

Individual State Agency Fiscal Note

Revised

Bill Number: 1341 HB	Title: Cannabis license ownership	Agency: 195-Liquor and Cannabis Board
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.9	2.5	2.7	2.5	2.5
Account					
Dedicated Cannabis Account-State 315-1	639,631	255,508	895,139	511,016	511,016
Total \$	639,631	255,508	895,139	511,016	511,016

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 1) Adds language that a cannabis producer's or retailers license shall be \$250 plus any additional application or licensing fee required under RCW 69.50.331(1). See section 3.

Section 2) The LCB must suspend a cannabis producer's license if no activity has been recorded on the license after July 1, 2021. A suspended license under this section must be reissued to the licensee when a) federal law allows for the interstate transfer of cannabis between authorized cannabis-related businesses, OR, the USDOJ issues an opinion or memorandum allowing or tolerating the interstate transfer of cannabis between authorized cannabis-related businesses.

Section 3) Strikes prohibitions on residency requirements for producer, processor, researcher, transporter, or delivery cannabis licenses.

Section 3) – RCW 69.50.331 - The LCB may impose additional licensing fees to recover additional costs incurred in investigating a nonresident required to be investigated under this section.

Sections 1 and 3 of this act take effect January 1, 2024.

Section 2 takes effect July 1, 2023.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

The Washington State Liquor and Cannabis Board ("Board") may impose additional licensing fees to recover additional costs incurred in investigating a nonresident required to be investigated under this legislation. However, it is unknown what, if any fees, that the Board may impose. Therefore, the estimate of receipts is indeterminate.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

BOARD DIVISION:

The Washington State Liquor and Cannabis Board ("Board") is currently in the middle of a project to upgrade the agency's internal licensing and enforcement systems. The Licensing, Enforcement, Education, and Administrative Data Systems (LEEADS) is expected to go live July 1, 2024. There are change request costs associated with this legislation that will have to be submitted to the vendor. The estimated costs for these change requests is \$45,000 in FY24.

LICENSING DIVISION:

The Board can use existing resources for processing out of state ownership applications. For tracking producers that are "not active" and suspending their license, the agency would need 1 Customer Service Specialist 3 and 1 Program Specialist 4 to support the program.

1.0 FTE Customer Service Specialist 3 - \$76,457/yr (\$73,687 salary/benefits, \$2,770 in associated costs). Onetime costs in FY24 of \$6,105 for equipment purchases.

1.0 FTE Program Specialist 4 - \$107,704/yr (\$104,934 salary/benefits, \$2,770 in associated costs). Onetime costs in FY24

of \$6,105 for equipment purchases.

ENFORCEMENT DIVISION:

The Board keeps detailed statistics on all of its enforcement activities and tracks this activity using a unit of measure called a Field Increment (FI). All direct enforcement activities such as premise checks, inspections and investigations are tracked to determine how many FI's are needed to accomplish each activity. Each FI is equivalent to 1/10th of an hour (6 minutes). For example, if a tavern premise check takes 2 FI's and two officers, it is anticipated that one check will consume 4 FI's. Using historical data to factor out indirect activities such as driving time, training, office time and leave, it has been determined that officers are available for an average of 4,220 FI's each year.

Please see the attached "1341 HB Cannabis license ownership - Enforcement Field Increment Calculator.pdf" for workload calculations on checks of inactive producers (section 2) and costs for background checks on out-of-state applicants (section 3).

Premise checks and inventory audits of inactive producers:

0.1 FTE LCB Enforcement Officer 2 - \$12,286/yr (\$10,700 salary/benefits, \$1,586 in associated costs).

0.1 FTE Administrative Regulations Analyst 3 - \$11,074/yr (\$9,488 salary/benefits, \$1,586 in associated costs).

Background checks on out-of-state applicants:

0.3 FTE Program Specialist 3 - \$30,359/yr (\$29,528 salary/benefits, \$831 in associated costs).

Background check costs charged by other agencies: \$17,628/yr (estimated 659 checks/yr with an average cost of \$26.75 per check).

INFORMATION TECHNOLOGY DIVISION:

IT Investments – Approval and Oversight. The Office of the Chief Information Officer (OCIO) defines a major technology investment as one having a total cost that includes a combined level of effort of more than \$500,000 OR has a duration longer than 4-months.

If the agency fiscal note analysis anticipates one or both of these criteria being met, the agency is required under OCIO Policy #121 to submit an online self-assessment via OCIO's Information Technology Assessment Tool (ITPA) speaking to effort size, risk and expected impact on citizens and state operations. If the agency assumes that OCIO's formal decision is to place the project/effort under formal OCIO oversight, the agency would be required under OCIO Policy #132 to have external Quality Assurance (QA) services present at all stages of the project, from feasibility through implementation.

The agency currently estimates that cost at \$160/hr over the estimated lifetime of the project/effort.

The agency would have one-time costs in FY24 to implement this legislation:

-iSeries changes by contractor (\$150/hr x 400 hours) = \$60,000

-OCIO quality assurance oversight (\$160/hr x 1,280 hours) = \$204,800

0.4 FTE IT App Development - Senior/Specialist - \$62,113 (\$61,685 salary/benefits, \$428 in associated costs).

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
315-1	Dedicated Cannabis Account	State	639,631	255,508	895,139	511,016	511,016
Total \$			639,631	255,508	895,139	511,016	511,016

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	2.9	2.5	2.7	2.5	2.5
A-Salaries and Wages	211,778	164,291	376,069	328,582	328,582
B-Employee Benefits	78,244	64,046	142,290	128,092	128,092
C-Professional Service Contracts	309,800		309,800		
E-Goods and Other Services	25,187	24,549	49,736	49,098	49,098
G-Travel	2,232	2,232	4,464	4,464	4,464
J-Capital Outlays	12,390	390	12,780	780	780
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	639,631	255,508	895,139	511,016	511,016

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Administrative Regulations Analyst 3	75,120	0.1	0.1	0.1	0.1	0.1
Customer Service Specialist 3	50,592	1.0	1.0	1.0	1.0	1.0
IT App Development - Senior/Specialist	118,716	0.4		0.2		
LCB Enforcement Officer 2	77,028	0.1	0.1	0.1	0.1	0.1
Program Specialist 3	71,520	0.3	0.3	0.3	0.3	0.3
Program Specialist 4	77,028	1.0	1.0	1.0	1.0	1.0
Total FTEs		2.9	2.5	2.7	2.5	2.5

III. D - Expenditures By Program (optional)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Board Division (010)	45,000		45,000		
Licensing Division (050)	196,371	184,161	380,532	368,322	368,322
Enforcement Division (060)	71,347	71,347	142,694	142,694	142,694
Information Technology Division (070)	326,913		326,913		
Total \$	639,631	255,508	895,139	511,016	511,016

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

New rules will be needed under section 2 (suspension of inactive producers) and section 3 (out-of-state ownership).

Enforcement Field Increment (FI) Calculator

1341 HB: "Cannabis license ownership"

	Number of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Cannabis Premises Check (Non-Retail)	25	10	1	325	107	215
Cannabis Inventory Audits	1	60	3	188	188	

				Total FI's	513	295	215
				Total Field Increments per FTE	4,220	4,220	4,220
				FTE's required	0.12	0.07	0.05
				Round	0.20	0.10	0.10

Field activity assumptions

Number of inactive locations	25
Cannabis Premises Check (Non-Retail)	100%
Cannabis Inventory Audits	5%

Background check assumptions

Out of state background checks (per year)	659
Average fee charged by other agencies	\$26.75
Total cost per year, background check fees	\$17,628.25
Increased work load for staff	0.3 FTE PS3



Ten-Year Analysis

Bill Number 1341 HB	Title Cannabis license ownership	Agency 195 Liquor and Cannabis Board
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts

 Partially Indeterminate Cash Receipts

 Indeterminate Cash Receipts

Estimated Cash Receipts

Name of Tax or Fee	Acct Code											
Total												

Biennial Totals

Narrative Explanation (Required for Indeterminate Cash Receipts)

The Washington State Liquor and Cannabis Board ("Board") may impose additional licensing fees to recover additional costs incurred in investigating a nonresident requi to be investigated under this legislation. However, it is unknown what, if any fees, that the Board may impose. Therefore, the estimate of receipts is indeterminate.

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