



## Washington State Liquor and Cannabis Board

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**Topic:** Petition for Adoption, Amendment, or Repeal of a State Administrative Rule – Replacing CCRS.  
**Date:** November 20, 2024  
**Presented by:** Denise Laflamme, Policy & Rules Coordinator

### Background

On October 2, 2024, Peter Peterson (“Petitioner”) submitted a Petition for adoption, amendment or repeal of a state administrative rule requesting that LCB fix CCRS and create a system that works. The Petitioner is requesting that the LCB replace the existing Cannabis Central Reporting System (CCRS) with an improved reporting system.

#### *Rationale for Replacing CCRS*

The Petitioner asserts the current CCRS disrupts business transactions because it takes an excessive amount of time to get confirmations back. The following outlines the Petitioner’s rational for the requested change:

1. **Does not meet the needs of licensees:** Petitioner asserts that CCRS uses an outdated spreadsheet format that is unworkable for stakeholders.
2. **Disrupts business practices:** Petitioner reports it takes an excessive amount of time to confirm that required information is uploaded into CCRS.

The petitioner did not cite specific amendments to a WAC section and acknowledged in a follow-up email that nothing in WAC specifically references CCRS other than traceability as a whole.

#### *History of Traceability systems at LCB*

Three different systems have been used for traceability requirements since 2013. From 2013 until 2017, BioTrack THC was used. In 2017, BioTrack THC was replaced with Leaf Data System (MJ Freeway). After system deficiencies with the Leaf Data System were identified, LCB put in place CCRS as a stop-gap system to maintain data reporting while a more long-term system was identified.

Currently LCB is evaluating a long-term solution for traceability reporting under the agency’s Cannabis Traceability Project. The Cannabis Traceability Project is in Phase 1 that consists of a feasibility study of different aspects of how a new system would work as well as gathering stakeholder and community engagement. A traceability system could provide real-time updates whenever cannabis is moved or sold, as opposed to the current minimum weekly reporting under CCRS.

Dustin Brown, LCB Community Engagements Specialist with the Traceability Project, has provided information to the petitioner related to questions about the Traceability Project including current activities and next steps.

## *Current Rules*

As provided in [WAC 314-55-083](#)(4), licensees must track cannabis from seed to sale. Cannabis seedlings, clones, plants, lots of useable cannabis or trim, leaves, and other plant matter, batches of extracts, cannabis-infused products, samples, and cannabis waste must be traceable from production through processing and retailers. Traceability information must be entered into a system specified by the LCB and including inventory, transfer and destructions of plants and products and point-of-sale records.<sup>1</sup>

Chapter 314-55 WAC does not specify what system the LCB must use for traceability requirements.

## **Issue**

Whether the Board should accept or deny the petition for rulemaking to consider initiating formal rulemaking proceedings to amend WAC 314-55-083 or other rules to replace the existing CCRS system used to meet traceability requirements.

## **Analysis**

When making a recommendation to the Board regarding whether to accept or deny a petition for rulemaking, the Director's Office considers the following factors, as appropriate and to the extent practicable:

1. **Statutory Authority:** Whether the agency has the statutory authority to adopt the proposed rule.
2. **Statutory Obligation and Legislative Intent:** Whether the agency is statutorily obligated to consider or adopt the proposed rule, and determination of whether the proposed rule conflicts with legislative intent or statutory obligations.
3. **Consistency with Existing Laws and Rules:** Whether the proposed rule conflicts with or duplicates other state, federal, or local laws.
4. **Agency Priorities:** Alignment of the proposed rule with the agency's priorities and strategic goals; and whether the Petitioner's concerns are being addressed either through rulemaking or otherwise.
5. **Public interest:** Whether the proposed rule serves the public interest; consideration of the potential impact on public health, safety, and welfare; and level of interest in the proposed change.
6. **Merits of the Petitioner's Request:** Thorough review of the merits and supporting arguments provided by the Petitioner.
7. **Necessity and Reasonability:** Assessing whether the proposed rule addresses a clearly identified problem with sufficient evidence; and considerations of reasonable alternatives to ensure the rule is essential and practical.
8. **Risks and Unintended Consequences:** Evaluation of potential risks and unintended consequences associated with implementing the proposed rule; and consideration of possible negative outcomes or challenges that may arise from the proposed changes.

9. **Alternatives:** Whether there are less costly or less intrusive alternatives to address the Petitioner's concerns.
10. **Economic Impact:** Evaluation of the economic impact of the proposed rule on businesses, government entities, and the public; and assessment of whether the benefits of the proposed rule justify the costs.
11. **Equity Impact:** Evaluation of how the proposed rule affects equity, including impacts on historically marginalized and disadvantaged communities.
12. **Interagency and Intra-agency Coordination and Impacts:** Assessment of how the proposed rule affects other agencies and intra-agency resources and functions; and consideration of potential coordination or conflict with other agencies' rules and operations.
13. **Tribal Relations:** Evaluate the necessity for consultation with affected Tribal governments, respecting their sovereignty and unique status.
14. **Local Government Impact:** Assess the effect of the proposed rule on local governments, including cities, towns, or counties.

### *Rulemaking Process*

As provided in the Administrative Procedures Act (APA), chapter [34.05](#) RCW, if the Board accepts a petition for rulemaking, a CR-101 (Preproposal Statement of Inquiry) is filed to notify the public that the agency is considering rulemaking on the proposed topic. The CR-101 filing initiates the preliminary phase where the agency gathers information, conducts research, and seeks input from interested parties to assess whether rulemaking is needed and/or how a regulation should be modified to ensure the most favorable outcomes. If it is determined that rulemaking is necessary, the agency will draft the proposed rule and proceed to file a CR-102 (Proposed Rulemaking), formally beginning the rulemaking process which includes public hearings and a comment period before finalizing the rule with a CR-103 (Rule Adoption). Rules are typically effective 31 days after filing unless otherwise specified.

### *Appeals Process*

Under the [Administration Procedure Act \(APA\)](#), the Petitioner has the right to appeal the Board's decision to the Governor. Per [RCW 34.05.330\(3\)](#), within 30 days of a denial, the petitioner may appeal the denial to the governor. This can be done through a letter to the Governor.<sup>2</sup>

### **Statutory Authority**

[RCW 69.50.342](#) gives LCB authority to adopt rules regarding recording keeping and reporting to the LCB. The statute provides a broader legal framework for the control and regulation of cannabis but does not specify what information is required to be reported as part of tracking cannabis products and sales.<sup>1</sup> The specific reporting requirements

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<sup>1</sup> RCW [69.50.342](#) identifies the Board's authority to engage in rulemaking including, but not limited to, the books and records to be created and maintained by licensees, the reports to be made thereon to the board, and inspection of the books and records.

are set by rules ([WAC 314-55-083](#)) implemented by LCB under their statutory authority to regulate cannabis products. These rules are created under the authority granted by the statute but are not detailed in the RCW itself. Therefore, while the statutory law (RCW 69.50) provides the legal foundation for the regulation, the specific framework for what information is required for traceability is established through administrative rules.

*Traceability requirements.*

## **Statutory Obligation and Legislative Intent**

As part of the LCB's statutory obligations under the Revised Code of Washington (RCW) 69.50, the LCB is mandated to regulate the production, distribution, and sale of cannabis to protect health and safety. The legislative intent behind these regulations emphasizes the need for strict control of cannabis products to prevent diversion into the unregulated marketplace.

## **Agency Priorities**

The LCB is currently evaluating a replacement for CCRS under the agency's new Traceability Project that began in 2023. The goal of the Traceability Project is to identify and implement a cannabis tracking and reporting system to replace the existing CCRS. Phase 1 of the Traceability Project includes a survey of the cannabis industry in addition to other outreach activities for collecting information for a Feasibility Study. LCB has submitted a 2025-27 budget decision package for continued funding of Traceability Project staff to complete a feasibility study and to support community engagement work.

## **Consistency with Existing Laws and Rules**

Any system replacing CCRS will need to comply with existing laws and rules related to traceability requirements under RCW 69.50 and chapter 314-55 WAC.

## **Public Interest**

LCB is currently collecting input from the cannabis industry and stakeholders as part of the Cannabis Traceability Project Survey (Phase 1 – 2024).<sup>3</sup> This online survey opened on July 15, 2024, and runs through December 31, 2024. Survey participants can provide input on their current processes and use of the existing CCRS system as well identify what functionality and preferences they want in a new traceability system.<sup>4</sup>

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RCW [69.50.345](#) identifies the Board's authority to engage in rulemaking including establishing classes of cannabis, cannabis concentrates, useable cannabis, and cannabis-infused products according to grade, condition, cannabinoid profile, THC concentration, CBD concentration, or other qualitative measurements deemed appropriate by the board.

## **Potential Benefits**

Improving the LCB cannabis traceability system could have several benefits for licensees and stakeholders including streamlining data reporting, improved data accessibility of real time data for quality control and other activities, and reduced time needed for data to be uploaded.

Improving the LCB cannabis traceability system could have several benefits for LCB staff and programs including improving accessibility to data for informing policy and responding to legislative requests, and allowing real time access to data to address sales, licensing, and enforcement activities.

## **Risks and Unintended Consequences**

The transition to a new system may disrupt reporting for some period of time as licensees and other reporters adapt to changes. Training will be needed for licensees and other reporters on any new system.

## **Necessity and Reasonableness**

Based on ongoing reports from the industry about the shortcomings of using the current CCRS, the LCB initiated the Traceability Project with the goal of gathering input from stakeholders and collecting other information needed to explore options for replacing CCRS.

**Economic Impact** – Will be evaluated during later phases as part of the Traceability Project.

**Equity Impacts** - Will be evaluated during later phases as part of the Traceability Project.

### **Intra-agency Impacts**

Licensing and Regulation Division: Impacts will be evaluated during later phases as part of the Traceability Project.

Enforcement & Education Division: Impacts will be evaluated during later phases as part of the Traceability Project.

Finance Division: Impacts will be evaluated during later phases as part of the Traceability Project.

IT Division: Impacts to IT will be evaluated in later phases of the Traceability Project.

### **Interagency Impacts**

The LCB Traceability Project is soliciting input from other agencies, including the Washington State Department of Health and the Washington State Department of Agriculture, during the Phase 1 Feasibility Study.

**Tribal Relations**

The LCB Traceability Project is soliciting input from Tribes during the Phase 1 Feasibility Study.

**Local Government Relations**

Impacts will be evaluated during later phases as part of the Traceability Project.

**Conclusion**

Rulemaking is not required for LCB to replace CCRS because existing rules, including WAC 314-55-083, do not specify what system LCB needs to use for collecting and managing cannabis traceability information. Considering that LCB is currently exploring the feasibility and options for replacing CCRS as part of the agency’s ongoing Traceability Project, the petitioner’s request is already being addressed.

**Recommendation**

Based on the reasons described above, the Director’s Office staff recommend that consistent with [RCW 34.05.330\(1\)\(a\)](#), the Board deny the petition for adoption, repeal or amendment of rules related to replacing CCRS system.

**Board Action**

After considering the recommendation of Director’s Office staff, the Board accepts/denies the petition for rulemaking submitted by Peter Peterson on October 2, 2024.

_____ Accept _____ Deny	_____	_____
	David Postman, Chair	Date
_____ Accept _____ Deny	_____	_____
	Ollie Garrett, Board Member	Date
_____ Accept _____ Deny	_____	_____
	Jim Vollendroff, Board Member	Date

**Attachments:**

- 1. Petition form and related emails from Petitioner
- 2. Traceability Project Industry Survey (July – Dec. 2024)


<sup>1</sup> WAC 314-55-083 (4) Traceability required information:

- (a) Key notification of "events," such as when a plant enters the system (moved from the seedling or clone area to the vegetation production area at a young age);
- (b) When plants are to be partially or fully harvested or destroyed;
- (c) When a lot or batch of cannabis, cannabis extract, cannabis concentrates, cannabis-infused product, or cannabis waste is to be destroyed;
- (d) When useable cannabis, cannabis concentrates, or cannabis-infused products are transported;
- (e) Any theft of useable cannabis, cannabis seedlings, clones, plants, trim or other plant material, extract, infused product, seed, plant tissue or other item containing cannabis;
- (f) All cannabis plants eight or more inches in height or width must be physically tagged and tracked individually;
- (g) A complete inventory of all cannabis, seeds, plant tissue, seedlings, clones, all plants, lots of useable cannabis or trim, leaves, and other plant matter, batches of extract, cannabis concentrates, cannabis-infused products, and cannabis waste;
- (h) All cannabis, useable cannabis, cannabis-infused products, cannabis concentrates, seeds, plant tissue, clone lots, and cannabis waste must be physically tagged with the unique identifier generated by the traceability system and tracked;
- (i) All point-of-sale records;
- (j) Cannabis excise tax records, including records required for medical cannabis patient excise tax exemptions in WAC [314-55-090](#);
- (k) All samples sent to an independent testing lab, any sample of unused portion of a sample returned to a licensee, and the quality assurance test results;
- (l) All vendor samples provided to another licensee for purposes of education or negotiating a sale;
- (m) All samples used for testing for quality by the producer or processor;
- (n) Samples containing useable cannabis provided to retailers;
- (o) Samples provided to the LCB or their designee for quality assurance compliance checks; and
- (p) Other information specified by the board.

<sup>2</sup> <https://governor.wa.gov/contacting-governor/contacting-governors-office/contact-gov-inslee>

<sup>3</sup> LCB GovDelivery Oct. 14, 2024. You're invited: cannabis traceability (Phase 1- 2024) Project Survey. Available at: <https://lcb.wa.gov/examiners>

<sup>4</sup> Medium.com. Share your thoughts: engaging with the Cannabis Traceability Project. Available at: <https://medium.com/wslcb-topics-and-trends/share-your-thoughts-engaging-with-the-cannabis-traceability-project-30a77bc8e645>



**Washington State  
Liquor and Cannabis Board**

### Your Voice Matters in the New Cannabis Traceability Project!

**Help Shape the Future of Cannabis in Washington State!**

We're inviting all cannabis industry members to take a brief, 15-minute survey to share your insights and experiences.

You can help the LCB improve cannabis traceability systems and ensure a secure, efficient, and transparent industry.

**Why Take the Survey?**

- Influence key decisions affecting the cannabis industry.
- Be part of the conversation that will guide future regulations.

**How to Participate:**  
Scan the QR code with your phone to start the survey.

To learn more about the New Cannabis Traceability Project, view our cannabis industry newsletter at: [medium.com/wslcb-topics-and-trends/cannabis/home](https://medium.com/wslcb-topics-and-trends/cannabis/home) or contact us at [dustin.brown@lcb.wa.gov](mailto:dustin.brown@lcb.wa.gov) or 360-974-9355.

