factor of family members who have a “drug” offense would garner a lower score than a family member with a “cannabis” offense.</b></li> </ul>
4	If you were convicted of a cannabis offense, what type of sentence did you receive?  <i>Fine:</i> <i>Served Probation or Home Confinement:</i> <i>Served time in jail or prison:</i>	10 30 80	<ul style="list-style-type: none"> <li>Four of Five stakeholder’s feedback disagreed with the proposed change.</li> <li>The committee reinstated the language of “cannabis” offense for this category.</li> <li><b>The committee reinstate “home confinement” to this category.</b></li> <li><b>The committee discussed that cannabis offenses can be imposed in any state.</b></li> <li>Some states allow “home confinement” as a sentence for a cannabis offense.</li> <li>HB 2870 and SB 5080 do not specify that a “cannabis offense” must have occurred in the State of Washington. The offense must have occurred during the period of 1980 through 2010, to be considered for review.</li> <li>All applicants applying for a cannabis license must have Washington State residency and have resided in the State of Washington for at least six months prior to application.</li> </ul>



# Washington State Liquor and Cannabis Board

## Proposed Draft Rubric, Cont.

Social Equity Application Second Proposed Scoring Rubric			
Category	Eligibility Requirements	Point Scale	Overview of Feedback
5	Is your household income less than the median household income within the state of Washington as calculated by the United States Census Bureau?	15	<ul style="list-style-type: none"><li>Stakeholder's feedback out of 5 was varied some in agreement and some advocating to increase points.</li><li>The committee discussed that only an applicant's most recent year of income is allowed when applying for the Social Equity Program per statute. Income may or may not directly relate to impacts related to cannabis and the war on drugs.</li><li>The committee discussed deleting this category. <b>The decision was to keep the category with reduced points.</b></li></ul>
6	<p>a. Did you own a medical cannabis dispensary or collective garden, licensed as a business prior to July 1, 2016?</p> <p>or</p> <p>b. Did you own a medical cannabis dispensary or collective garden licensed as a business in a DIA?</p>	<p>If a.: 10</p> <p>If b.: 30</p>	<ul style="list-style-type: none"><li>Three of Ten stakeholder's provided feedback to increase points for this category.</li><li>Seven of Ten stakeholder's feedback varied.</li><li>The committee continued to support the language to be specific to "owning" a dispensary.</li></ul>
7	Did you apply, qualify, and receive a score during the last Social Equity application window under HB2870 but not move forward to the application process?	15	<ul style="list-style-type: none"><li>The committee agreed upon adding this additional rubric category.</li></ul>



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## Proposed Sections Removed

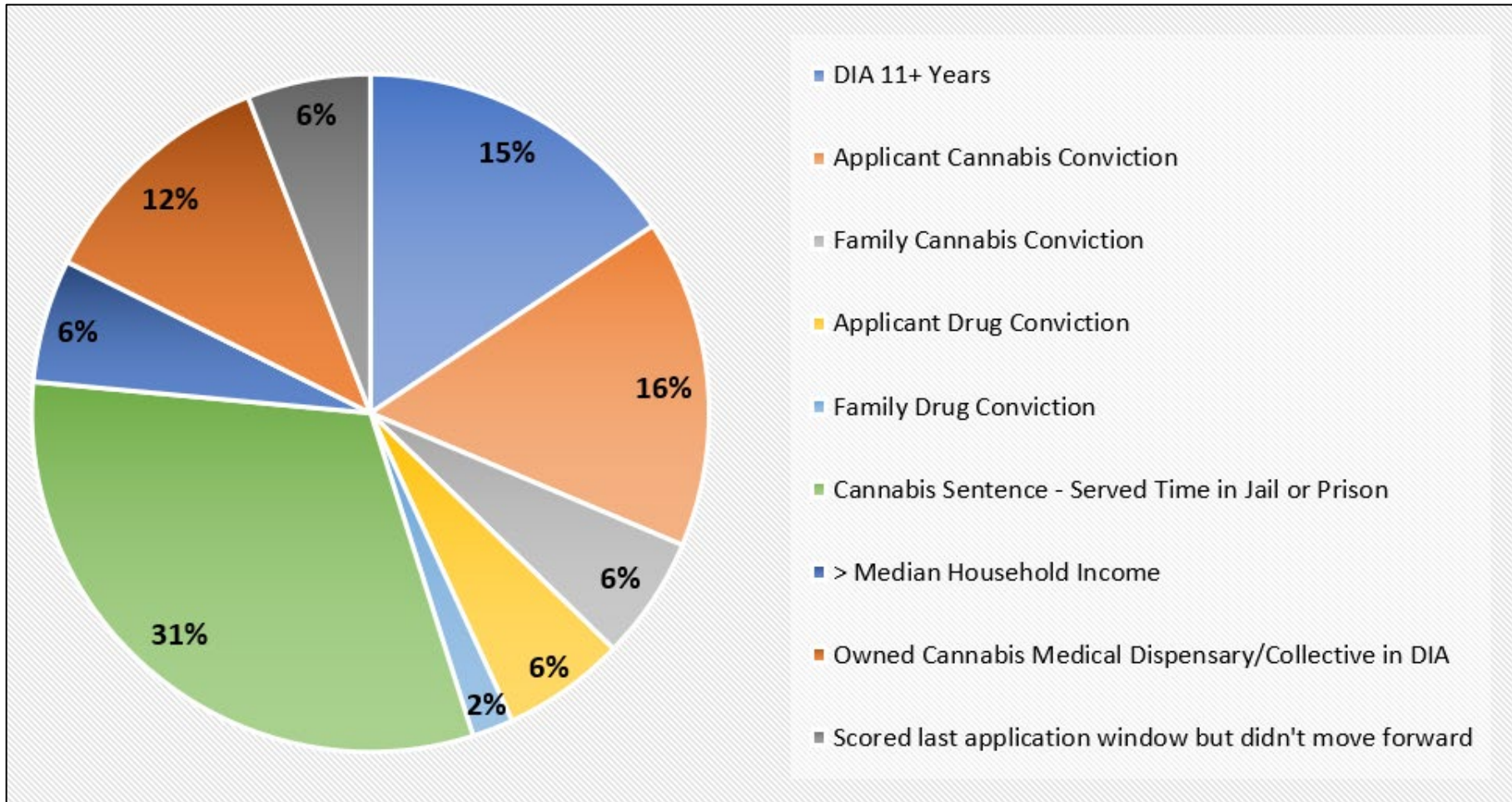
Social Equity Application Second Proposed Scoring Rubric

Removed Category	Eligibility Requirements	Point Scale	Overview of Feedback
5	Did you or your family member's incarceration keep you from getting employment?	5	<ul style="list-style-type: none"><li>The committee recognized this category was difficult for applicants to provide documentation to support.</li><li>Applicants relied on affidavits and the number of points did not have the most significance.</li></ul>
6	Did you lose your home or ability to purchase a home or rent a home as a result of your convictions or arrests?	5	<ul style="list-style-type: none"><li>The committee recognized this category was difficult for applicants to provide documentation to support.</li><li>Applicants relied on affidavits and the number of points did not have the most significance.</li></ul>
9	Have you held or do you currently hold 51 percent majority/controlling interest of a state cannabis (marijuana) retailer license?	10	<ul style="list-style-type: none"><li>We heard from community members that they felt pushed out of the industry and wanted to incorporate consideration for these individuals in obtaining a social equity license.</li></ul>



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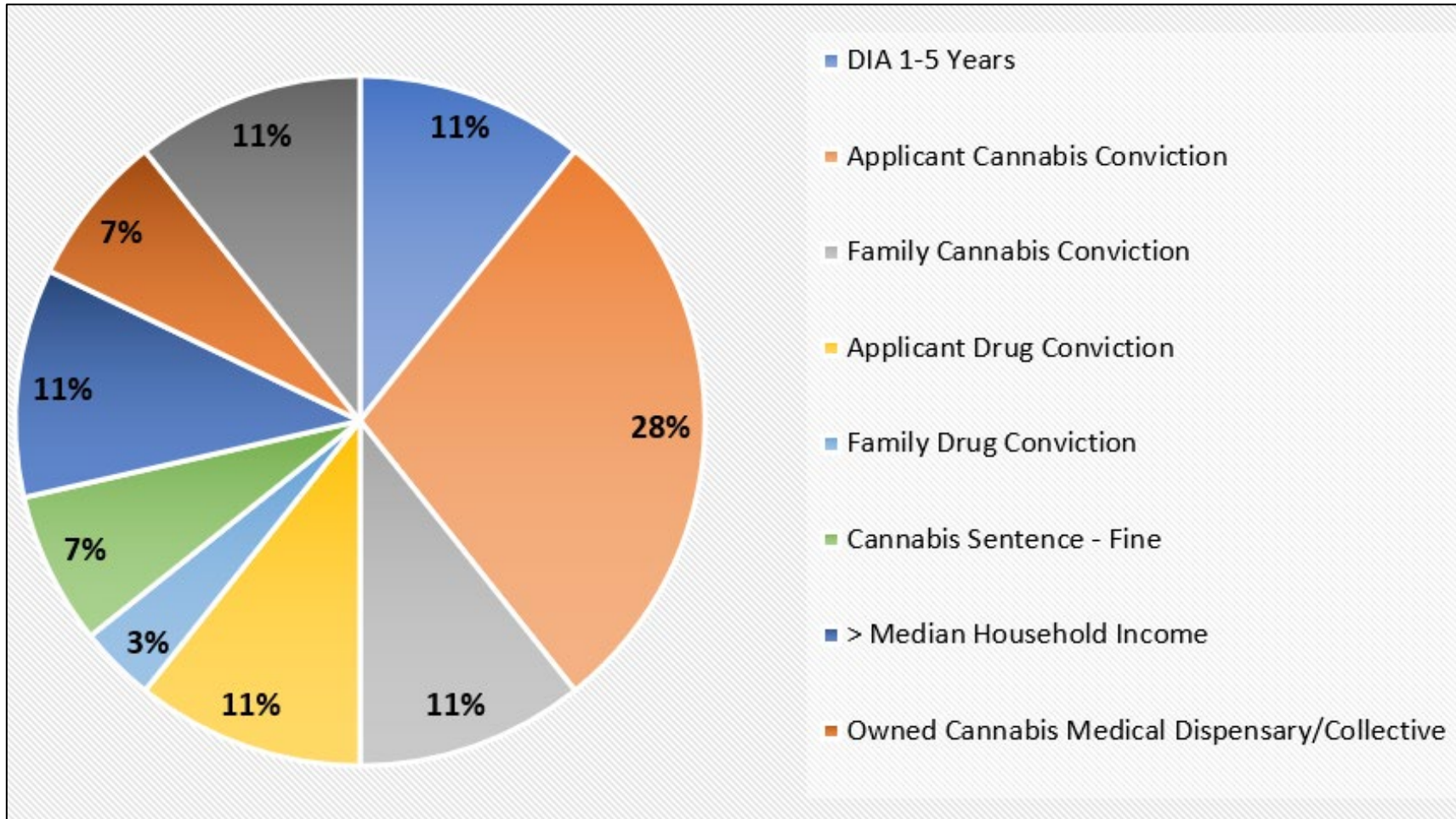
## Percentage of Criteria – Highest Score of the three Variables





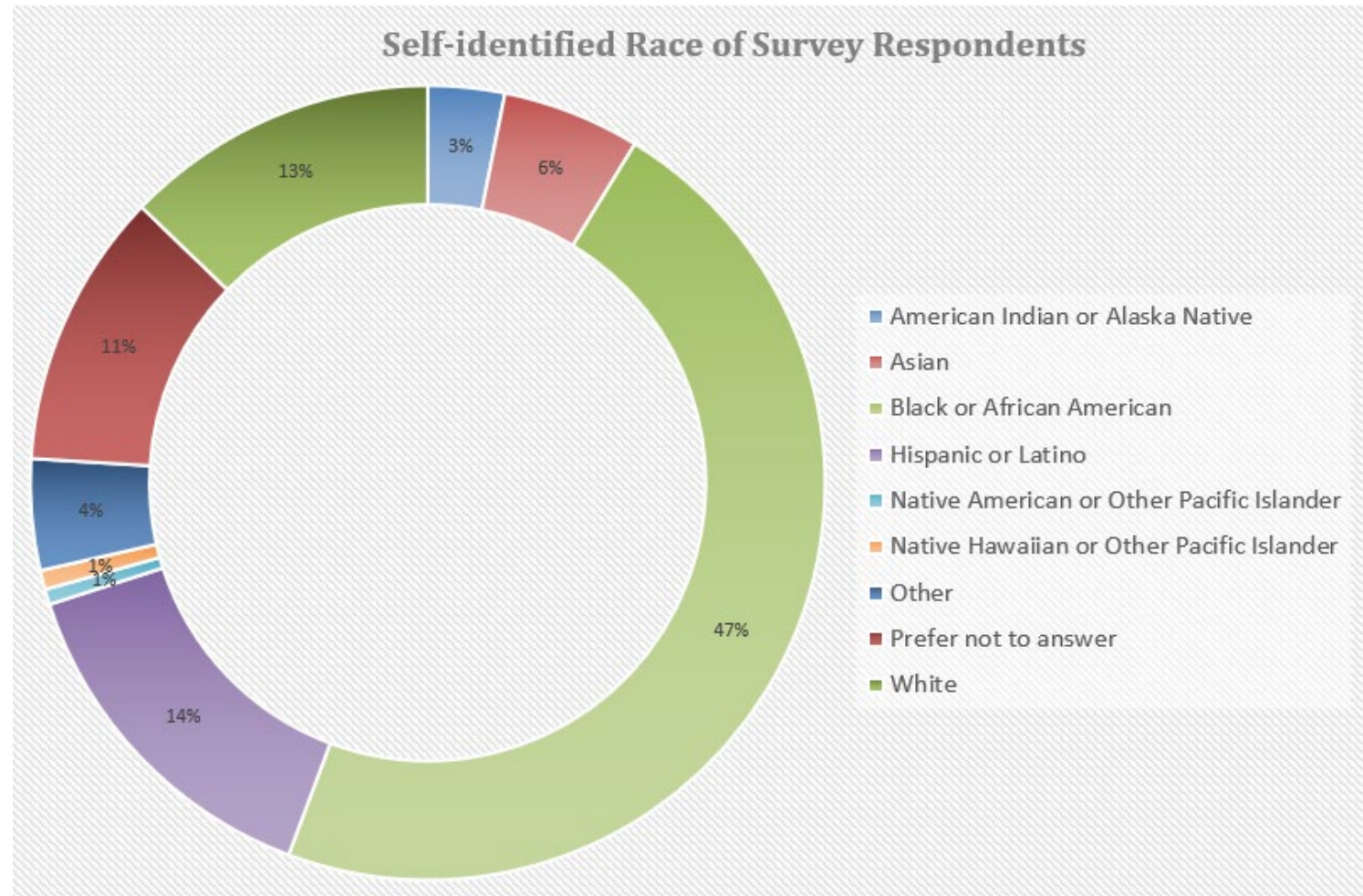
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## Percentage of Criteria – Lowest Score of the three Variables





## Initial Social Equity Applicant Demographics





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**Thank You!**

